

**Audit, Finance & Risk Committee**  
**15 September 2022****Report for Agenda Item | Rīpoata moto e Rāraki take [5]****Department: Property & Infrastructure****Title | Taitara PMO ('Project Management Office') Assurance Report - Financial Year 2021/22****PURPOSE OF THE REPORT | TE TAKE MŌ TE PŪRONGO**

- 1 The purpose of this report is to report the findings of the PMO Assurance activity during Financial Year 2021/22

**EXECUTIVE SUMMARY | WHAKARĀPOPOTANGA MATUA**

- 2 This report summarises the findings from internal audits completed by the PMO during the 2021/22 Financial year and outlines proposed amendments to the PMO Assurance Management Framework. These amendments reflect the creation of a PMO Advisory Team (Second Line Assurance) and Compliance and Risk function within the Assurance, Finance and Risk Team (Third Line Assurance). Internal audits were completed for three 3 Waters Projects and three 'transition reviews' were undertaken for projects being delivered by Kā Huanui a Tāhuna on QLDC's behalf. Audits were completed against the PMO Project Management Method which is broadly consistent with the PRINCE2 methodology and represents an internal standard for project delivery.
- 3 Generally, the audits found good compliance with the PMO's Project Management Method, but for each audit, action was required to resolve non-compliances, with corrective actions being resolved by Project Managers following audit. Consistent areas for improvement included document management and the documentation and review of business cases. In addition, it was identified that a review was required of the Programme Delivery Governance Framework for QLDC owned projects delivered by Kā Huanui a Tāhuna. In all cases, improvement actions have been implemented.

**RECOMMENDATION | NGĀ TŪTOHUNGA**

That the Audit, Finance &amp; Risk Committee:

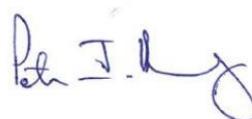
1. **Note** the contents of this report; and
2. **Confirm** support for the proposed changes to the PMO Assurance Management Framework

Prepared by:

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Programme Director

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Reviewed and Authorised by:

Peter Hansby  
GMProperty & Infrastructure

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## CONTEXT | HOROPAKI

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- 4 The Queenstown Lakes District is delivering significant investment in capital infrastructure to address the unprecedented growth in population and local tourism.
- 5 The Project Management Office (PMO) is committed to ensuring that the 3 Waters Programme is 'set up for success' by putting the right people, processes and systems in place for effective implementation and continual improvement.
- 6 On the 11 March 2021, the Audit, Finance and Risk Committee approved the PMO Assurance Management Framework.
- 7 This is the second report of the assurance programme findings, for 'third line' assurance activities undertaken during FY 21/22.
- 8 This report includes findings from audits of 3 Waters project delivery and a Transition Review undertaken on the three projects being delivered on behalf of QLDC by Kā Huanui a Tāhuna ('Queenstown Town Centre Street Upgrades', 'Lakeview Development' and 'Queenstown Town Centre Arterial' projects).
- 9 Following a strategic workforce review undertaken during 2021-2022 a new assurance function has been incorporated into the Assurance, Finance and Risk Team, with the introduction of a Risk and Compliance function with responsibility for internal audit. An updated PMO Assurance Management Framework (Attachment A) has been proposed to reflect the creation of this new function.

## ANALYSIS AND ADVICE | TATĀRITANGA ME NGĀ TOHUTOHU

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- 10 The PMO Assurance Management Framework, is based on a 'four lines' of defence model, including independent internal and external assurance and is broadly consistent with the five 'Assurance Management Principles' as described in the Managing Successful Programme (MSP) framework. The Portfolio, Programme and Project Management Maturity Model (P3M3) is proposed as the evaluation method for assessing the effectiveness of the PMO/Council's capital delivery programme management practices and processes.
- 11 The PMO Assurance Management Framework (Attachment A) has been updated to incorporate clearer independence of third line of defence assurance. This has become possible following the introduction of a new assurance function within the Assurance, Finance and Risk Team. The new Risk and Compliance function, with responsibility for internal audit, has a separate Management reporting line to the PMO. Second line of defence assurance is proposed to be the responsibility of the PMO Advisory Team, with independence from programme delivery, rather than the Programme Manager (within the PMO Delivery Team). The summary below outlines the existing four lines of defence model and the proposed changes for the 22/23 FY.
- 12 As outlined in the revised PMO Assurance Management Framework, the four lines of defence are:

- First line (Project): Assurance comes directly from those responsible for delivering specific objectives or processes. It may lack independence, but its value is that it comes from those who know the business, culture and day-to-day challenges. They own and manage the risks. The first line monitors and controls at a project level, using the specified governance frameworks, tools and templates and reports against baselines for cost scope time and budget.
  - Second line (Programme): The way the organisation oversees the control framework so that it operates effectively. Audits are to be undertaken by the PMO Advisory Team once the PMO Advisory Manager has been recruited, and 'second line' assurance will then be undertaken by a separate team from those responsible for delivery. The second line ensures compliance by the first line of defence, and reports upwards on deviations.
  - Third line (Risk & Compliance): Objective and independent assurance, providing reasonable (not absolute) assurance of the overall effectiveness of governance, risk management and controls. For the 21/22 FY, third line 'internal audits' were completed by members of the PMO who had no involvement in the audited projects. To provide for further independence it is proposed that third line assurance for the 22/23 FY be undertaken by the newly created Compliance and Risk function within the Assurance, Finance and Risk Team (separate line Management).
  - Fourth line (P3M3): Assurance from external independent bodies such as the external auditors and other external bodies. External bodies may not have the existing familiarity with the organisation that an internal audit function has, but they can bring a new and valuable perspective. Additionally, their outsider status is clearly visible to third parties, so that they can not only be independent but be seen to be independent.
- 13 A Portfolio, Programme and Project (P3M) delivery methodology has been adopted and embedded across the PMO. The PMO Project Management Method, an internal standard, is broadly consistent with the PRINCE2 methodology. This methodology takes the form of a staged gateway approach and internal audits are evaluated against mandatory internal requirements and recommended activities associated with each gateway.
- 14 The PMO has commissioned an external independent P3M3 assessment of QLDC's capital delivery maturity. A report outlining the findings has recently been received and will be presented to the Executive Leadership Team in August/September. However, in summary, the P3M3 assessment found that *"QLDC is on a journey of raising project/programme delivery maturity and the PMO has made significant strides on this journey, the gains should be shared across the organisation and consolidated and adapted via a roadmap of defined initiatives that are targeted towards maturity increases. The PMO has significantly added to raising maturity scores across QLDC. As the PMO matures so could other business lines and steadily improving delivery maturity improvement is well within reach. The PMO is developing and refining a project/programme delivery framework and has largely embedded the framework for those projects/programmes it is delivering. There is strong evidence that the framework has undergone continuous improvement and refinement as altering influences are assessed and acted upon to refine*

*the delivery processes, templates and systems...the PMO is reaching into the P3M3 level maturity of level 2 [repeatable] and 3 [defined],”*. According to the P3M3 assessment findings, Level 2-3 maturity is consistent with the evaluation benchmark for other organisations in the industry of Civic and Social (Local Authorities), of a similar size.

- 15 The PMOs ‘third line’ Assurance Programme has been the responsibility of the PMO Advisory Manager. That position is currently vacant and is subject to a current recruitment process. This has resulted in a reduced number of audits being completed against the existing audit schedule.
- 16 Under the new proposed PMO Assurance Framework it is proposed that the PMO Advisory Team take responsibility for ‘second line’ assurance activities. A ‘second line’ audit programme will be developed by December 2022 in consultation with the new Compliance and Risk Manager (within Assurance, Finance and Risk). In the interim, the Acting PMO Delivery Lead will be responsible for undertaking project audits approximately once every quarter (2 prior to the end of December 2022).
- 17 The table below summarises the audits completed during the 21/22 FY:

Project	Programme	Audit Undertaken
Kingston HIF	3 Waters	October 2021
Lakeview Development	Kā Huanui a Tāhuna	October 2021
Queenstown Town Centre Street Upgrades	Kā Huanui a Tāhuna	October 2021
Queenstown Town Centre Arterial	Kā Huanui a Tāhuna	October 2021
Lucas Place New SW Pipeline	3 Waters	December 2021
Western Wanaka Level of Service	3 Waters	June 2022

- 18 Generally, the audits found that project schedules were being regularly updated, milestones tracked, and associated risks recorded in risk registers (via Sentient). Projects were also being added to, and updated in the [Forward Works Viewer](#). In all cases, procurement plans were in place and contracts were located.
- 19 In all cases, action was required to resolve non-compliances with the PMO’s Project Management Method. Corrective actions were resolved by Project Managers following audit and consistent non-compliances were addressed at weekly PMO ‘stand-up’ meetings.
- 20 There were several consistent findings from the audits. Document control has previously been identified as an area for improvement following audits. The PMOs newly appointed PMO Support Officer is currently working on an updated document control and file management process under the guidance of QLDC’s Information Management Team. It has been found that in many cases Project Managers are not filing and managing document versions consistently.
- 21 With the exception of Kingston HIF, the 3 Waters project audits found that documented project business cases could either not be located or were incomplete. Where that was

the case, there was also no documented evidence that project Business Cases had been reviewed at project gateways. In previous reports to the Audit, Finance and Risk committee, the PMO has outlined the status of project business cases for the existing 3 Waters Programme. In December 2019, Ernst Young (EY's), QLDC's independent Programme Advisory for QLDC's 3 Waters Programme, stated that: *"A number of projects have been directed [by the 3 Waters Programme Control Group] to proceed into detailed design and delivery 'at risk', in some cases due to a change of circumstances, and in other cases a lack of detail. In some of the supporting business cases (three projects were paused to allow time for a revised business case). We recognise that this was a deliberate and considered decision, intended to prioritise delivery during the first three years of the Programme. Absent such an approach, it is unlikely that Programme spending levels to date could have been achieved."* The findings of EY's review was reported to the Audit, Finance and Risk Committee on 5<sup>th</sup> March 2020. In December 2020, EY recognised QLDC's commitment to *"improving their business case framework for projects in the next cycle of LTP (Year 4 onwards)"* and this work has continued into the 2021-31 Long Term Plan. Seventeen business cases are currently being developed for 3 Waters Projects.

- 22 In some cases, although Programme Control Group/Engineering Challenge Group minutes recorded governance decision making, the actual approval could not be sighted, or the approval was not obtained from the appropriate Sponsor (where a Governance meeting involved different Sponsors for items on the same agenda).
- 23 In some cases, a Stakeholder and Engagement Plan was incomplete, and Project Managers were only able to provide a 'contact list'.
- 24 In some cases, designers and contractors' performance had not been recorded over proceeding months. Since June 2022, Contractor Health and Safety data is now being recorded in Sentient, the PMOs project and programme management system. This refresh has resulted in improved performance tracking.
- 25 The Kā Huanui a Tāhuna Transition Review(s) and previous discussions at the Programme Control Group resulted in several questions regarding the current appropriateness of the existing Programme Delivery Governance Framework for QLDC owned projects delivered by Kā Huanui a Tāhuna. Following discussions with Stewart Burns (Finance, Legal & Regulatory GM & QLDC Kā Huanui a Tāhuna Project Sponsor), it was agreed that a review of Kā Huanui a Tāhuna Governance was required due to several differences in the delivery model between the 3 Waters Programme and the Alliance model, which influences the effectiveness of Governance for the Kā Huanui a Tāhuna delivery model.
- 26 In addition to QLDC's representation on the Kā Huanui a Tāhuna Board (within Alliance Governance), it was agreed that regular reporting will be provided to the Finance, Legal & Regulatory GM (as QLDC Project Sponsor) on the status of Kā Huanui a Tāhuna projects, providing oversight of the status of the Kā Huanui a Tāhuna delivered QLDC projects. Monthly reporting will cover financial, quality, programme/schedule, scope and risk matters in a format agreed by the Project Sponsor. It was further agreed that

the Engineering Challenge Group would be maintained to provide technical assurance and oversight.

- 27 In addition to the audits outlined above, the PMO has continued to undertake Field Assurance activities to provide oversight of construction in relation to the PMO's health and safety and quality expectations.
- 28 Over 250 site visits have been made over the last 6 months, with 80 of those visits including a Health & Safety audit (conducted by the PMO's Field Engineers). Overall, these reviews have identified good compliance with the requirements of the accepted Construction Management Plan and the Land Development and Subdivision Code of Practice.
- 29 Any health and safety incidents have been reported by the contractors to QLDC and where suggestions have been made to improve health and safety risks, the contractors and engineers have responded well.
- 30 It has been encouraging to note that service strikes have been greatly reduced compare to the previous year, despite increased construction activity. The reason is that more frequent service investigations, which include potholing, have contributed to exposing services even though they may not be all identified on the utilities as-builts.
- 31 It is disappointing that pedestrian traffic management is still at times lacking, which can sometimes be attributed to the multiple projects in construction and frequent movement of the construction sites themselves. The PMO field engineering team is constantly monitoring this on various sites.

## 32 CONSULTATION PROCESS | HĀTEPE MATAPAKI:

### > SIGNIFICANCE AND ENGAGEMENT | TE WHAKAMAHI I KĀ WHAKAARO HIRAKA

- 33 This matter is of [low] significance, as determined by reference to the Council's Significance and Engagement Policy because the impact to the Queenstown Lakes District is low, the Community will not be affected, there is no inconsistency with existing policy and strategy, but it will have a medium impact on the Councils capability and capacity. The decision does not relate to transfer or sale of shareholding of a strategic asset.
- 34 The Council will not consult with affected parties on this matter.
- 35 > MĀORI CONSULTATION | IWI RŪNANGA
- 36 The Council has consulted with iwi regarding the 3 Waters Programme. Iwi are being engaged with throughout the delivery of the programme and a 3 Waters Programme iwi Engagement Strategy has been development and implemented.

## 37 RISK AND MITIGATIONS | NGĀ RARU TŪPONO ME NGĀ WHAKAMAURUTANGA

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38 This matter relates to the Community & Wellbeing risk category. It is associated with RISK00013 “Core Infrastructure is Insufficient – Delays in capital delivery programme” within the [QLDC Risk Register](#). This risk has been assessed as having a high inherent risk rating.

39 The approval of the recommended option will support the Council by allowing us to retain the risk at its current level. This shall be achieved by continuing the approved PMO Assurance activities.

## FINANCIAL IMPLICATIONS | NGĀ RITENGA Ā-PŪTEA

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40 None.

## COUNCIL EFFECTS AND VIEWS | NGĀ WHAKAAWEAWE ME NGĀ TIROHANGA A TE KAUNIHERA

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41 The following Council policies, strategies and bylaws were considered:

- This report is alignment with and has given consideration to the principles of the Vision Beyond 2050:
  - <https://www.qldc.govt.nz/vision-beyond-2050/>
- This report considered the following policies:
  - [QLDC Significance and Engagement Policy 2017](#)

42 The recommended option is consistent with the principles set out in the named policy/policies.

43 This matter is not included in the Ten Year Plan/Annual Plan. However, the PMO Assurance Management Framework does concern the delivery of the 3 Waters and Kā Huanui a Tāhuna Programme, which are included in the Ten Year Plan and Annual Plan.

## LEGAL CONSIDERATIONS AND STATUTORY RESPONSIBILITIES | KA TURE WHAIWHAKAARO, ME KĀ TAKOHAKA WAETURE

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44 For the projects managed by the PMO and Kā Huanui a Tāhuna, the PMO Field Engineers monitor sites to assure QLDC that health and safety processes are being followed, that all duties are being performed by safe, competent workers, and that all sites are managed appropriately to reduce or eliminate risk. Monitoring is a core component of QLDC’s role as a ‘Person Conducting a Business or Undertaking’ under the Health and Safety at Work Act 2015.

## LOCAL GOVERNMENT ACT 2002 PURPOSE PROVISIONS | TE WHAKATURETURE 2002 O TE KĀWANATAKA Ā-KĀIKA

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45 The recommended option:

- Will help meet the current and future needs of communities for good-quality local infrastructure, local public services, and performance of regulatory functions in a way

that is most cost-effective for households and businesses by [implementing an assurance framework for the delivery of the PMO Programmes];

- Can be implemented through current funding under the Ten Year Plan and Annual Plan;
- Is consistent with the Council's plans and policies; and
- Would not alter significantly the intended level of service provision for any significant activity undertaken by or on behalf of the Council, or transfer the ownership or control of a strategic asset to or from the Council.

**ATTACHMENTS | NGĀ TĀPIRIHANGA** [delete heading if there are no attachments]

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A	PMO Assurance Management Framework
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# PMO Assurance Management Framework

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Strategy and Plan

**Programme Management Office**

Property & Infrastructure

August 2022

## DOCUMENT VERSION CONTROL

Version	Date	Version details	Prepared by	Reviewed by	Approved by
1.0	November 2020	Draft v1.0 creation	BE	BW	
2.0	December 2020	Draft review and amendments	BE	BW	
3.0	February 2021	Inclusion of appendices Formatting updates	BW	GN	AFR Committee
4.0	August 2022	Updated 4 lines of defence in assurance framework and added general updates	GN	AN	

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# 1. ASSURANCE STRATEGY

## 1.1 WHAT IS PROGRAMME/PROJECT ASSURANCE?

Assurance ensures that all the management aspects of a programme and projects are working appropriately to achieve the objective. It is the systematic set of actions necessary to provide confidence to the Sponsor, Executive Leadership Team, Councillors, Community and all stakeholders that the programme remains under control. It also assures that the programme is on track to deliver the required benefits within agreed scope, time, quality and costs and is aligned with the organisation's strategic objectives.

Quality assurance is separate to quality control. Quality control is completed at a project level as relates to the quality of the outputs.

The assurance process runs throughout the life of all programmes and projects.

## 1.2 PURPOSE OF THE ASSURANCE STRATEGY

The PMO Assurance Strategy provides a mechanism for reviewing and advising on all projects and programmes managed by the Project Management Office (PMO).

## 1.3 ASSURANCE MANAGEMENT PRINCIPLES

The assurance strategy should satisfy the 5 Assurance Management Principles as described in the Managing Successful Programme (MSP) framework. These principles are:

### INDEPENDENCE

The assessors should have no provision for direct line management of the programme team. They should be disinterested in and have no control over the project or programmes outcomes or service operations. However, the first line of assurance could include one PM within the programme providing a within-in programme audit i.e., independent from the project (but not the programme).

### INTEGRATED

(Defined and consistent approach)

A Project Manager can audit a project that they are not managing for independence.

The planning, coordination, and provision of assurance activities should provide efficiencies. This is achieved through an agreed plan which indicates how assurance reviews of all types will be scheduled to support decision-making.

### **LINKED TO MAJOR DECISION POINTS**

The assurance activity should be planned to support major events, outcomes, gateways and tranche end, throughout the life of the projects and programme.

### **RISK-BASED**

The assurance activity should be focused on the high-risk areas, such as commercial, legal, regulatory, investment, consenting and land acquisitions and performance requirements. This activity should be based on an independent risk assessment.

### **ACTION AND INTERVENTION**

The assurance is most effective when appropriate follow-up actions are taken to resolve any serious issues identified through the planned assurance activity. These activities may include further reviews of action plans.

## **1.4 ASSURANCE MANAGEMENT TECHNIQUES**

Assurance management techniques are those techniques that help to assure that the programme is being delivered in the most effective way for achieving its purpose and objectives.

The following techniques can be used:

### **AUDIT**

Used to assess the management and conduct of a project and programme.

The following are a few facts about the audit:

- It involves the examination of activities of the project and programme to determine the extent to which they conform to the specified criteria.
- The criteria may be internal or external standards, contract conditions or statutory requirements.
- Audits may be carried out by the internal or external audit team.
- Programme audits consider any or all aspects of the programme, including its management and the ability to deliver.

### **ASSURANCE REVIEWS**

- Audits tend to focus on conformance and compliance, while assurance reviews are used as an assurance tool by senior managers to determine whether a programme/project should continue.
- Without reviews, the findings of audits or other forms of assessments cannot be evaluated properly by leadership.

- Review activities include inspection of information, meetings with key individuals or attendance at any meeting where decisions that affect the efficiency of the programme are taken.

The review should determine:

- How well the programme is controlling and enabling its projects, and whether the level of overhead is appropriate.
- Are internal processes and governance strategies working effectively and optimally for the purpose of the programme.

### STAGE GATE REVIEWS

- They are an ideal way to apply assurance controls, as a project cannot progress to its next stage unless it has undergone a gated review.
- They can take place at the end of programme tranches and ensure that the programme is under control and on target to meet the organization's needs.
- Gated reviews should also be applied to projects to ensure that they are under control and aligned programme objectives.
- While Stage Gate reviews are conducted at the end of each stage to assess whether the project is on track to deliver the benefits agreed, and within the agreed parameters of the project, the Deliver stage is often a lengthy one, particularly for large and complex projects, and therefore health assessments at agreed milestone points during this stage are required to assess how well the project is functioning and highlight any areas that could be improved or require escalation. Interim health checks are a component of quality assurance for the project.

### P3M3 MATURITY ASSESSMENT

The level of organisational maturity in programme delivery has a direct bearing on how well an organisation is able to support its projects.

The Portfolio, Programme and Project Management Maturity Model (P3M3) has been developed to offer a specific programme management maturity model so that organisations can assess their effectiveness.

A programme can use the maturity model to:

- Improve performance.
  - This can be done by using the model to assess the maturity of projects within the programme.
- Measure itself against one or more perspectives such as stakeholder engagement.
- Ensure that it is working consistently across projects.

To ensure effective decisions are made during the assurance process, accurate data and analysis of reliable information is required. The following activities will ensure effective measures are in place:

- **Baselining**  
To measure progress and assess performance, inputs, resources, activities, and outputs prior to any planned change activity need to be measured. These will form the baseline.
- **Analysis and review of data against baseline**  
Similar data will be taken at different points throughout the programmes and projects lifecycle.
- **Effective decision-making**  
Assurance should ensure that measurements, analysis procedures, and systems are effective.

There are two types of measurements:

- Those concerned with the management and control, e.g., cost and budget reports
- Those concerned with the outcomes to assess whether acceptable benefits are materialising.

## 1.5 ROLES IN PMO ASSURANCE MANAGEMENT

### SENIOR RESPONSIBLE OWNER (SRO)/PMO DIRECTOR

- Consults the Sponsoring Group on the approach to programme assurance.
- Ensures that adequate assurance management is in place for all aspects of quality in the programme.
- Initiates assurance reviews and audits, and
- Maintains focus on the programme management principles.

### PMO ADVISORY MANAGER

- Develops and implements the assurance strategy.
- Plans and coordinates the delivery of outputs from projects that are suitable for achieving the desired outcomes and benefits.
- Performs audits as required
- Initiates assurance reviews of the projects
- Initiates supplier performance
- Ensures that the lessons learned are implemented.

### PROJECT MANAGEMENT PRACTICE LEAD

- Implements the transition, realisation, and review of benefits from project outputs.

- Initiates assurance reviews of change readiness and business performance. This will ensure that the business change lessons that are learned are implemented.

#### PMO ADVISORY TEAM

- Establishes and maintains the programme's assurance plan as well as the information management plan.
- Develops and implements the information management (document control) strategy and plan.
- Ensures that appropriate audits, assurance, and review processes are carried out for the programme as defined in the respective strategies.
- The programme office also provides information to support the assurance reviews.

#### PROJECT MANAGER

- Monitors and controls the project
- Conforms to governance frameworks.

## 1.6 ASSURANCE MANAGEMENT FRAMEWORK

#### FOUR LINES OF DEFENCE

The 'four lines of defence' model is essentially the same as the 'three lines of defence' assurance model but adds in a fourth line: the external assurances provided by an external organisation (e.g., P3M3 Assessment and External Audit). Each line or group is responsible for effective assurance or risk management.

The four lines of defence are:

- **First line (Project):** Assurance comes directly from those responsible for delivering specific objectives or processes. It may lack independence, but its value is that it comes from those who know the business, culture and day-to-day challenges. They own and manage the risks. The first line monitors and controls at a project level, using the specified governance frameworks, tools and templates and reports against baselines for cost scope time and budget.
- **Second line (Programme):** The way the organisation oversees the control framework so that it operates effectively. Audits are undertaken by the PMO Advisory Team, and the assurance provided is separate from those responsible for delivery. The second line ensures compliance, by the first line of defence, and reports upwards on deviations.
- **Third line (Internal Audit – Risk & Compliance Team):** Objective and independent assurance, providing reasonable (not absolute) assurance of the overall effectiveness of governance, risk management and controls. Third line assurance will be undertaken by the Compliance and Risk function within the Assurance, Finance and Risk Team (separate line Management).
- **Fourth line (P3M3):** Assurance from external independent bodies such as the external auditors and other external bodies. External bodies may not have the existing familiarity with

the organisation that an internal audit function has, but they can bring a new and valuable perspective. Additionally, their outsider status is clearly visible to third parties, so that they can not only be independent but be seen to be independent.

## 1.7 ASSURANCE MANAGEMENT APPROACH

All projects found within programmes are managed by the PMO. A Programme and Project delivery methodology has been adopted and embedded across the PMO. This methodology takes the form of a staged lifecycle approach.

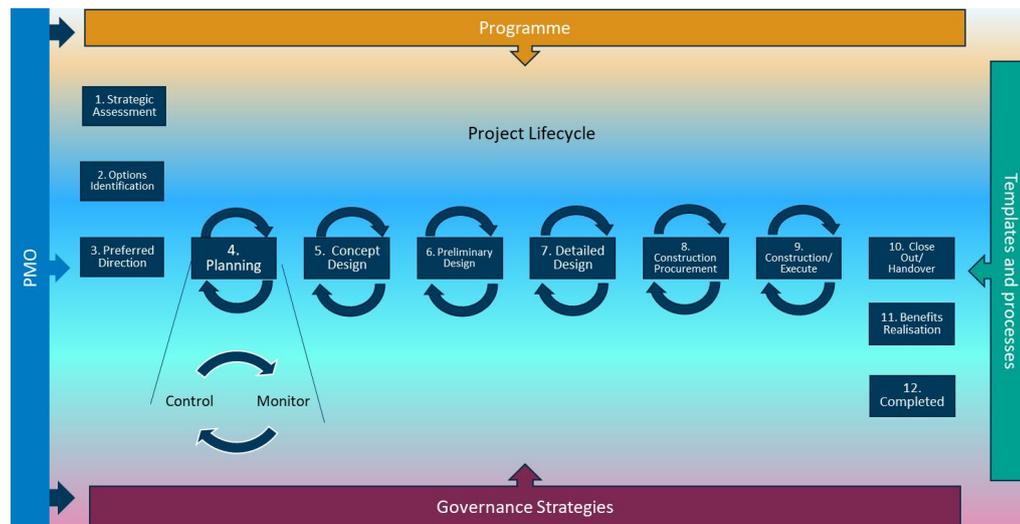


Figure 1: 3PM Assurance Framework

The stage gate methodology divides the project into distinct stages separated by decision gates. Each stage in the methodology ends with a Stage Gate, the purpose of which is to ensure the project has successfully achieved all the objectives intended and relevant in the current stage and is still on track to deliver its planned benefits, before proceeding to the next stage. Each stage has exit criteria. On exiting the stage, the project then moves to the gate where reviews are completed by Engineering Challenge Group (ECG) and/or Programme Control Group (PCG) to approve or decline the project moving to the next stage.

Each stage has a predefined list of:

- key activities
- key project deliverables (documents/artefacts)
- tools and templates
- relevant Governance Frameworks (strategies and plan)

The conformance to and use of the items in each list will form part of the assurance process when projects are under stage gate reviews or during audits and other assurance reviews. Review of the Governance strategies will be periodic to ensure continued relevance. The Artefacts that are delivered will be stored in line with the document control strategy.

## COMBINING THE FOUR LINES OF DEFENCE AND THE 3PM ASSURANCE FRAMEWORK

The table below lists the key activities in each of the 4 lines of defence, in the integrated assurance management framework.

<p><b>Project</b> (Stages 4-9 - Delivering the outputs)</p>	<ul style="list-style-type: none"> <li>● Strict quality management (See Technical Assurance Framework).</li> <li>● Reports in agreed format</li> <li>● Monitor and control <ul style="list-style-type: none"> <li>- Exception report (against baseline) for: <ul style="list-style-type: none"> <li>○ Quality of outputs</li> <li>○ Schedule/timing</li> <li>○ Estimates/costs</li> <li>○ Scope</li> </ul> </li> </ul> </li> </ul>
<p><b>PMO Advisory</b> (Delivering capabilities)</p>	<ul style="list-style-type: none"> <li>● Formal reviews of strategies and plans and other programme documentation are conducted</li> <li>● Completes audits on projects as required</li> <li>● Monthly financial reporting</li> <li>● 6 monthly Executive Leadership Team Reporting</li> <li>● Health Checks on projects</li> <li>● Completes exception reporting</li> <li>● Implements lessons learnt</li> <li>● Embeds the processes, tools, templates and techniques that are described in individual governance strategies.</li> <li>● Prescribes reporting format</li> <li>● Determines integrated assurance plan (in consultation with the Compliance &amp; Risk Manager)</li> <li>● Ensures compliance to governance strategies</li> <li>● Integrates assurance approach, to include the gated review process.</li> <li>● Applies assurance measures to the programme.</li> <li>● Performs regular project audits</li> <li>● Performs Gated reviews</li> <li>● Performance reviews of internal and external partners</li> <li>● Document control</li> <li>● Implements lessons learnt</li> </ul>
<p><b>Internal Audit- Risk &amp; Compliance Team</b></p>	<ul style="list-style-type: none"> <li>● Undertakes internal audits as defined by Internal Audit Programme</li> </ul>
<p><b>P3M3</b></p>	<ul style="list-style-type: none"> <li>● Maturity assessment of PMO</li> <li>● Report on findings</li> <li>● Builds improvement plan in consultation with PMO Advisory</li> </ul>

## 2. ASSURANCE PLAN

The Assurance Plan implements the Assurance Strategy.

### 2.1 STAGE GATE REVIEWS (DOCUMENT AUDIT) AND PROJECT HEALTH CHECKS

<b>Frequency</b>	End of each stage
<b>Description</b>	<p>While Stage Gate reviews are conducted at the end of each stage to assess whether the project is on track to deliver the benefits agreed, and within the agreed parameters of the project, the delivery stage (gates 4-9) is often a lengthy one. Therefore, health checks at agreed milestone points during this stage are required to assess how well the project is functioning and to highlight any areas that could be improved or require escalation.</p> <p>Health checks should confirm:</p> <ul style="list-style-type: none"> <li>• <b>Benefits, timelines, and costs</b> – is the project on track to deliver the benefits at the cost and timelines agreed in the Business Case?</li> <li>• <b>Project Change Requests</b> - have all project changes been covered by Change Requests according to the change request process? How have the project changes impacted on the benefits, costs and timelines agreed in the Business Case?</li> <li>• <b>Quality of documentation</b> - often indicated by the number of revisions required and promptness of sign-off</li> <li>• <b>Resources</b> – are project team resources being managed effectively and has resource allocation for upcoming work been confirmed by line managers and third parties?</li> <li>• <b>Project status reports</b> – are they being completed to the timelines agreed, and are they an appropriate and accurate reflection of the project?</li> <li>• <b>Project governance</b> – are governance structures in place and operating as planned?</li> <li>• <b>Stakeholder engagement</b> – have all required stakeholder assessments been done and are change and communication plans operating successfully?</li> <li>• <b>Issues</b> – are issues being managed effectively and escalated as agreed, how many high impact issues are there, and how long is it typically taking to resolve issues?</li> <li>• <b>Risks</b> - are risks being assessed regularly, managed effectively and owners identified; and are stakeholders comfortable that mitigation strategies are appropriate and adequate?</li> <li>• <b>Finances</b> – are finances being managed effectively and the finance metrics (e.g., actuals, Estimate to Completion) regularly updated, are the Actuals to Date reasonable in relation to the % complete of the project?</li> </ul>
<b>Actions</b>	<ul style="list-style-type: none"> <li>• PMO Advisory finalises the assessment report and recommendations and distributes this to the Project Manager and PMO Delivery Manager.</li> <li>• The Project Manager acts on the recommendations and incorporates them into the project plans and schedule.</li> <li>• PMO Advisory incorporates the learnings into PMO processes for the enhancement of future initiatives.</li> </ul>

## 2.2 SECOND-LINE AUDITS

<b>Frequency</b>	In accordance with Assurance Plan
<b>Description</b>	At any point during the project lifecycle the PMO Advisory Team can perform an audit on a project. The audit will confirm the health of the project against budget and schedule and will check process conformance as agreed in Governance Frameworks.
<b>Actions</b>	<ul style="list-style-type: none"> <li>• Audit report prepared and circulated to PMO Director for approval</li> <li>• Corrective actions recorded and tracked by PMO Advisory</li> <li>• Corrective action implementation plan developed by Project Manager and/or PMO Delivery Manager</li> <li>• Corrective action plan endorsed by PMO Advisory Manager and approved by PMO Director</li> </ul>

## 2.3 ASSURANCE REVIEWS

<b>Frequency</b>	Following on after audits
<b>Description</b>	Reviews are needed to evaluate effectiveness of corrective actions and to determine follow-up actions
<b>Actions</b>	<ul style="list-style-type: none"> <li>• Assurance report prepared and circulated to PMO Advisory Manager for approval</li> <li>• Corrective actions reviewed and accepted/rejected/amended by PMO Advisory Manager</li> <li>• Audit closed or new corrective action plan endorsed by PMO Advisory Manager and approved by PMO Director</li> </ul>

## 2.4 P3M3 ASSESSMENTS (PROGRAMME HEALTH CHECK)

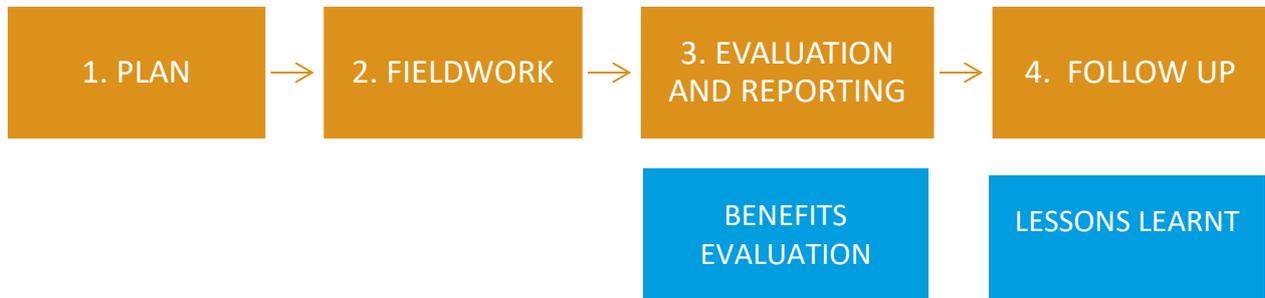
<b>Frequency</b>	Initial assessment completed by end August 2022 – then repeated as agreed with Compliance & Risk Manager
<b>Description</b>	External assessment to determine the maturity and effectiveness of the organisations processes and practices and the areas for improvement
<b>Actions</b>	<ul style="list-style-type: none"> <li>• PMO Advisory Schedule P3M3 assessment</li> <li>• External P3M3 evaluator issues findings and recommendations</li> <li>• External P3M3 evaluator in consultation with PMO Advisory issues Improvement roadmap for approval by Executive Leadership Team</li> </ul>

## 2.5 REPORTING

<b>Frequency</b>	Fortnightly and monthly (as prescribed by Sentient)
<b>Description</b>	<p>Project Managers report fortnightly on schedule versus baseline and monthly on spend, schedule and scope versus baselines. Key risks are also highlighted in this reporting.</p> <p>The PMO reports to PCG monthly on the programme highlights. The report focuses on budget versus spend versus forecast and demonstrates the predicted spend for the full life of the programme. Key risks are also highlighted.</p>

<b>Actions</b>	<ul style="list-style-type: none"><li>• Generate Sentient reports</li><li>• Update reports</li><li>• Submit reports</li><li>• Generate corrective actions through exception reporting</li></ul>
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## APPENDIX A – PROJECT AUDIT PROCESS



### 1. PLAN THE AUDIT

#### 1.1 Audit Prioritisation

Project audits are prioritised according to the [PMO Audit Schedule](#) and business requirements

#### 1.2 Choose the Audit Team

#### 1.3 Information Gathering

Relevant project information should be gathered for the audit.

#### 1.4 Risk assess the project

The project risk register is to be used as the basis of planning the audit.

#### 1.5 Project audit programme (timeline)

The audit programme is based on the audit scope and objectives, agreed with the sponsor/committee. Audit team should identify the risks to the project, and the controls and tests which are derived from these.

### 2. FIELDWORK

The audit team should gather information and documentation and talk to key stakeholders.

**Elements for review** (non-exhaustive):

- Project definition and requirements management – clear and controlled baseline requirements, objectives, success criteria, business case, terms of reference, contracts, and benefits realisation.
- Project organisation and governance – the processes to align the interests and strategic direction of sponsors and stakeholders.
- Risks management – management of risks and opportunities through the life cycle of the project.
- Commercial, procurement and commissioning – procurement and contract management, financial controls, and engagement with commissioning processes.

- Configuration management, project change controls and PMO – processes and systems to administer and control the project and changes to it.
- Project planning and scheduling – appropriately detailed execution strategies, plans and schedules.
- Performance and benefits management – to provide assurance that the benefits stated in the business case can be delivered within the resources made available.
- Stakeholder management and communications – all stakeholders affected by the project have been identified and are appropriately involved.
- Organisational capability and culture – people, behaviours, teams, and the working environment including the organisations culture.
- Social responsibility and sustainability – managing the impact of project delivery on the social, physical, ecological, and economic environment including health and safety.

### 3. EVALUATION AND REPORTING

At the conclusion of the audit, the project will need to be evaluated against a clear set of criteria which the org expects. This will enable the sponsor to assess the likelihood of a successful outcome from the project and to develop a clear set of actions to address any matters going forward.

The areas of the audit are aligned with the seven P3M3 Perspectives:

- Organisational Governance
- Management Control
- Benefits Management
- Risk Management
- Stakeholder Management
- Financial Management
- Resource Management (specifically Procurement).

#### Evaluation

The overall evaluation will be directed towards the sponsor, and the Corrective Actions Requests and Areas for Improvement will be the responsibility of the Project Manager.

The number of issues identified, and their ratings will determine the overall rating given to the project.

Each “theme/element” will be given a RAG status score between 1 - 5 to represent the projects performance. These will then be used to give the project an overall score.

SCORE	RAG STATUS	
1 – 2	R	Immediate action is required
3	A	Action required within an agreed timeline
4 – 5	G	Take action as required

### **Reporting**

Reporting requirements: who should receive the report, who should be responsible for responding to it and the timeframe for response, and who will be responsible for implementing its findings and recommendations.

## **4. FOLLOW UP**

This is the final step in the audit process, in which the audit team confirms that the agreed corrective actions to address identified project risks and issues.

## **5. BENEFITS EVALUATION**

Where the audit is evaluating a project in the Benefits Realisation phase, a separate audit process is required.

## **6. LEGACY AND LESSONS LEARNED**

The results of project audits provide valuable reference points for the future projects.

## APPENDIX B: PROJECT AUDIT CHECKLIST AND REPORT

- The Project Audit Checklist and Report template can be found at the following location:

[T:\Project Management\Programme Management\PMO Roadmap\1.1 - Assurance\4. Project Audits & Compliance\Project Audit\PMO Assurance Checklist \(v2022-07\\_Final Approved\).docx](#)