

WELLAND INTERNAL AUDIT CONSORTIUM
Harborough District Council

INTERNAL AUDIT REPORT



Measuring Benefits Realisation
2014-15

Issue Date:	29 th October 2014	Issued to:	Simon Riley	Head of Financial Services, Assets & Section 151 Officer
Author:	Jonathan Nulty		Bev Jolly	Corporate Director – Resources
			Councillor Neil Bannister	Chairman of Governance & Audit Committee

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Measuring Benefits Realisation

EXECUTIVE SUMMARY

1. INTERNAL AUDIT OPINION

The measurement of benefits arising from projects (both large and small) underpins the approach to both project management and value-for-money. Effective benefits realisation should “unlock” savings and efficiencies needed in these times of financial constraint.

Interviews and a workshop with service managers demonstrated that the Council is continually improving and developing a control framework and overall methodology that should deliver effective measurement of benefits. There was, however, a need for better consistency in adhering to the guidance and a clear requirement for training in the area of benefits realisation.

To fully embed the culture of benefits realisation, it is recommended that a strategy for Benefits Realisation (perhaps incorporated as part of a wider VFM strategy) is developed and implemented.

Testing confirmed that the Council has established methodologies, template documentation and monitoring/reporting mechanisms in place, although compliance with these is not consistent. It is, therefore, the Auditor’s Opinion that the design and operation of controls provides **Sufficient Assurance**. The audit was carried out in line with the scope set out in the approved Audit Planning Record.

The Opinion is based upon testing of the design of controls to manage the three risks about which the Client sought assurance and testing to confirm the extent of compliance with those controls.

Internal Audit Assurance Opinion		Direction of Travel				
Sufficient Assurance		Improving				
Risk	Design	Comply	Recommendations			
			H	M	L	
Risk 1	Expected benefits are not clearly identified at the outset of a project	Sufficient Assurance	Limited Assurance	0	1	0
Risk 2	Conditions for the realisation of identified benefits are not met	Sufficient Assurance	Sufficient Assurance	0	1	1
Risk 3	Benefits are not realised or are unsustainable	Sufficient Assurance	Sufficient Assurance	1	0	1
Total Number of Recommendations				1	2	2

2. ISSUES REQUIRING MANAGEMENT ATTENTION

The following issues were identified and recommendations made:

- For all projects there is consideration of benefits realisation and that as part of the new Council-wide project management approach, this is part of the formal process. There has been no formal training

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in benefits realisation for any project managers, although there are plans for an externally-led training session in the near future.

- It was established that the early stages of a project (the PID, etc.) do include the outlining of expected benefits – though this was not explicit for earlier projects within the Transformation Programme. It was also found that some benefits were vague, generic and not meaningful in terms of benefits that could be measured. This can be addressed through effective training.
- There is support for the latest version of the formal reporting/monitoring template for benefits realisation which is less complicated than the previous incarnation. It still requires review and amendment, however, since there is a lack of clarity in just how to complete the templates in a practical way that will add value for a project manager. In addition, the sections on the TEN performance management system for Benefits Realisation are completed, but are sometimes vaguely worded and do not convey the actual benefits realised in a meaningful way. Training can again address this issue.
- There is a mixed picture across the Council in relation to creating the right environment for benefits to be realised. Project sponsors have been used to overcome identified barriers to progress and to coordinate / prioritise resources. Identification of interdependencies has been effective, but there is still a risk that some projects which can “unlock” the benefits of other projects (e.g. new technology projects) may cause delays if there is not investment or prioritisation in relation to these key projects.
- A key risk area is the interface between the Council and third parties for ensuring that the conditions are right to allow the realisation of benefits. The role of the project sponsor is critical in this process and everyone undertaking this role needs a full understanding of what is expected, especially in relation to benefits realisation. This is already in hand as part of training and guidance taking place for project management more generally.
- A key element in creating a culture of measuring benefits would be a Benefits Realisation Strategy, which the Council do not currently have. This could be part of a larger strategy, encompassing all aspects of Value-For-Money.
- Highlight reports do identify progress on projects and any issues that may affect the project’s success (and hence, the realisation of benefits). However, they are not explicit about benefits being realised.
- Of the projects examined as part of this audit, many had benefits that have been realised. The majority of these related to simplistic, tangible benefits (e.g. getting Council teams moved back into the Symington Building) and some, just a “yes” or “no” outcome. Other, more intangible, benefits have been harder to track and many projects with this kind of benefit to be measured are not yet at full completion. Baselining will be essential to address this.
- In some cases, the anticipated reduction in costs has already been removed from base budget. This has sometimes been in advance of the benefits being realised from the project. Such a reduction demonstrates a commitment to ensuring that benefits are sustainable and not just “one-off” savings, but there is a risk that financial pressures could be placed on services that exceed the actual benefits realised. There is an argument that reducing budgets at the point of benefits being enabled keeps motivation on the budget holder to ensure that benefits are actually realised.

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- It has been recognised that benefits should continue to accrue, even after a project has finished and there are plans in place to monitor the realisation of benefits. It is unclear whether clear reporting lines exist for benefits once a project has stopped.

3. AREAS WHERE CONTROLS WORKED AS DESIGNED

On the basis of the information provided by service managers and key staff, the Auditor has concluded that the following issues should be acknowledged:

- The incorporation of Benefits Realisation principles and concepts into the overall approach to Project Management is to be commended. Further training is needed, but a good start has been made.
- The development of metrics and capturing of baseline data at the early stages of each project will mean effective benefits realisation and performance measurement, to assess the success and cost-effectiveness (VFM) of each project.
- The Council's Medium Term Financial Strategy (MTFS) does have links to the benefits arising (both currently and in the future) from major projects. If there are to be clear, realisable benefits and savings coming out of the programme of projects, then these should be input into the MTFS – which is happening for the 2015-16 budget process

4. LIMITATIONS TO THE SCOPE OF THE AUDIT

The audit addressed controls regarding the following risks:

- Expected benefits are not clearly identified at the outset of a project
- Conditions for the realisation of identified benefits are not met
- Benefits are not realised or are unsustainable

The Audit Opinion relates only to those areas of risk. The audit does not guarantee that fraud or errors do not exist.

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ACTION PLAN

Rec No.	ISSUE	RECOMMENDATION	Management Comments	Category	Officer Responsible	Due date
Risk 1: Expected benefits are not clearly identified at the outset of a project						
1.1	There is a lack of consistency in how benefits realisation is dealt with across projects and there is a clear need for training in this topic, as part of wider project management training.	Business Development and Programme Manager (in conjunction with the Corporate Director) reviews arrangements for training in Benefits Realisation and looks to commission formal training as part of the wider Project Management training piece. This training should cover all aspects and stages of the Benefits Realisation process.	Agreed – procurement of training in the area of managing benefits has just taken place and will be delivered within this financial year.	Medium	Corporate Director - Resources	Mar 2015
Risk 2: Conditions for the realisation of identified benefits are not met						
Rec No.	ISSUE	RECOMMENDATION	Management Comments	Category	Officer Responsible	Due date
2.1	The agreed approach to benefits realisation needs to be embedded within the Council and effectively communicated to all stakeholders.	Business Development and Programme Manager (in conjunction with the Head of Financial Services, Assets & Section 151 Officer) develops a Benefits Management Strategy that defines and outlines the Council's approach and ambitions in relation to Benefits Realisation.	Strategy and approach to benefits realisation will be included in a wider Value-For-Money Strategy, which will be drafted by the end of December 2014	Medium	Head of Financial Services, Assets & Section 151 Officer	Mar 2015
2.2	Although there is support for the latest iteration of the Benefits Card, some minor improvements are needed to maximise its benefit to project managers	Head of Financial Services reviews the Benefits Realisation template and card (in the light of audit recommendations and subsequent training) to ensure that all relevant data and aspects are captured and that it is a practical and pragmatic process, proportionate to the level of the projects concerned.	Agreed – the format and template will be reviewed in readiness for the next financial year, as part of the MTFs update. The business planning process (and that for the Capital Programme) has been amended to allow the explicit outlining of benefits expected and performance measures.	Low	Head of Financial Services, Assets & Section 151 Officer	May 2015

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Rec No.	ISSUE	RECOMMENDATION	Management Comments	Category	Officer Responsible	Due date
Risk 3: Benefits are not realised or are unsustainable						
3.1	There is mixed performance in relation to the baselining of service performance before a project (or change) takes place. This could lead to problems in establishing what benefits have been realised.	Head of Financial Services strengthens the guidance on Benefits Realisation to ensure that change / improvement projects undertake baselining to enable effective measurement of benefits.	Agreed – due diligence at early stages and inception of a project is a priority, (this includes the capture of baseline data and performance levels). We are also working (through training) to ensure that common terminology is used in relation to benefits realisation – for all stages of the benefits “journey”.	High	Head of Financial Services, Assets & Section 151 Officer	Mar 2015
3.2	It was unclear from audit fieldwork what reporting processes are in place for benefits that continue to accrue once a project has stopped – this could affect the sustainability of the changes/benefits.	Head of Financial Services ensures that clear arrangements are in place for monitoring and reporting on benefits arising from projects after a project has ended – for as long as benefits are expected to continue to arise, or until benefits are classed as “business as usual” and part of base budgets (where appropriate).	Agreed – Officer led Performance Improvement Board currently has a remit that includes looking at benefits / savings accruing from projects that have finished and we will ensure this continues.	Low	Head of Financial Services, Assets & Section 151 Officer	May 2015

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GLOSSARY

The Auditor's Opinion

The Auditor's Opinion for the assignment is based on the fieldwork carried out to evaluate the design of the controls upon which management rely and to establish the extent to which controls are being complied with. The table below explains what the opinions mean.

Level	Design of Control Framework	Compliance with Controls
SUBSTANTIAL	There is a robust framework of controls making it likely that service objectives will be delivered.	Controls are applied continuously and consistently with only infrequent minor lapses.
SUFFICIENT	The control framework includes key controls that promote the delivery of service objectives.	Controls are applied but there are lapses and/or inconsistencies.
LIMITED	There is a risk that objectives will not be achieved due to the absence of key internal controls.	There have been significant and extensive breakdowns in the application of key controls.
NO	There is an absence of basic controls which results in inability to deliver service objectives.	The fundamental controls are not being operated or complied with.

Category of Recommendation

The Auditor categorises recommendations to give management an indication of their importance and how urgent it is that they be implemented. By implementing recommendations made managers can mitigate risks to the achievement of service objectives for the area(s) covered by the assignment.

Category	Impact & Timescale
HIGH	Management action is imperative to ensure that the objectives for the area under review are met. Recommendation to be implemented immediately with explanation to Governance & Audit Committee should timeframe extend beyond three months.
MEDIUM	Management action is required to avoid significant risks to the achievement of objectives Recommendation should be implemented as soon as possible with explanation to Governance & Audit Committee should timeframe extend beyond six months
LOW	Management action will enhance controls or improve operational efficiency. Recommendation should be implemented within six months but Governance & Audit Committee will be advised where the client specifies that a longer delivery time is necessary and / or justified.

Limitations to the scope of the audit

The Auditor's work does not provide any guarantee against material errors, loss or fraud. It does not provide absolute assurance that material error, loss or fraud does not exist.