



National Audit Office

**REPORT BY THE
COMPTROLLER AND
AUDITOR GENERAL**

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HM Treasury and Cabinet Office

Assurance for major projects

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	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	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.