

**BRISTOL CITY COUNCIL**

**Audit Committee**

**29<sup>th</sup> January 2016**

**Report of:** Chief Internal Auditor

**Report Title:** Change Programme- Financial Benefits Realisation Governance Review

**Ward:** Citywide

**Officer presenting report:** Melanie Henchy-McCarthy, Chief Internal Auditor (J/S).

**Contact Telephone Number: 0117 92 22063**

**RECOMMENDATION**

The Committee is recommended to note and comment on this Internal Audit Report on the governance framework in place within the Change Programme Financial Benefits Realisation.

**SUMMARY**

This report presents the findings and conclusions from the second phase of Internal Audit's review of the governance environment within the Change Programme. Phase one of our review covered the overarching governance of the Change Programme which was found to be good, however it was felt that the governance surrounding the financial benefits realisation of the programme was a complex area deserving of its own separate review, hence this second phase to the audit process. The review was conducted as part of our Annual Governance Statement significant issues progress monitoring and at the request of the Audit Committee.

**The significant issues in the report are:**

- Overall the system of internal control and governance within financial benefits realisation is **satisfactory** with the level of residual risk considered to amber in accordance with the corporate risk matrix. (Paragraphs 2 & 3)

## Policy

Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes. (Public Sector Internal Audit Standards 2013).

### Consultation:

**Internal:** Strategic Leadership Team (SLT), Strategic Director Business Change / Audit Committee / other relevant Officers (Chief Internal Auditor / Service Manager: Finance Business Support / Service Director: Business Change and ICT / Service Manager: Programme Management Office.

**External:** None

## 1) Background and Context

- 1.1 Bristol City Council set up the Change Programme as a means by which it could achieve the required austerity over the three year period of 2014/15 to 2016/17. The Change Programme business case was approved by Cabinet at its meeting on 1<sup>st</sup> July 2014. The Programme aggregates a number of previously approved change business cases alongside a number of current and proposed business cases, across the Council, under the control of one Change Programme Board. The Board provides the overarching governance, scrutiny and challenge for the change process in order to ensure that the Council's objectives are achieved. The Change Programme Board consists of the Senior Leadership Team and the Service Director Project Leads; it is chaired by the Strategic Director: Business Change.
- 1.2 The aim of the Change Programme is to:
  - Make savings early and safely
  - Create and embed standard ways of working for all services to use
  - Redesign the Council to meet future needs
- 1.3 Internal Audit reviewed the overall governance environment within the Programme in 2014/15 concluding a 'good' level of control and governance which was reported to the Audit Committee at its meeting in April 2015 (*Please see appendix A for a copy of the report*). The reviewed did not however cover the financial benefits realisation element of the Programme as this was felt to be a complex area and deserving of its own separate review.
- 1.4 This report provides the Committee with a summary of the finding from that separate review.

## 2) Summary of Findings:

- 2.1 Overall the review found that whilst the tracking and calculation of savings in the initial stages of the programme were not as comprehensive as officers would have liked, there was clear evidence of learning as the programme progressed with the introduction of robust mitigations to ensure that savings tracking and reporting is comprehensive currently and will remain so going forward.

Many of the issues which were identified during the review had already been highlighted by Finance and the Programme Management Office (PMO) and actions to resolve them instigated appropriately.

As a result the following areas were considered to have an acceptable level of governance/control:

- Identification of tangible benefits
- Sustainability of projected savings
- Management information
- Benefits Tracking
- Buy-in from Service areas

One of the key elements to the improvements in benefits tracking and reporting has been the appointment of a dedicated Programme Accountant, who can provide continuity and liaison between Finance and the PMO.

## 3) Conclusion

- 3.1 It is clear that as with our initial review of the overall governance of the Change Programme, a considerable amount of work has been done to ensure that the Change Programme is well managed and that the workstreams contained therein achieve their full potential and projected outcomes. Management and Members can take assurance that the Control, Risk and Governance framework within the areas covered by this review of the Change Programme Financial Benefits Realisation Governance is **Acceptable**. We have not concluded as Good at this time as a number of the mitigating actions have only recently been introduced and we would want to give them time to embed before inflating our conclusion.
- 3.2 Internal Audit would propose revisiting the Programme nearer its conclusion at the latter end of 2016/17 to ensure that lessons learned from the Programme migrate into Business as Usual going forward.

## Other Options Considered

Not applicable.

### **Risk Assessment**

There are no risks arising directly from this report, however the risk to the Programme is that the Council fails to maximise the opportunities afforded by the having a single Change Programme to deliver and achieve the Mayoral and corporate objectives and maintain its resilience in the future.

### **Equalities Impact Assessment**

None necessary for this report

### **Legal and Resource Implications**

**Legal** - none sought

**Resources** - none arising from this report

**Appendices** – Appendix A - Copy of Internal Audit Report on Change Programme overall Governance Framework.

### **LOCAL GOVERNMENT ACCESS TO INFORMATION**

**BRISTOL CITY COUNCIL****Audit Committee****24<sup>th</sup> April 2015****Report of:** Chief Internal Auditor**Report Title:** Change Programme Governance Review**Ward:** Citywide**Officer presenting report:** Melanie Henchy-McCarthy, Chief Internal Auditor (J/S).**Contact Telephone Number: 0117 92 22063****RECOMMENDATION**

The Committee is recommended to note and comment on this Internal Audit Report on the governance framework in place within the Change Programme.

**SUMMARY**

This report presents the findings and conclusions from the first phase of Internal Audit's review of the governance environment within the Change Programme. The review was conducted as part of our Annual Governance Statement significant issues progress monitoring and at the request of the Audit Committee.

**The significant issues in the report are:**

- Overall there is a good system of governance and internal control to assist achievement of the identified objectives and manage the risks/consequences arising from the Programme. (Paragraph 3)
- Only minor good practise matters were identified with regard to the Change Programmes Terms of Reference and Financial Reporting. (Paragraph 2.2)
- Phase two of the review will cover financial benefits realisation as this is a complex area and deserving of its own review.

**Policy**

Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach

to evaluate and improve the effectiveness of risk management, control and governance processes. (Public Sector Internal Audit Standards 2013).

The review of the Change Programme was carried out utilising a Reasonable Assurance model which was drawn up by Bristol Internal Audit in collaboration with the other West of England authorities. The model was designed to give management and Members 'Reasonable Assurance' on the control, risk and governance environment under review.

### **Consultation:**

**Internal:** Strategic Leadership Team (SLT), Strategic Director Business Change / Audit Committee / other relevant Officers (Chief Internal Auditor / Service Director: Finance / Service Director: Business Change and ICT / Service Manager: Programme Management Office.

**External:** None

## **1) Background and Context**

1.1 Bristol City Council set up the Change Programme as a means by which it could achieve the required austerity over the three year period of 2014/15 to 2016/17. The Change Programme business case was approved by Cabinet at its meeting on 1<sup>st</sup> July 2014. The Programme aggregates a number of previously approved change business cases alongside a number of current and proposed business cases, across the Council, under the control of one Change Programme Board. The Board provides the overarching governance, scrutiny and challenge for the change process in order to ensure that the Council's objectives are achieved. The Change Programme Board consists of the Senior Leadership Team and the Service Director Project Leads; it is chaired by the Strategic Director: Business Change.

1.2 The aim of the Change Programme is to:

- Make savings early and safely
- Create and embed standard ways of working for all services to use
- Redesign the Council to meet future needs

1.3 Internal Audit focused on a number of key areas the outcomes from which are summarised below, but in essence it confirmed that a process is currently in place to ensure that:

- A Business case is produced and approved for each project/workstream

- Governance arrangements surrounding reporting and monitoring are robust.
- Management arrangements for each project/workstream are clear and approved
- Capacity and skills to deliver the desired outcomes have been assessed
- Project/workstream accountability/responsibility is clearly defined
- Projects/workstreams are aligned to Mayor/corporate objectives
- A clear approach to cultural change is in place
- The consideration of risk is appropriate

1.4 The review did not cover the area of financial benefits realisation; therefore we are unable to comment at this time, on whether the projected savings will be achieved. A review of this area has been scheduled for the early part of the 2015/16 financial year.

## **2) Findings of the Review**

### **2.1 Areas where the level of assurance was found to be good:**

- No project can be started without a Business case which is approved and monitored by the Change Programme Board.
- Project progress is discussed at the regular bi-weekly meetings of the Board with monthly Highlight reports produced to aid workstream monitoring. Overall progress is tracked using a comprehensive milestone map.
- The Change Programme Board is where the decision making is done, both at a high level and in understanding and agreeing each workstream element. Additionally each project/workstream is assigned an accountable Service Director and Project / Workstream Manager.
- Regular internal reports prepared by the Programme Management Office are used by the Performance Improvement Team to identify proxy measures of success against the Mayors priorities.
- A new Performance Management system has been procured to improve performance at an individual level and this will be supported by management training and development. Thereby providing a clear approach to culture and change and identifying gaps in skills and capacity.
- A risk log is in place for each workstream to manage risks. These are also used to inform the monthly Highlight reports which clearly identify any concerns that relate to the workstream status.

## 2.2 Areas where the levels of assurance was found to be reasonable:

- The Change Programme Board Terms of Reference has not been updated since 2013, was not approved by Cabinet and is not on the Council website.
- Comprehensive monthly financial summary reports are provided to the Change Programme Board; however, whilst all of the appropriate information is included, the reports would not necessarily be easily understood by a non-financial person.

## 3) Conclusion

- 3.1 It is clear that a considerable amount of work has been done to ensure that the Change Programme is well managed and that the workstreams contained therein achieve their full potential and projected outcomes. Management and Members can take assurance that the Control, Risk and Governance framework within the areas covered by our review of the Change Programme is good.

### Other Options Considered

Not applicable.

### Risk Assessment

There are no risks arising directly from this report, however the risk to the Programme is that the Council fails to maximise the opportunities afforded by the having a single Change Programme to deliver and achieve the Mayoral and corporate objectives and maintain its resilience in the future.

### Equalities Impact Assessment

None necessary for this report

### Legal and Resource Implications

**Legal** - none sought

**Resources** - none arising from this report

**Appendices** - None

## LOCAL GOVERNMENT ACCESS TO INFORMATION