



National Audit Office

**REPORT BY THE
COMPTROLLER AND
AUDITOR GENERAL**

**HC 1698
SESSION 2010–2012**

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HM Treasury and Cabinet Office

Assurance for major projects

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National Audit Office

HM Treasury and Cabinet Office

Assurance for major projects

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Amyas Morse
Comptroller and
Auditor General

National Audit Office

27 April 2012

This report examines the new central assurance system. It assesses how effectively all of the organisations in the system are working together to address the problems we identified in our 2010 report.

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The National Audit Office study team consisted of:

Jonathan Bayliss, Andrew Cranidge, Natalie Low, Scott McMillan and Alec Steel, under the direction of Keith Davis.

This report can be found on the National Audit Office website at www.nao.org.uk/major-projects-assurance-2012

For further information about the National Audit Office please contact:

National Audit Office
Press Office
157–197 Buckingham Palace Road
Victoria
London
SW1W 9SP

Tel: 020 7798 7400

Email: enquiries@nao.gsi.gov.uk

Website: www.nao.org.uk

Twitter: @NAOorguk

Key facts

205

projects in the
government major
projects portfolio

£376bn

whole-life cost of
the projects in the
government major
projects portfolio

£6.3m

estimated annual cost of
the assurance system

£14.6 billion in-year cost of the projects in the government major projects portfolio in 2011-12

92 per cent of the whole-life costs in the government major projects portfolio are from projects from five departments

72 Ministry of Defence projects in the government major projects portfolio

172 assurance reviews completed in 2011-12 which were arranged and managed by the Major Projects Authority

205 estimate for planned assurance interventions in 2012-13

Summary

Background

1 Central government's major projects are frequently large scale, innovative, reliant on complex relationships between diverse stakeholders, and high risk. They include the introduction of large IT systems, the construction of defence equipment such as ships and helicopters, and the implementation of major changes to how services are delivered by government. They must be well planned and executed in order to be delivered on time and on budget.

2 Government must find ways to avoid repeating the poor performance which has led to previous high profile project failures. Alongside measures to increase the project management skills of its staff, an effective system that gives assurance over project progress is critical for ensuring successful outcomes.

What is assurance?

Assurance is an independent assessment of whether the required elements to deliver projects successfully, such as good project management practices and appropriate funding and skills, are in place and operating effectively. This assessment will be reported to stakeholders. In government projects stakeholders can be the project's senior responsible owner, the department's Accounting Officer, or HM Treasury as the provider of the project funding. Assurance opinion is accompanied by recommendations which, if implemented, can help reduce project failure, promote successful conditions and increase the chance of delivering the required outcome cost-effectively.

Assurance can take a number of different forms. It can be 'internal', for example, undertaken by an internal audit unit, or 'external', where another body is responsible for the review. It can be 'planned', where it is scheduled at the outset of a project to meet a specific requirement during its life cycle, or 'consequential', where it is triggered by an event during a project, such as concerns about a project's performance against its plan. It can be 'point-in-time', in the form of a discrete review over a short period, or 'continuous', where the assurance is ongoing and reviewers are embedded alongside the project team.

3 In 2010, we set out the good practice principles that would be present in a mature and effective assurance system. We reviewed the system for assuring government's major projects and found a number of significant performance gaps. These included:

- no coordinated central assurance system design;
- variability in how departments engage with the central assurance system; and
- a failure to systematically capture or use information and learning from assurance to improve project performance.

4 The government agreed with our assessment that the central system for assuring major projects was not optimal. In response, it established the Major Projects Authority (the Authority) under a prime ministerial mandate. The Authority was launched in March 2011 as a partnership between Cabinet Office and HM Treasury, reporting jointly to the Minister for the Cabinet Office and the Chief Secretary to the Treasury.

5 The mandate makes it clear that the success of the central assurance system depends on a close chain of cooperation between the Authority and other parts of government. This includes departments' project and assurance teams, ministers and Accounting Officers, and the section of HM Treasury that approves project funding.

6 The Authority has an ambition to improve the performance of government's projects. In future years it will seek to improve project management skills and methodologies, but its first year objectives were:

- to develop the Government Major Projects Portfolio [an internal publication], in collaboration with departments, with regular reporting to Ministers;
- to require Integrated Assurance and Approval Plans for each major project or programme, including timetables for HM Treasury financial approvals;
- to make a Starting Gate Review, or equivalent, mandatory for all new projects and programmes;
- to escalate issues of concern to ministers and Accounting Officers;
- to provide additional assurance and direct involvement where projects are causing concern, including the provision of commercial and operational support;
- to require publication of project information consistent with the Coalition's transparency agenda;
- to work with departments to build capability in project and programme management; and
- to publish an annual report on government's major projects.

7 The extent of what the Authority can achieve on its own is limited. For example, HM Treasury's investment decisions should draw on the Authority's recommendations but the Authority cannot stop projects or withdraw funding. Similarly, the Authority is not accountable for delivering project outcomes successfully but its recommendations should influence the decisions taken on projects. Senior responsible owners in charge of projects must either implement the recommendations or formally declare why they have not taken action. **Figure 1** shows some of the responsibilities of the organisations that are part of the assurance system.

Figure 1

Responsibilities of the organisations within the central assurance system

Organisation	Key responsibilities
Departments	<ul style="list-style-type: none"> Comply with Prime Minister's mandate Review project information and provide assurance plan Provide staff for review teams Provide access to project staff and documentation Provide quarterly project information for portfolio report Use reports on the status of recommendations to trigger escalation or further intervention
The Major Projects Authority	<ul style="list-style-type: none"> Validate assurance plan in conjunction with HM Treasury Plan assurance reviews Arrange resource for reviews Provide project information to reviewers Produce and issue assurance reports Produce annual report on status of government major projects Produce Government Major Projects Portfolio report Arrange escalation Agree and manage updates to the assurance system
Accounting Officers	<ul style="list-style-type: none"> Act on assurance reports to meet financial responsibilities
HM Treasury	<ul style="list-style-type: none"> Validate assurance plan in conjunction with the Major Projects Authority Use assurance information to inform approval decisions Review portfolio spending data Assess financial commitment of the portfolio Agree and manage updates to the assurance system
Secretaries of State	<ul style="list-style-type: none"> Act on issues escalated by the Major Projects Authority

Source: National Audit Office

8 This report examines the new central assurance system. It does not examine departments' arrangements for internal assurance and approval. The report does not focus exclusively on the role of the Major Projects Authority. Instead, it examines how effectively all of the organisations in the system are working together to address the problems we identified in our 2010 report.

Key findings

9 The government has increased the maturity of the central assurance system. Given that the Authority has only existed since April 2011, it would be unreasonable to expect the new assurance system to be fully mature yet. However, the steps that have been taken so far have enabled it to progress in the right direction. The mandate for assurance is a necessary starting point to help the Authority secure the coordination and cooperation that is required from departments and HM Treasury. The Authority has used the mandate to obtain information on the nature of the portfolio and the assurance that is needed.

10 The focus on achieving the objectives in the mandate has led to significant successes for the Authority. The improvements made to the assurance system include better quality of government project data, better evidenced assurance reports to support decisions to cease funding failing projects, and the creation of an academy to improve the skills of project leaders. In particular:

- **Collecting project information quarterly is improving the visibility of the government major project portfolio.** There are 205 projects on the Government Major Project Portfolio, with a combined whole-life cost of £376 billion, and annual cost of £14.6 billion. The information collected includes data on project costs and benefits (both forecast and actual), key milestones and assessments of delivery confidence and risk level.
- **Introducing integrated assurance and approvals plans has strengthened the system's link between assurance and approval.** Where they exist, integrated assurance and approvals plans force departments to take a more disciplined approach to assurance and increase accountability. HM Treasury requires an assurance report at key stages of a project's life cycle before it decides whether to continue funding the project. The decision to dismantle the National Programme for IT in the NHS was taken after it was reviewed by the Authority in 2010.
- **The Authority's reviews are more exacting than those under the previous system.** The inclusion of hard evidence in reviews, that examines time, cost and quality issues, better informs HM Treasury approval decisions. Departments told us that the Authority's newest form of assurance, the 'project assurance review', is more likely to investigate detailed project specific issues rather than higher level, generic project delivery points.

- **The Authority introduced the Major Projects Leadership Academy to help build the skills of senior project leaders within the civil service to deliver complex projects.** Within five years, between 200 and 300 civil servants should have been trained in leadership and project delivery. The Authority aims to routinely move a small number of staff from the academy through its assurance team.

11 For the system to continue to benefit government into the future, it must be built to last. There must be a chain of close cooperation between the different organisations involved in the system. Some organisations are not yet engaging with the system in a consistent way, and useful information is not being shared and used to best effect. In particular:

- **Some departments have engaged poorly with the system.** Departments' compliance with the requirements of the mandate, such as providing government major project portfolio data and producing integrated assurance and approvals plans, has been of variable quality and completeness.
- **HM Treasury has not engaged as strongly as we would have expected at a senior level.** There is positive engagement at a working level, but senior sponsorship is important. The senior officials from HM Treasury's Public Spending Group only attended two of the six Authority board meetings between April and December 2011, while a representative of Infrastructure UK, a unit within HM Treasury, attended four out of the six.
- **The Authority has not yet developed a formal system to capture, analyse and share insights from individual projects and reviews.** Disseminating lessons across the wider portfolio depends on informal contact between the Authority and departments' staff. Without a systematic approach, the Authority could miss cross-cutting trends, lessons and examples of good practice. The Authority intends to develop such an approach shortly.
- **Government major project portfolio data is not being used to manage the government's balance sheet.** The data allows the Authority to identify issues across the portfolio, for example some individuals in the Ministry of Defence being the senior responsible owners for more than five projects, but more could be done. HM Treasury has a role in managing all the government's assets and liabilities, but in the period between spending reviews Treasury officials do not believe its role is to routinely consider the cross-government portfolio perspective when making investment decisions. Such an approach would enable the Treasury to spot potential problems, address them when they occur and reallocate resources to meet priorities.
- **Cabinet Office, HM Treasury and the departments have not yet agreed how to publish project information.** Reporting project information publicly provides greater accountability for projects and helps improve outcomes. Regular transparent reporting of performance also encourages engagement with the system by highlighting its successes as well as any instances of non-compliance. However, although discussions are under way, Cabinet Office, HM Treasury and departments have not agreed on the format for public reports, or whether to publish them at all.

12 The Authority does not have sufficient resources to carry out its role in the central assurance system to best effect. The Authority is reporting on 160 more projects as part of the portfolio and carrying out more in-depth assurance work, but has 40 per cent less staff than the body it replaced. These capacity constraints have had significant impacts on the maturity and effectiveness of the new system:

- **There are limitations in the number and skills of the staff available for review teams, which have led to difficulties in the timely scheduling of reviews.** There is not enough incentive for individuals to become project reviewers or for departments to nominate people for this purpose. Restrictions on using consultants have created additional difficulties in resourcing reviews.
- **Most processes in the system are informal, resulting in overdependence on key individuals.** Processes for how assurance activity is planned and prioritised, along with those for learning and continuous improvement, are informal. There is a risk that if key staff departed, considerable skills and knowledge would be lost to the assurance system.
- **The system does not include continuous assurance.** The Authority does not consider that it has the resources to carry out 'continuous assurance' in the highest risk projects, as we recommended in our 2010 report. Continuous assurance involves having assurance reviewers working alongside project teams. The reviewers have an in-depth, up-to-date understanding of issues affecting deliverability and can respond quickly. Some department teams told us that this would be a valuable type of assurance.

13 The future ambitions of the central assurance system are constrained by its capacity. Local government projects and ongoing 'business as usual' spending (programmes that require relatively little initial capital outlay, but with large ongoing revenue implications) do not fall within the scope of the Authority. The Authority does not have the resources to assure these activities. The Authority could determine the optimal scale of its operations by using data on the impact it currently has on project and portfolio outcomes.

Conclusion on value for money

14 We support the steps which the government has taken so far, which have increased the maturity of the central assurance system. The new mandate, and in particular the creation of the Authority, have contributed to some significant impacts, such as improved data on government's major projects and a positive effect on the outcome of some projects, including influencing decisions to halt them.

15 However, for the system to continue to benefit government into the future, it has to be built to last. There needs to be a chain of close cooperation between its constituent organisations, and the Authority, HM Treasury, and departments are not yet engaging as effectively with each other as they should be. Processes need to be formalised, and sufficient resources must be available, to avoid the system becoming overdependent on key individuals. The ambition of regular transparent reporting, which has not yet been met, is crucial for encouraging cooperation and improving project performance. HM Treasury, departments and the Authority must make improvements to maximise the value for money that can be achieved from the assurance system.

Recommendations

a Inconsistencies in how organisations comply with the assurance system limit its effectiveness.

The new assurance system was established by a prime ministerial mandate, and the Authority, departments and HM Treasury are responsible for making it work effectively. However, there is no method to monitor compliance with the system. The Authority should collect data on how well departments meet requirements to: provide government major project portfolio data; complete integrated assurance and approvals plans; provide accredited reviewers for high-risk projects; and on whether they are implementing the Authority's recommendations. This information should be used to highlight weaknesses in the system and help the Authority target its resources where they will have most benefit. HM Treasury should use this information, alongside assurance reports, to decide whether it should approve project funding. The Authority should also collect information on whether assurance recommendations inform HM Treasury approval decisions.

b HM Treasury is not taking a holistic view of the information generated by the Government Major Project Portfolio.

Our work, and that of the Committee of Public Accounts, on the Whole of Government Accounts has shown the value of considering how resources are allocated across organisations. This approach enables potential problems to be spotted and resources reallocated to meet priorities. HM Treasury should regularly use the government major project portfolio information to help it manage the government's balance sheet and prioritise resources between projects in the portfolio. HM Treasury should invite the Authority to help with formal investment appraisals at the time of spending reviews.

c The benefit from government's investment in the assurance system is not being measured.

The Authority cannot make optimal use of its scarce resources if it does not know the impact of its assurance. The Authority, departments and HM Treasury need to work together to understand the current impact of assurance activity on project outcomes. They should then use that knowledge to apply the system's resources in the most effective ways, on the highest priority projects.

d Large parts of the assurance system are informal and undocumented, depending heavily on individuals.

A standard way of working, understood by all staff, allows organisations to plan controlled process changes and redistribute workload without impact on time, cost and quality. The Authority needs to establish formal ways of working. In particular, it should formalise how it plans, prioritises and undertakes assurance activity for departments, how it learns and disseminates lessons from projects and reviews, and how it will continuously improve the system.

e The ambition to publish project information, as part of the government's transparency agenda, has not been met.

Our 2010 report recommended that the government should publicly report project status. We consider that public reporting of project information is key to providing greater accountability for projects and improving project outcomes. Cabinet Office, HM Treasury and departments should agree a format and a date for public reporting.

Part One

Government's central system for assuring major projects

Assurance is important in delivering major projects

1.1 Central government's major projects are frequently large scale, innovative and reliant on complex relationships between diverse stakeholders. Such projects are often so risky that no commercial organisation would consider taking them on. They must be well planned and executed in order to be delivered on time and on budget.

1.2 Our previous work indicates that projects can fail to deliver as planned to time, cost and quality.¹ Alongside measures to increase the project management skills of staff, strengthening existing assurance arrangements is a sensible way to reduce the financial risk to the public purse and increase the chance of achieving value for money.

1.3 Good assurance independently assesses whether the required elements to deliver projects successfully are in place and are operating effectively. In itself assurance does not deliver a project. However, it can identify and help mitigate any risks to successful delivery in a project's:

- sponsorship, business case and benefits plan;
- governance and reporting arrangements;
- contracting and supply chain strategies;
- commercial and delivery skills;
- funding and resourcing; and
- overall project management approach.

1.4 Assurance provides information to those who finance, sponsor, govern and manage a project. It informs decisions that can reduce project failure, promote conditions for success and increase the chance of delivering the required outcome cost-effectively. Assurance helps ensure the disciplines around delivering projects are followed and highlights where they have not been.

¹ See: National Audit Office, *Initiating successful projects*, December 2011, for more on the size and complexity of government's major projects.

Previous central assurance arrangements were inadequate

1.5 Government's central assurance mechanisms, such as Gateway Reviews, can be effective in isolation, but are more so when designed and operated as an integrated system. An integrated assurance system should have clear objectives, the necessary resources and the ability to improve project delivery while minimising burden. It should also be built to last, to ensure that it can continue to deliver benefits to government into the future.

1.6 In 2010, we set out the principles that underpin an effective assurance system.² A good assurance system should highlight any breach of time, cost and quality control limits, as agreed when approving the business case, and trigger appropriate intervention. Improved visibility of project performance, tracked at the portfolio level, should lead to decisions across projects and departments. Assurance should also transfer lessons across the portfolio. Our report set out the four core components of an effective integrated assurance system. These are:

- Plan assurance requirements across the portfolio.
- Perform assurance reviews.
- Report the findings and lessons.
- Control and improve performance by using information in the system.

1.7 Our 2010 report found gaps in the effectiveness of the central assurance system for government's high-risk projects and highlighted key performance gaps:³

- **The design of the central assurance system lacked coordination.** The objectives for assurance were too focused on individual mechanisms and projects rather than delivering benefits across government through an integrated system.
- **Departments varied in how they engaged with the central assurance system.** Departments did not routinely plan and budget for assurance activity at the start of a project, making it difficult to plan assurance interventions across the portfolio of projects.
- **Departments did not systematically capture information and learning from assurance, or use it to improve project performance.** They relied on informal contact to transfer lessons across projects and organisations.

² National Audit Office, *Assurance for high risk projects*, June 2010.

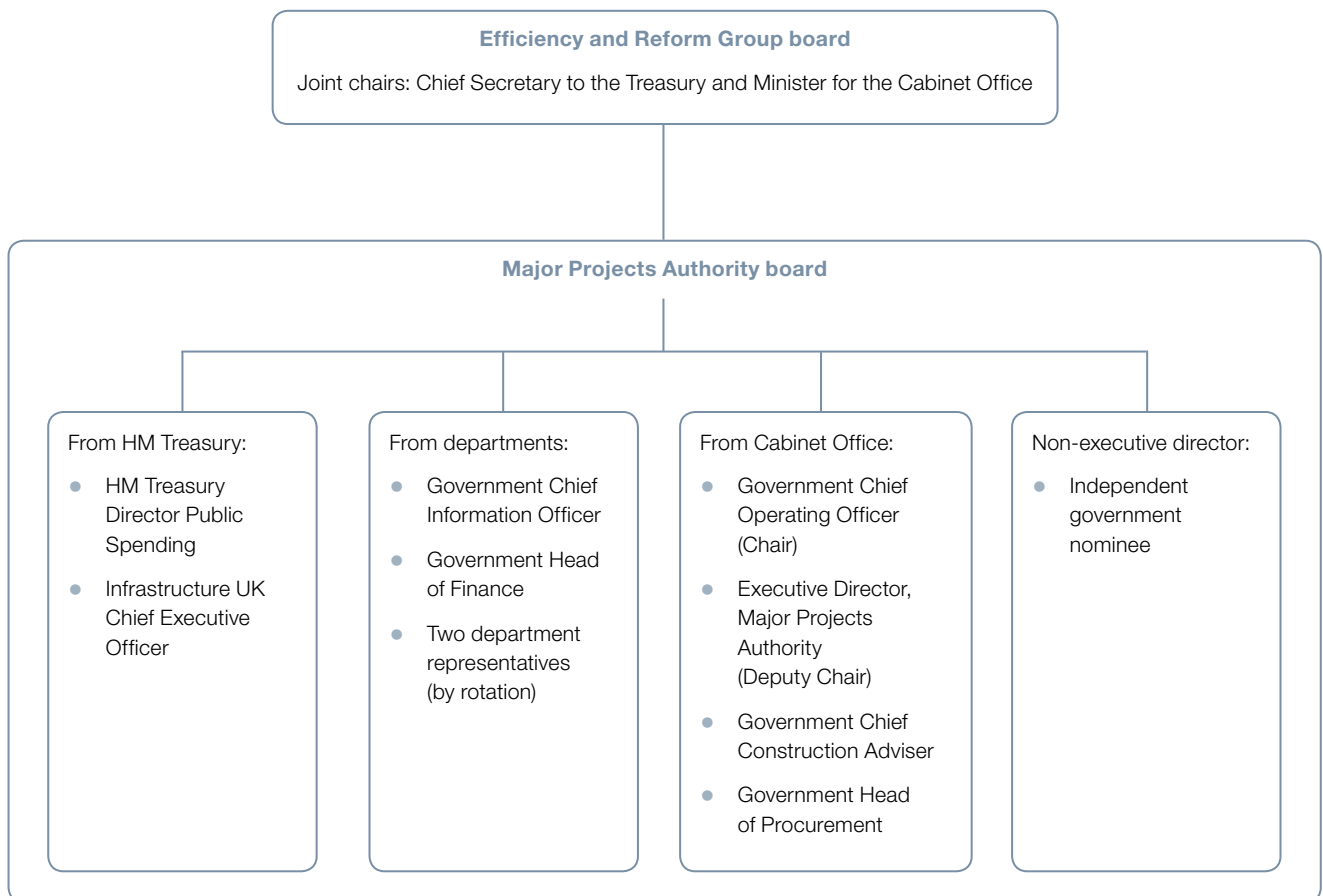
³ National Audit Office, *Assurance for high risk projects*, June 2010.

Government created the Major Projects Authority

1.8 Government agreed with our assessment of the weaknesses in the central assurance system. It created the Major Projects Authority (the Authority) with the ambition of addressing the poor performance which has led to the failure of government projects in the past.⁴ The Authority, part of the Efficiency and Reform Group within the Cabinet Office, was established by a prime ministerial mandate in January 2011 and launched in March 2011. It is a partnership between Cabinet Office and HM Treasury, reporting jointly to the Chief Secretary to the Treasury and the Minister for the Cabinet Office, and incorporates representatives with a variety of interests across government (**Figure 2**).

Figure 2

Representation on the board responsible for central assurance



Source: Available at www.cabinetoffice.gov.uk/sites/default/files/resources/mpa-governance-team_0.pdf

⁴ Cabinet Office, *Overview of the Major Projects Authority*, March 2011, available at www.cabinetoffice.gov.uk/sites/default/files/resources/mpa-overview_0.pdf

1.9 The Authority has an ambition to improve project performance across government. In its first year the Authority intended to implement the requirements of the Prime Minister's mandate (**Figure 3**). In future years it will aim to improve the project management skills of civil servants, and to improve the methodology that government uses to deliver projects.

1.10 However, the Authority is only one organisation in the assurance system for major projects. The effectiveness of the integrated assurance system relies on a chain of close cooperation between the Authority, HM Treasury and departments (Figure 1 on page 7). For example, the Authority cannot stop projects or withdraw funding but it can use its recommendations to inform HM Treasury investment decisions. Similarly the Authority is not accountable for successfully delivering project outcomes but it can influence the decisions taken on projects through its recommendations. Senior responsible owners in charge of projects must either implement the recommendations or formally declare why they have not taken action.

Figure 3

The requirements of the Prime Minister's mandate

- 1 To develop the Government Major Projects Portfolio, in collaboration with departments, with regular reporting to Ministers.
- 2 To require Integrated Assurance and Approval Plans for each major project or programme, including timetables for Treasury financial approvals, and validated by the Major Projects Authority and HM Treasury.
- 3 To make a Starting Gate Review, or equivalent, mandatory for all new projects/programmes.
- 4 To escalate issues of concern to Ministers and Accounting Officers.
- 5 To provide additional assurance and direct involvement where projects are causing concern including the provision of commercial and operational support.
- 6 To require publication of project information consistent with the Coalition's transparency agenda.
- 7 To work with departments to build capability in projects and programme management.
- 8 To publish an annual report on government major projects.

Source: Prime Minister's mandate, January 2011

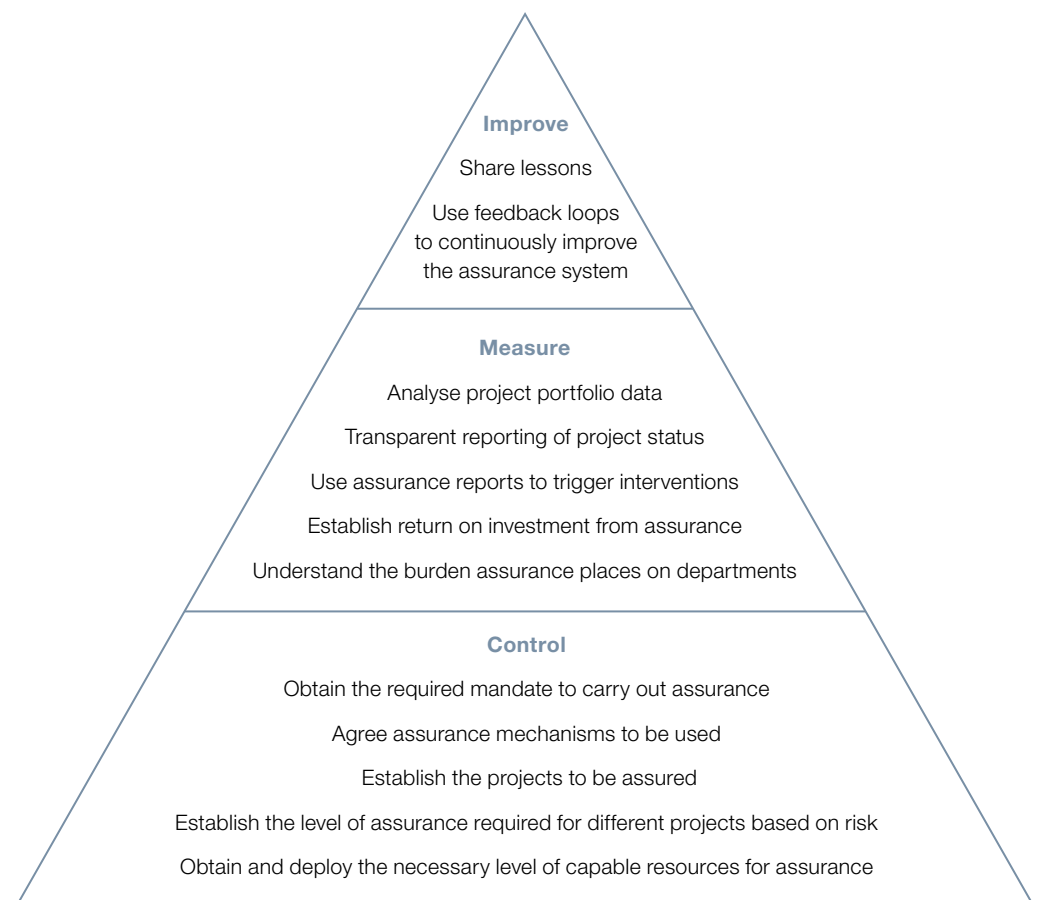
The Authority is starting in the right place

1.11 Figure 4 is a basic maturity model which sets out some of the key characteristics of an effective central assurance system. There first need to be mechanisms to enable control over the system, which can then be supplemented by those which allow the system's performance to be measured. When fully mature, feedback mechanisms will be used to continuously improve how the assurance system operates.

1.12 Given that the Authority has only existed since April 2011, it would be unreasonable to expect the new assurance system to be fully mature. However, the steps that have been taken so far have enabled it to progress in the right direction. The Prime Minister's mandate for assurance is a necessary starting point to help the Authority secure the coordination and cooperation that is required from departments and HM Treasury. The Authority has used the mandate to collect project data and to require integrated assurance and approval plans from departments, to understand what type of assurance is required and when.

Figure 4

A basic maturity model for an effective central assurance system



Source: National Audit Office

1.13 In order to enable the system to continue to mature, these processes need to be built to last. There need to be strong links between the bodies in the system, with close cooperation. Processes need to be formalised, and sufficient resources must be available, to avoid the system becoming overdependent on key individuals. Regular transparent reporting of performance is particularly important in embedding the system, encouraging cooperation by highlighting the system's successes as well as any instances of non-compliance.

Main components of the new central assurance system

1.14 The Authority and HM Treasury have set out the main components of the new central assurance system in *Major project assurance and approval guidance*.⁵ All major projects must comply with the guidance.⁶ There are three main requirements: assurance, approval and project reporting.

1.15 Assurance is categorised as either planned or consequential, and as point-in-time or continuous. The new assurance system uses a mixture of planned and consequential assurance. Continuous assurance is not part of the new system (**Figure 5**). These categories of guidance can be defined as follows:

- Planned assurance is scheduled at the outset of a project to meet a specific requirement during the project's life cycle, for example, informing a decision at a major milestone.
- Consequential assurance is triggered by an event during a project, such as concerns around a project's performance against its plan.
- Point-in-time assurance is a discrete review, typically completed within one week.
- Continuous assurance is ongoing and embedded alongside the project, with the authority to report independently and directly to those funding and sponsoring the project.

1.16 We estimate that the total cost of assurance in 2011-12 was £6.3 million.⁷ This is less than the £8.3 million cost that we reported in 2010, which was before the new system was established.⁸ Our analysis indicates that demand for all types of planned assurance is increasing. However, the cost of individual assurance is decreasing owing to significant reductions in the Authority's management overheads and spending on consultants.

1.17 Major projects are those that require approval by HM Treasury. Approval is needed at the stages of strategic business case, outline business case and full business case. Each of these approval points must be preceded and informed by planned assurance. The Major Projects Review Group approves the largest and most complex projects, and all other major projects are approved by HM Treasury approval points, either with or without a panel session with the project team. Our analysis indicates that there was a peak of 24 Major Projects Review Group approvals in 2009-10, up from 19 in 2008-09. Since then the number of approvals has been stable, at between eight and ten per year.

⁵ Cabinet Office and HM Treasury, *Major project assurance and approval guidance*, April 2011.

⁶ A major project is defined as a project that requires HM Treasury approval.

⁷ Estimated costs include Major Projects Authority management overhead consultancy costs, reviewer costs and project staff time in assurance activity.

⁸ National Audit Office, *Assurance for high risk projects*, June 2010.

Figure 5

Authority planned and consequential assurance mechanisms

Assurance mechanism	Type of assurance	Purpose	Number performed		
			2010-11	2011-12	2012-13 (planned)
Starting gate	Planned – point-in-time	Explores deliverability of major new policy or business change initiatives, or both, before public commitment to a project	15	17	20
Gateway	Planned – point-in-time	Series of assurance ‘gates’ before key project milestones	137	129	150
Project assessment review (PAR)	Planned – point-in-time	Flexible assurance review that is tailored to stage of project	42	26	35
		Sub total	194	172	205
Assurance of action plan	Consequential – point-in-time	Provides assessment of whether the project’s action plans can resolve issues identified through planned assurance	5	8	10
Case conference	Consequential – point-in-time	Integrated planning for recovering projects at risk or in difficulty	Unknown	Unknown	Unknown
Applied support	Consequential – point-in-time	Providing capability from the Authority to support recovery	Unknown	Unknown	Unknown
Managed early closure	Consequential – point-in-time	Supports controlled and timely termination of projects	3	0	0
Escalation	Consequential – point-in-time	Timely engagement with higher levels of management or ministers, or both, to resolve otherwise intractable problems	Unknown	Unknown	Unknown
		Total	202	180	215

NOTES

- 1 The number of consequential project assurance reviews is incorporated into the number of planned project assurance reviews.
- 2 Project assurance reviews in 2010-11 include 33 undertaken as part of a one-off review of all major projects in summer 2010.
- 3 The Authority does not routinely capture data on the incidence of consequential assurance.
- 4 Planned assurance is arranged and managed by the Major Projects Authority.

Source: National Audit Office analysis of Authority data

1.18 Project reporting is the third requirement of the new assurance and approval arrangements. The new Government Major Projects Portfolio includes all major projects. However, the Authority and the relevant HM Treasury spending team will agree which projects are included in the portfolio for each department after discussion with the department. All projects in the portfolio must report core performance data to the Authority quarterly.

Part Two

The central assurance system's performance against its objectives

There have been significant achievements against objectives

2.1 In Part One of this report we concluded that the changes which have been made to the central assurance system, in particular the creation of the Authority under the mandate, have made it more mature, based on our good practice framework. In this part, we examine achievements against the objectives in the mandate.

Information collected increases visibility of projects, but there have been problems with data quality






2.2 The Government Major Project Portfolio is a big step forward in terms of government's understanding of its project portfolio. It comprises all central government funded projects and programmes that require approval by HM Treasury during their life cycle. All projects within the portfolio provide quarterly returns to the Authority. There have been three returns since the Authority was created in March 2011. The returns include project costs and benefits (budget, actual and forecast estimates), key milestones and latest assessments of delivery confidence and risk level.

2.3 The reporting process provides regular information about projects and gives greater visibility over the current portfolio. The Authority feeds information from the data returns into portfolio and department dashboards. These give a good overview of the current portfolio size and spend profile, and how indicators, for example, actual and forecasted spend, align over the spending review period.

2.4 There are 205 projects in the latest portfolio with a total value of £376 billion. The projects include the introduction of large IT systems, the construction of defence equipment such as ships and helicopters, and the implementation of major changes to how services are delivered by government. Thirty-nine of those projects have a delivery confidence rating of 'red' or 'amber/red' (**Figure 6**). Ninety-one per cent of the whole-life costs in the government major project portfolio are attributable to projects from five departments (**Figure 7** on page 22).

Figure 6

Total whole-life cost of projects (£bn) and delivery confidence

Delivery confidence	Number of projects	Whole-life costs (£bn)
	42	84
	53	66
	71	135
	33	89
	6	1

Source: National Audit Office analysis of 2011-12 quarter three government major project portfolio returns

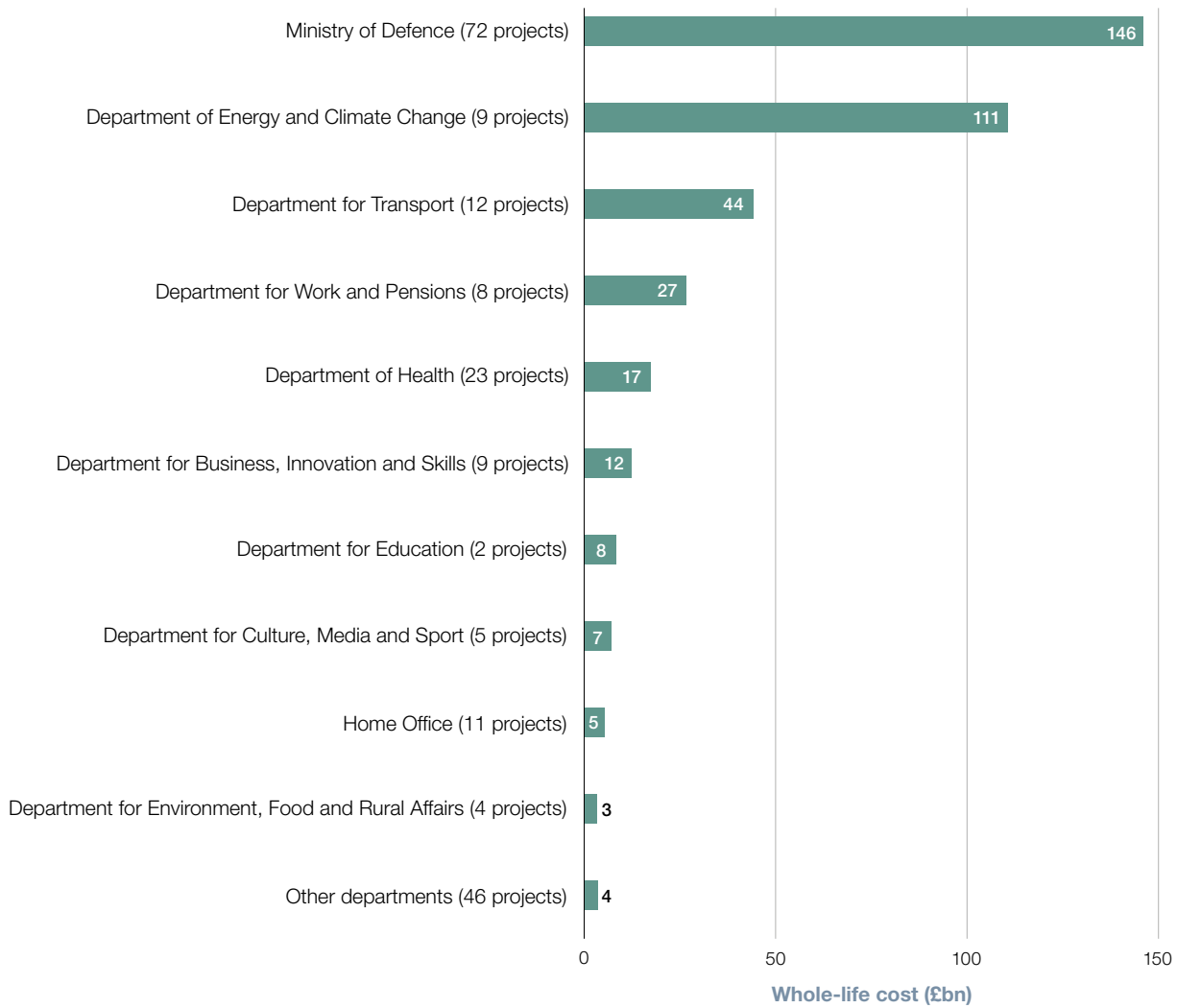
2.5 The Authority and departments are now more satisfied that the information being collected is an appropriate data set for the Authority's purposes. Both the process for returning submissions and the information requested have evolved over the three quarters. Also, the Authority has responded to issues with the data and to issues raised by departments. The Authority amended forms and guidance developed in a pilot phase following the first returns.

2.6 The Authority aims to collect meaningful and consistent data without placing undue burden on departments. Placing restrictions on the form of data increases the burden on departments if their internal reporting systems differ, and may result in non-completion. Since the first quarter, the returns guidance acknowledges and allows for departmental differences. In our interviews with department and project staff, most did not find the reporting process burdensome (beyond any initial set-up). Departments' compliance with the process is now near 100 per cent.

2.7 This variability in departments' data returns has contributed to some quality issues. The Authority considers that complete accuracy of data and comparability between projects is less significant than overall movements in the data and trends. The Authority may be able to better use information it collects to determine and quantify the scale and likely impact of any inconsistencies between departments. For example, in our analysis of the quarter three 2011-12 report in January 2012, 25 projects indicated that they had not provided full project costs in their return, while 26 had understated the level of benefits in some way.

Figure 7

Major project spending by department (£bn)

**NOTES**

- 1 Excludes four Department for Transport rail franchising projects, which have negative whole-life costs.
- 2 For some departments the whole-life costs of projects reported in their quarterly returns may not reflect the entire cost of those projects – for example, the return from the Department for Culture, Media and Sport for the 2012 Olympic and Paralympic Games includes costs incurred by that Department but not by other organisations.
- 3 Departments supply additional explanatory information to the Major Projects Authority in their returns, for example, to signal estimates that were currently under review or to indicate additional costs that were not included in the return.

Source: National Audit Office analysis of 2011-12 quarter three government major project portfolio returns

2.8 While these inconsistencies are of less importance in department and project-level monitoring, they limit opportunities to use data for decision-making across the portfolio. The Authority expects both the portfolio and department dashboards to evolve as data quality improves. It also intends to identify specific areas that require regular monitoring and conduct more robust trend analysis.

2.9 Some lack of clarity remains on the purpose of the portfolio reporting process, mainly because data issues have limited the use of portfolio data. Departments told us that they are getting little feedback from the exercise, and would appreciate more understanding of how the data are used.

2.10 There are some potentially useful data that are not collected. The Government Major Project Portfolio does not record outcomes. There is no explicit coverage of changes in quality or scope of projects, information on projects' definitive start and end dates, or data on project types. Collecting these data would strengthen the analysis that the Authority could carry out.

Projects are using integrated assurance and approval plans

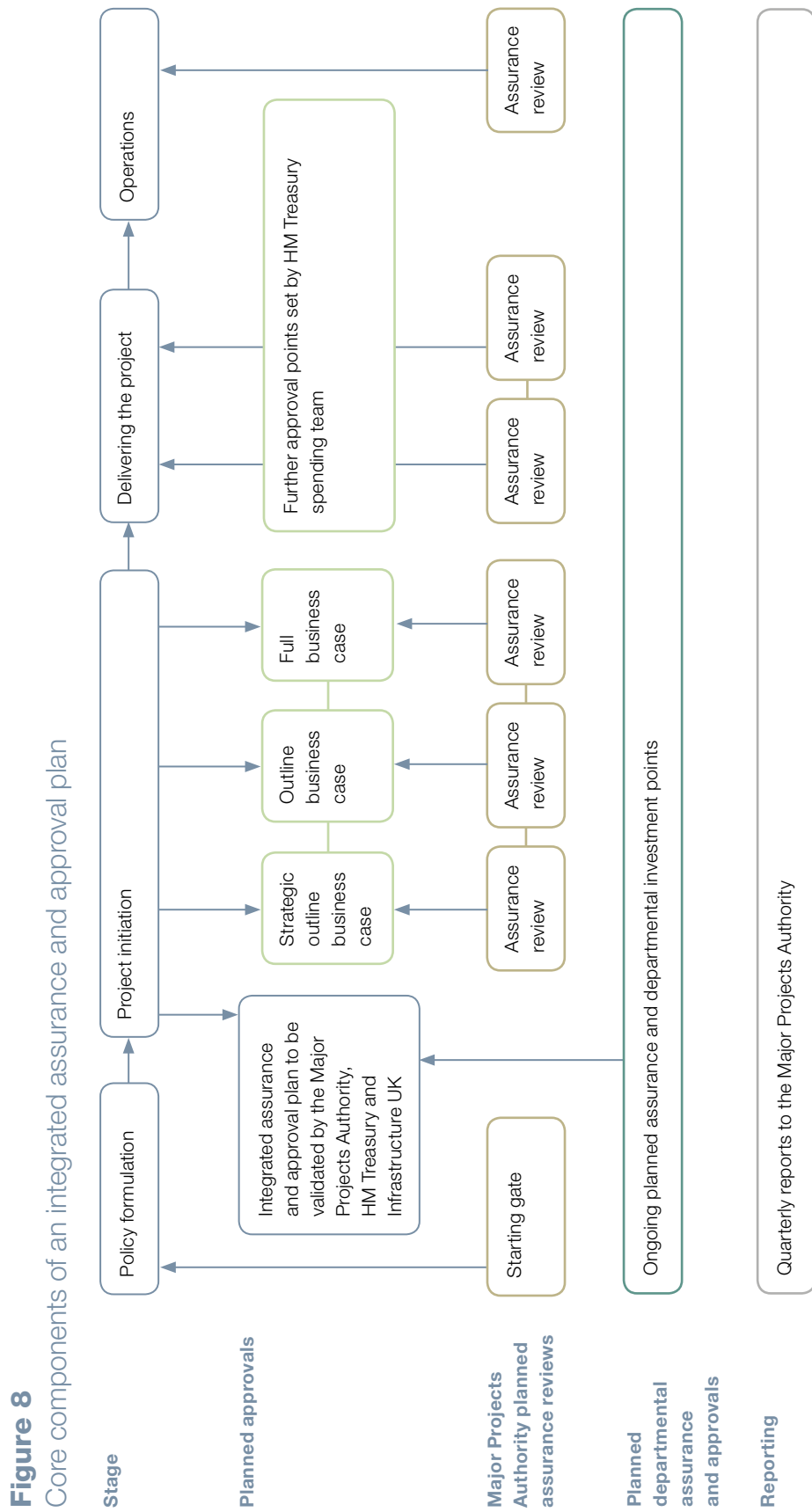
2.11 The Prime Minister's mandate requires every major project to prepare an integrated assurance and approval plan. Compliance with the agreed integrated assurance and approval plans will normally be a precondition for HM Treasury to release funds to a project.

2.12 Integrated assurance and approval plans set out a schedule for internal and external reviews throughout the project life cycle (**Figure 8** overleaf). The plans should help avoid duplicating assurance and contain a timeline that clearly sets out the milestones:

- Assurance review points, including both independent assurance from the Authority and internal departmental assurance and audit reviews.
- Three distinct HM Treasury approval points (strategic outline case; outline business case; full business case) and any further milestones required by HM Treasury.
- Internal departmental approval points.

2.13 HM Treasury and the Authority review draft integrated assurance and approval plans to ensure that they cover assurance and approval requirements and are proportionate to the nature and stage of each project. If assurance plans change during a project's life cycle, they need to be updated and re-validated by the Authority and HM Treasury.

2.14 Integrated assurance and approval plans are increasingly used, but not all are in place and their quality varies across departments. Introducing integrated assurance and approval plans has been staggered in some departments, normally based on project priority. The Authority will find it difficult to plan and resource assurance until it has a complete set of integrated assurance and approval plans.



Source: National Audit Office adaptation of figure within Cabinet Office and HM Treasury, Major project assurance and approval guidance, April 2011

2.15 Integrated assurance and approval plans have strengthened the link between assurance and approval. The Authority, HM Treasury and departments told us that the explicit link between assurance and approval is beneficial. It forces departments to take a more disciplined approach to assurance and increases accountability. This approach is used in other countries. The Australian Federal Government links assurance to the budget approval cycle, particularly in early business cases. When Ministers submit high-risk projects for funding an assurance review is mandatory.⁹

2.16 The link between assurance and approval gives HM Treasury hard evidence and recommendations on whether continued funding of a project is in the taxpayer's interest. The Authority reviewed the NHS National Programme for IT in May 2011 and examined the options available to the programme including the potential to re-scope. The review's findings, alongside our work¹⁰ and that of the Committee of Public Accounts,¹¹ were a key factor in the Department's decision to dismantle the programme.

2.17 Departments told us that integrated assurance and approval plans help them to align the sequence and timing of internal and external assurance to minimise the assurance burden and avoid duplicating effort. The Department for Work and Pensions has formed an integrated assurance and approval group that includes representatives from project teams, the Department's programme office, and external and internal assurance partners. The group uses the integrated assurance plans to review all assurance requirements across the department's programme of work to help schedule and align internal and external assurance.

2.18 Project teams told us that integrated assurance plans have also enabled assurance to take place when projects need it rather than only happening before major milestones. For example, the Department for Transport's Crossrail project team highlighted the flexibility and value of undertaking project assessment reviews when the project requires assurance as opposed to for a milestone that has to be passed.

Authority reviews are now more exacting

2.19 The Authority's in-depth project assurance review is a step change in the depth and focus of assurance on major projects. It is a flexible review that can take place at any stage of a project's life cycle. The Authority and departments told us that the project assurance review is more likely to investigate detailed project-specific issues rather than higher level, generic project delivery points. For example, on Universal Credit part of the review consisted of a detailed investigation of how the department was using some specific data to inform design.

⁹ Australian Government, Department of Finance and Administration, *Guidance on the Gateway Review Process – A Project Assurance Methodology for the Australian Government*, August 2006, available at <http://www.finance.gov.au/publications/gateway-publications/docs/FMG20.pdf>

¹⁰ Comptroller and Auditor General, *The National Programme for IT in the NHS: an update on the delivery of detailed care records systems*, Session 2010–2012, HC 888, National Audit Office, May 2011.

¹¹ HC Committee of Public Accounts, *The National Programme For IT In The NHS: An Update On The Delivery Of Detailed Care Records Systems*, Forty-fifth report of Session 2010–2012, HC 888, August 2011.

2.20 HM Revenue & Customs staff told us that review teams ask broad ranging questions and provide a strong independent view of the key issues. The ‘real time information’ project team found that reviews and their recommendations can crystallise and lend weight to issues, providing traction for remedial action. The Department is also positive about ‘deep dive’ reviews and describes them as narrow in scope but penetrative.

2.21 Improvements in the Authority’s scrutiny of projects has also had a positive impact prior to HM Treasury approval points. For example, the Department of Energy and Climate Change’s decision to withdraw from the first competition for a carbon capture and storage demonstration project was informed by assurance reviews that raised strong doubts that an acceptable outcome could be achieved.¹²

2.22 Hard evidence, which examines time, cost and quality issues, also better supports HM Treasury approvals. HM Treasury told us that better recommendations improve the speed of the approval process and strengthen the case it can put to ministers against failing projects.

2.23 However, as the Authority acknowledges, more can be done to improve how it uses hard evidence to inform assurance recommendations. For example, the Authority often relies on the information presented in the business case rather than a forensic analysis of the detail behind it. Poor analysis of the economic assumptions underpinning a project misses the opportunity to challenge projects with less robust business cases.

The new Major Projects Leadership Academy may improve assurance and delivery

2.24 In February 2012, the government launched the Major Projects Leadership Academy. This is part of government’s wider ambition to eradicate the poor performance which has resulted in previous project failures. The Academy aims to build the leadership and project delivery skills of senior project staff within the civil service to deliver complex projects. Within five years the government expects the Academy to have trained between 200 and 300 civil servants and created a network of project management experts.

2.25 The Authority hopes that the Academy will also improve the assurance system. The role of assurance will be included as part of the curriculum and the Academy could be used to increase the number of available staff and skills for review teams. The Academy will train individuals in project delivery and leadership, but it relies on departments to make sure that these skills are embedded by combining them with suitable experience. This will usually involve staff managing government’s major projects, but further benefit would be derived if they also became major project reviewers.

¹² Comptroller and Auditor General, *Carbon capture and storage: lessons from the competition for the first UK demonstration*, Session 2010–2012, HC 1829, National Audit Office, March 2012.

The central assurance system has gaps that reduce its effectiveness

2.26 The Authority is only one organisation in the central assurance system for major projects. For the system to operate well, each of its constituent organisations, the Authority, HM Treasury, and departments, must function efficiently and effectively. But even that does not ensure sufficiently that the system will perform optimally now and into the future. There needs to be a chain of close cooperation, and factors such as how these organisations engage with each other, how lessons are learned and shared, and how data are used across the system, are also relevant.

Organisations vary in how they comply with the assurance system

2.27 Departments comply with the new system to varying degrees. Some departments have yet to implement integrated assurance and approval plans, and government major project portfolio data has been of variable quality. Departments are also responsible for providing staff for review teams. However, only the Efficiency and Reform Group (within the Cabinet Office) requires its senior civil servants to serve as reviewers.

2.28 At a senior level, we found that HM Treasury engages with the central assurance system less well than we would have expected. While it is true that at a working level there is positive engagement, senior sponsorship is important. The senior officials from HM Treasury's Public Spending Group only attended two of the six Authority board meetings between April and December 2011, while a representative of Infrastructure UK, a unit within HM Treasury, attended four out of the six. Counting attendance at meetings has the advantage of being factual, but also has potential limitations. However, the measure is reinforced by the NAO study team's more qualitative impression of the relationship.

2.29 Departments raised concerns about the links between assurance and approval for the Authority and HM Treasury, and that required elsewhere in the Cabinet Office for ICT projects. There are separate Cabinet Office controls for those projects with any ICT component over £5 million (or £1 million for ICT systems that support administration).¹³ Department project teams are unclear on how the ICT approvals align to the HM Treasury approval process for major projects.

Learning systems are informal

2.30 There is no formal system to capture, analyse and share assurance output and insights from individual projects. Disseminating lessons across the portfolio depends on informal contact between the Authority and department staff. Without a systematic approach, the Authority could miss cross-cutting trends, lessons and examples of good practice.

¹³ The £5 million delegated limit can be raised up to a maximum of £20 million by agreement with Cabinet Office.

2.31 The Authority is not using its catalogue of assurance reviews as a substantial resource of project delivery lessons, some of which will be relevant for other government projects. Despite our recommendation in 2010, assurance reports do not yet have sections that summarise key lessons with wider applicability and there is no easy way for review teams to access previous lessons.¹⁴ A formal means for sharing lessons is still required. Project teams told us that they would value the Authority analysing project characteristics and providing advice on relevant projects to contact and learn from.

2.32 The Authority intends to analyse the characteristics of successful projects over the next year. It is seeking to establish and promote what departments need to do to set up successful projects, including focusing on objectives, budgeting, timelines, governance and taking a holistic approach to financial and project risk.

2.33 There is also no formal mechanism to identify and escalate issues on the performance of the assurance system itself, which we would expect to see in a fully mature system. We were told that issues can be raised but how these are captured and dealt with is not clear. This inhibits the opportunity to continuously improve the system and make it more effective.

Portfolio data is not being used as effectively as it could be

2.34 Our work, and that of the Committee of Public Accounts, on the Whole of Government Accounts has shown the value of considering how resources are allocated across organisations.¹⁵ Such an approach enables potential problems to be spotted and addressed when they occur and resources to be reallocated to meet priorities.

2.35 The Australian Federal Government evaluates project information to forecast potential issues and raise points for decision-making across government. For example, there may be an increasing demand for a specific type of resource over the next five years. Recognising this will prompt decisions on whether the economic impact of that demand is acceptable, and can be funded, or whether government needs to reconsider the number, type and priority of the projects within the portfolio.

2.36 HM Treasury does not believe that it must routinely consider the cross-government project portfolio perspective when making approval decisions. Between spending reviews, it only considers the project portfolios within individual departments. Reconsideration of funding allocations between departments is something that would only take place as part of the next spending review.

2.37 Although there have been significant improvements in data, the Authority believes that the information is still too immature to make portfolio decisions. However, some portfolio issues have been identified by the Authority, such as a fast turnover in senior responsible owners, particularly in the Ministry of Defence, and an uneven distribution of projects among them. For example, they found that two senior responsible owners in the Ministry of Defence are each responsible for more than five projects.

¹⁴ National Audit Office, *Assurance for high risk projects*, June 2010.

¹⁵ HC Committee of Public Accounts, *Whole of government accounts 2009-10*, Sixty-seventh report of Session 2010–2012, HC 1696, February 2012.

2.38 More analysis by attributes such as type of project or spend profile would help build a better picture of potential problems. For example, using portfolio data, the Authority identified a potential milestone bottleneck as the procurement timelines of a number of key Ministry of Justice projects coincided. The Authority worked with the Department, which was then able to manage this peak in demand. Such analysis can also identify where government is overstressing a particular market sector, for example by having too many IT projects at the same stage at the same time. Subject to data quality, it may be possible to use portfolio reports to assess the combined risk of individual projects and inform decisions on the likelihood of delivering the intended portfolio outcomes.

There has been a lack of progress on transparency

2.39 The Authority has not yet met its commitment to publish project information in line with government's transparency agenda. The Authority cannot deliver this objective on its own. Senior level discussions are ongoing, between Cabinet Office, HM Treasury and departments, on the arrangements for public reporting.

2.40 Our 2010 report¹⁶ recommended that government should decide how to publicly report project status. We consider that publicly reporting project information will provide greater accountability for projects and help to improve project outcomes. Regular transparent reporting of performance which highlights successes and non-compliance would also help to build an enduring assurance system.

2.41 There has been some support for greater transparency from departments who believe that tracking and publishing major milestones could create helpful tension in the system. However, concerns have been raised that increased transparency could limit the value of assurance, as it could inhibit assurance reviewers and project staff holding full and frank discussions. Some senior project staff also have concerns that public reporting could have a negative commercial impact, and would prefer delayed rather than real-time public reporting.

2.42 As well as the objective to publish project information, the Authority has not yet met its objective to publish an annual report on government's major projects. The Authority initially expected to publish an annual report in December 2011 but is now expecting the report to be published in May or June 2012. The format of the annual report, and the information it will contain, has yet to be decided.

¹⁶ National Audit Office, *Assurance for high risk projects*, June 2010.

Part Three

The capacity and capability of the central assurance system

Current capacity and capability issues

The central assurance system's scope has increased

3.1 Regardless of how the central assurance system is designed, there needs to be sufficient capacity and capability within that system for it to operate effectively, and to mature. The system must be resourced to last, with staff having the skills and the time to carry out their jobs well, to learn and share knowledge with others, and to contribute to continually improving the system as a whole. Scaling back the level of assurance activity can also have a significant negative impact on project outcomes.

3.2 The Authority has a wider remit than the part of the government body it replaced. One of the major changes since introducing the Authority is an increase in the size of the government's major project portfolio. The Major Projects Directorate of the Office of Government Commerce was responsible for reporting on a portfolio of 40 projects. Under the Major Projects Authority the portfolio has increased to over 200 projects, and the reporting and analysis related to these is more in depth.

3.3 The relationship between the Authority and some of those projects in the portfolio has become more time consuming. The Authority's project specialists plan and manage assurance, and also have regular contact with projects it assesses as high risk. For example, the Authority's project specialist for the Department for Work and Pensions' Universal Credit programme attends monthly meetings of the Department's Integrated Assurance and Approvals Group.

3.4 Although the responsibilities of the Authority increased, it has fewer staff than the part of the government department it replaced, resulting in significant capacity constraints. The Major Projects Directorate of the Office of Government Commerce had 45 staff in 2010-11. The Major Projects Authority was launched with a headcount of 28 at the start of 2011-12, a reduction of 40 per cent.

3.5 Changes to the central assurance system have also affected HM Treasury's resource requirements. The strengthened link between assurance and approval means that HM Treasury must review a piece of assurance at each funding approval point in a project's life cycle. Previously, HM Treasury chose to request and review assurance on a case-by-case basis. Reductions in departments' delegated spending limits also mean that HM Treasury is consulted more frequently. During this period, HM Treasury's headcount has reduced.

The Authority focuses on delivery, which inhibits it from learning and developing and raises risks in how it operates

3.6 The Authority's lack of capacity is preventing the assurance system from maturing. In its first year the Authority has focused its resources on delivering the objectives set out in the prime ministerial mandate rather than formalising its key processes. All available resources have been allocated to keeping the system running, rather than trying to document and improve it.

3.7 Our work on process management shows that organisations must understand the skills required to complete a process for it to be delivered effectively. It also shows the benefits that a standard and consistent approach can have in enabling resources to be moved across different parts of an organisation. A standard way of working, understood by all staff, allows organisations to plan controlled process changes and redistribute workload without impacting on time, cost and quality. It is a good foundation for controlled structured cost reduction.

3.8 The lack of formality in the system places an over-reliance on key individuals. If these individuals leave the organisation, their cumulative experience and knowledge will be lost. During our fieldwork for this report, we noted examples of individuals leaving key roles within the assurance system from both HM Treasury and the Authority. There is no succession plan for replacing the Executive Director of the Authority at the end of his fixed-term contract.

There are barriers to resourcing specific assurance requirements

3.9 The Authority has access to too limited a pool of assurance reviewers. Staff for review teams are employed by departments and accredited by the Authority. They are drawn from a pool of 39 active review team leaders and 448 active review team members across government as at January 2012 ('active' means someone who has completed a review in the last 18 months). The reviewers agree to give their services to the Authority for a period of up to a week (depending on the nature of the review) at least twice a year.

3.10 Departments are not providing the Authority with the number of reviewers it needs. Only the Efficiency and Reform Group (within the Cabinet Office) requires staff to carry out this role. Our 2011 report *Identifying and meeting central government's skills requirements*¹⁷ found that there are significant barriers preventing skills being deployed between departments, and that departments have no incentive to release skilled staff when they are needed elsewhere. **Figure 9** shows the large variation in the number of active qualified reviewers of high-risk projects employed by departments.

3.11 There should be more obvious benefits to staff of qualifying as a major project reviewer. Developing project delivery skills, and using these to carry out assurance reviews, are not criteria for progressing as a civil servant. The Australian Federal Government is increasing the number of staff available for review teams by including it as a way for senior civil service staff to show the competency requirement for cross-government working. Senior management at Fujitsu (one of the UK's largest ICT companies) believe that project assurance is a critical project management process that should be invested in, and their project management staff are regularly given assignments in its assurance function.

3.12 Controls on using consultants are exacerbating the Authority's resource constraints.¹⁸ Previously, when staffing assurance reviews was the responsibility of the Office of Government Commerce, consultants were used frequently as reviewers. **Figure 10** on page 34 shows the change in the numbers of civil servants and consultants for each three-month period from April 2010 to December 2011.

3.13 The limited availability of reviewers reduces the Authority's ability to plan assurance work. Both the Authority and departments told us of rare cases when assurance work has been rescheduled because of an inability to secure resources. In other cases, the Authority has only been able to confirm the review, and the names of the review team, at very short notice, causing the department some operational difficulties.

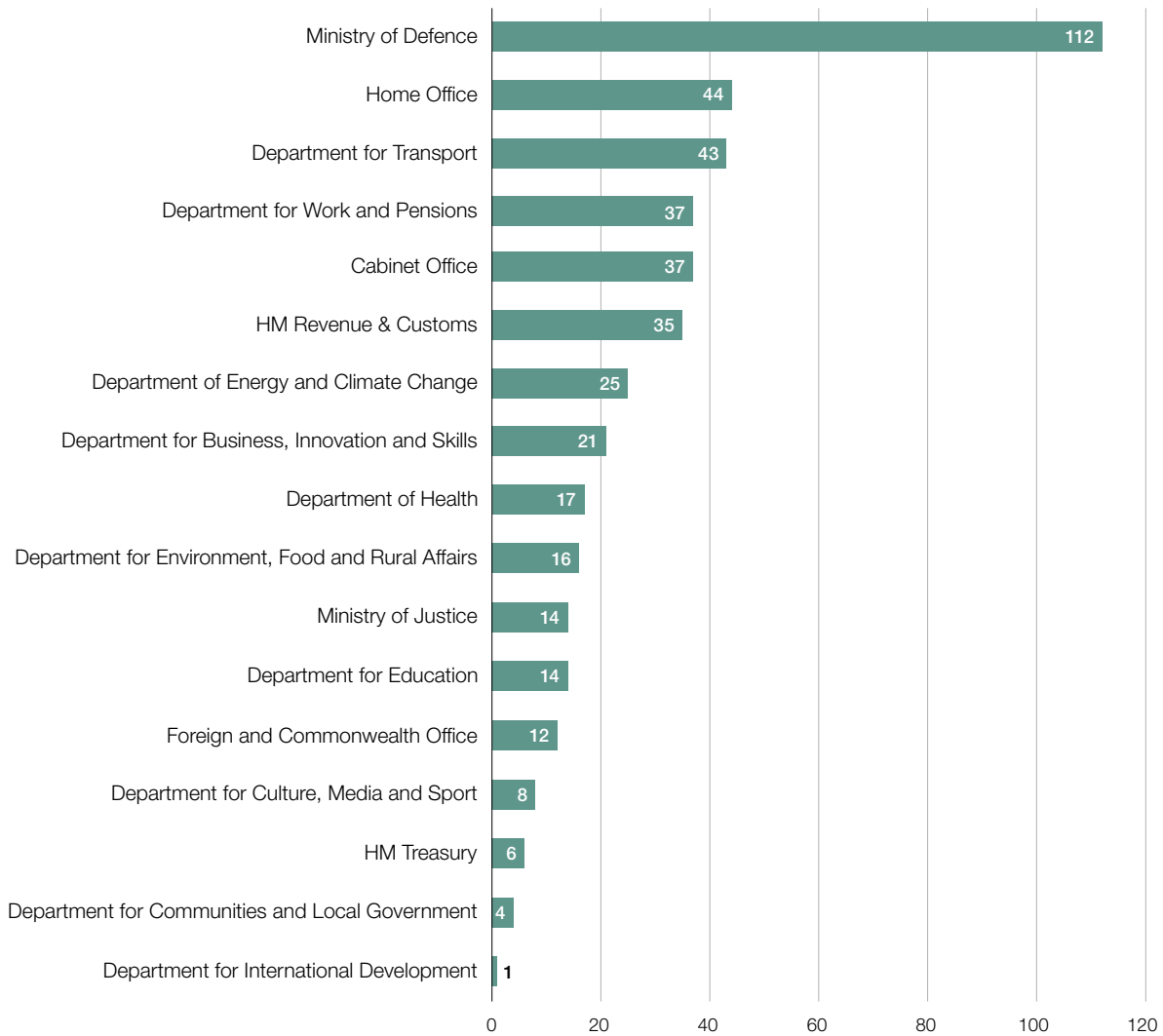
3.14 There can be difficulties in meeting the particular skills needs for a review. Major projects vary by size and complexity, and reviewers require different degrees of specialist knowledge. The limitations in the number of civil service staff available for review teams (particularly for team leaders) can lead to certain skills being in high demand. While departments are generally positive about the skills of review teams, commercial skills were cited by several as being a key skills gap in the pool.

17 Comptroller and Auditor General, *Identifying and meeting central government's skills requirements*, Session 2010–2012, HC 1276, National Audit Office, July 2011.

18 Comptroller and Auditor General, *Central government's use of consultants and interims*, Session 2010–11, HC 488, National Audit Office, October 2010.

Figure 9

Number of active high-risk project reviewers by department at January 2012

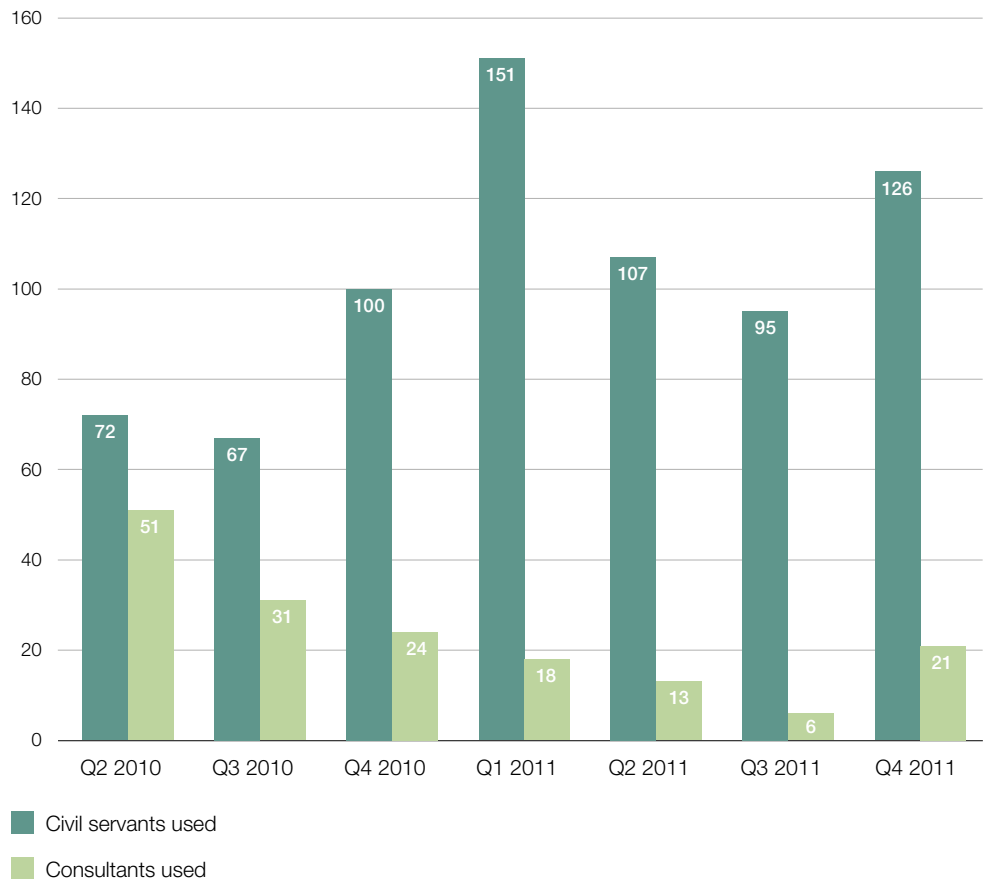
**NOTE**

- 1 Home Office, the Department for Culture, Media and Sport and the Department for Communities and Local Government records of high-risk reviewers differs slightly from those held by the Major Projects Authority (Home Office: 47 reviewers; Department for Culture, Media and Sport 7 reviewers; Department for Communities and Local Government: 3 reviewers).

Source: Major Projects Authority data

Figure 10

The reduction in consultants used as project reviewers



Source: Major Projects Authority data

3.15 The small number of review team leaders means that certain individuals are used more frequently than expected. A review team leader is expected to be used at least twice per year. However in 2011, three review team leaders were used six times, and three were used seven times. Some departments told us that their need for certain specialist skills means that they repeatedly see the same reviewers, reinforcing their perception that the reviewer pool is small.

3.16 The Authority is taking action to try to address capability gaps in the reviewer pool. They are using a bottom-up approach, by writing to departments asking them to identify suitable reviewers. The Authority is also using a top-down approach, by looking to identify individuals with specific skills and within certain organisations, such as the Shareholder Executive within the Department for Business, Innovation and Skills (which provides corporate finance advice for government) for commercial skills.

With capacity and capability constraints, the Authority must use resources effectively

The Authority has no formal way to assess how to best use resources

3.17 The Authority aims to reduce the financial risk to the public purse associated with major projects and reduce the risk of not achieving value for money. Examples can include identifying more efficient ways to deliver a project (delivering it cheaper, quicker, or at higher quality) or recommending that a project is terminated where it is unlikely to deliver the intended outcome.

3.18 The Authority prioritises its resources by focusing assurance activity on a number of high-risk projects. It estimates that around 20 per cent of projects in the government major projects portfolio will take up around 75 per cent of staff time, with a more light touch applied to the remainder. For these lower-risk projects, departments must rely more on their own assurance.

3.19 The Authority is not best placed to use its resources optimally as it does not know the impact of its assurance on project outcomes. In our 2010 report, we recommended that government implemented a method to assess and report the impact of assurance on the portfolio, for time, cost and quality. This recommendation has not been implemented, although the Authority is now considering how it can track the benefits that result from its recommendations. Without data to show the types of impacts, for example change in cost profiles, which typically result from certain interventions in certain categories of projects, it runs additional risk of carrying out work that does not deliver the highest possible return to the taxpayer.

Formal continuous assurance would be a valuable addition

3.20 The Authority does not have the resources to carry out 'continuous assurance' as recommended in our 2010 report.¹⁹ Continuous assurance involves embedding assurance reviewers into project teams so that they have an in-depth, up-to-date understanding of issues affecting its deliverability, and can respond quickly. Some department teams told us that this would be a valuable type of assurance. While assurance arrangements for highest risk projects are more regular than under the previous arrangements, they are not continuous.

3.21 The Office of the State Comptroller in New York used continuous assurance to keep senior stakeholders, from two different organisations, informed about project progress, which helped to deliver financial benefits. For example, a decision to delay the project was expected to incur supplier costs but the assurance team used its knowledge of the project to identify, challenge and remove supplier costs that were not legitimate. In addition they helped the stakeholders determine those costs that were critical to the project and those that they could eliminate.

¹⁹ National Audit Office, *Assurance for high risk projects*, June 2010.

3.22 Shell, the global energy and petrochemicals company, has used full-time assurance experts on its high-risk major projects to address the risk of gaps between instances of point-in-time assurance. The expert is independent of the project team and reports directly to the board, improving their real-time visibility of the true status of the project. The assurance expert can also authorise further assurance interventions immediately, when they can add most value, before the next planned gate review.

3.23 Project teams value the more regular contact with the Authority, which is mostly through its project specialists. Good relations between department teams and project specialists give rise to constructive challenge. The Universal Credit project team has a weekly conversation with the Authority. Issues are raised in a timely manner, rather than waiting until the next formal governance meeting to trigger action.

Further large projects may benefit from the Authority's scrutiny

3.24 Government must seek to eradicate poor performance across all of its projects, but the government's major projects portfolio does not contain major local government projects. When the Authority was created, its scope was limited to looking at projects initiated by central government departments. Projects that are under the sole control of local authorities, such as building schools or housing, are not reported or assured by the Authority, regardless of their size²⁰ or risk.

3.25 The total cost of major capital projects is only a small part of total government spending, but the Authority does not assure 'business as usual' spending – programmes that require relatively little initial capital outlay, but with large ongoing revenue implications. Applying independent assurance to 'business as usual' spending, such as the letting of contracts to provide a service over a number of years or the distribution of grants, can help reduce the risk to value for money.

3.26 There are other types of initiatives which may have little or no direct economic impact on government, but large impacts on industry and consumers, and which are also not covered under current central assurance arrangements. For example, the Department of Energy and Climate Change monitors the delivery of a number of policy measures that the Authority does not, including via a control framework for levy-funded spending.²¹ These policy measures include the 'Renewables Obligation' which is predicted to have £42 billion of economic impact on industry and consumers.

3.27 However, given the constraints under which it is operating, the Authority does not have enough resources to accommodate an increase in the size of the portfolio to include such projects. Ambitions for the Authority to play a wider role in providing assurance and increasing government's return on all its projects cannot be delivered without more resources. If there was more information on the system's impact on project outcomes, the Cabinet Office and HM Treasury would be better placed to assess the optimal scale of the Authority's operations.

²⁰ Local authority capital spending in England totalled £23.1 billion in 2010-11. Available at www.communities.gov.uk/documents/statistics/pdf/20132511.pdf

²¹ HM Treasury, Control framework for DECC levy-funded spending, available at http://hm-treasury.gov.uk/psr_controlframework_decc.htm

Appendix One

Methodology

Purpose

Interviews with Authority and Treasury officials, and review of key documents

To establish what specific measures have been put in place or planned in response to the recommendations in our 2010 report, and provide a basis for assessing progress against the recommendations.

To identify whether there is sufficient capacity and capability to fill any remaining gaps.

Interviews with the Authority's project specialists and project staff on major projects

To provide project-based evidence of the degree to which the assurance system is embedded and having impact.

To gather wider departmental evidence and views on Major Project Authority progress against our recommendations.

Expert panel

To provide comparator evidence from the public and private sector (in UK and elsewhere) and test our emerging findings and recommendations.

Details of method

We carried out 13 in-depth interviews with key staff across the Major Projects Authority, including senior management and project specialists responsible for liaison with departments and projects.

We reviewed key documents produced by the Major Projects Authority, including general guidance on assurance and board agendas and minutes.

We carried out four interviews with Treasury officials, who provided the key liaison points with the Major Projects Authority.

We interviewed seven department-level contacts who operated as the key liaison and reporting points to the Major Projects Authority. We also interviewed project staff on nine projects in the portfolio. Interviews were semi-structured, and covered experiences and views of the assurance and government major project portfolio reporting process.

We convened a day workshop with an expert panel drawn from our strategic partners to identify good practice examples and review our draft findings and recommendations.

Purpose	Details of method
Public and private sector comparators To inform our understanding of effective assurance outside of the UK public sector.	We interviewed staff to understand other organisations' approaches to assurance.
Analysis of government major project portfolio quarterly returns and dashboards To assess the quality and effectiveness of the government major project portfolio reporting process.	We analysed data from the three sets of quarterly returns available. We reviewed the guidance provided to departments and project staff to complete returns. We also reviewed the portfolio and department dashboards that the Major Projects Authority produce based on the returns, together with their accompanying submissions.



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