



SCOTT-MONCRIEFF

EDINBURGH AND GLASGOW

**tie Limited
Internal Audit Report
Project Management Arrangements -
TRAM Project
March 2007**

CEC01649895



tie Limited Internal Audit Report Project Management Arrangements – TRAM Project March 2007

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1 Introduction

In March 2007, we carried out an audit of the project management arrangements and controls in place for the TRAM Project on behalf of tie Limited. This review focused on those arrangements and specifically their application in relation to the TRAM project.

This audit was performed in accordance with the 2006/2007 Internal Audit Plan.

2 Background

tie Limited is an arms length company set up by the City of Edinburgh Council as the delivery arm of its transport projects, to be operated under the Transport Edinburgh Limited brand.

Given the level of public funding it is essential that project management arrangements are robust enough to provide an effective tool in the delivery of projects that are the responsibility of tie Limited.

As many of the projects are now active, it is essential that management can be assured that planned controls over projects are operating effectively.

This review focused on the application of key procedures and controls in the operation of phase 1 of the TRAM project, which has committed funding in excess of £500m.

3 Scope

The objective of this review was to evaluate tie Limited's procedures in relation to the project management approach to the implementation of the TRAM project and assess the degree of programme management in place.

We identified several key issues that are considered important to the effective management of a project, those being:

- All projects have an approved business case which clearly highlights key requirements;
- All relevant parties are involved in the project and their responsibilities are clear and decision making processes defined;
- Appropriate resource plans are developed and monitored;
- Controlled processes exist for highlighting issues and risks arising from the project; and
- Adequate monitoring and reporting arrangements exist for the project.

During the audit we identified key objectives for project management and these are listed in the Summary of Findings (section 4). The key objectives were used to assess the effectiveness and efficiency of the controls managing the processes.

4 Summary of Findings

The table below summarises our assessment of the adequacy and effectiveness of the control procedures for each of the key control objectives. Where the control objective was not deemed to be satisfactorily met we have reported the weaknesses identified in the Management Action Plan (section 6 of the report).

| No. | Key Objective | Adequacy / Effectiveness of control procedures |
|-----|--|--|
| 1 | Appropriate risk management arrangements are in place. | YELLOW |
| 2 | Quality assurance is considered and applied. | GREEN |

| No. | Key Objective | Adequacy / Effectiveness of control procedures |
|-----|--|--|
| 3 | Effective governance arrangements are in place. | GREEN |
| 4 | Monitoring and reporting mechanisms are effective. | GREEN |
| 5 | The business case is controlled and updated accordingly. | GREEN |
| 6 | Issue/change management is effective and controlled | YELLOW |
| 7 | There are effective resource planning arrangements in place. | GREEN |

| Assessment | Definition |
|---------------|---|
| BLACK | Fundamental absence or failure of key control procedures - immediate action required. |
| RED | The control procedures in place are not effective - inadequate management of key risks. |
| YELLOW | No major weaknesses in control but scope for improvement. |
| GREEN | Adequate and effective controls which are operating satisfactorily. |

5 Conclusion

As the TRAM project progresses toward the procurement, design and delivery phase it is crucial that tie Limited demonstrate a robust system of internal control to ensure that critical aspects of the project are effectively managed.

In our opinion, the project management arrangements relating to the delivery of the project appear effective.

It is also noted that consideration is being given to the resource requirements of the project to ensure that appropriate staff are in place to deliver the key stages of the project.

Furthermore, the risk management arrangements in place for the TRAM project are effective in ensuring the risks associated with the project are being fully considered and risk mitigation activities are implemented. It is acknowledged that the Active Risk Management (ARM) system was rolled out as a pilot project within the TRAM project towards the end of 2006. There remains some work outstanding to ensure that the ARM system becomes fully embedded within the organisation.

In addition, management should ensure that ownership of the Project Issues Log is determined and a system introduced which allows issues to be scored in relation to their importance and also to identify the date by which the issue has to be addressed.

We would like to thank all staff consulted during this review for their assistance and co-operation.

6 Management Action Plan

Priority ranking

The priority ranking helps management assess the significance of the issues raised and prioritise the action required to address them. The ranking structure is summarised as follows:

| Ranking | Definition |
|---------|--|
| 5 | Very high risk exposure – Major concerns requiring immediate Board attention. |
| 4 | High risk exposure - Absence / failure of significant key controls. |
| 3 | Moderate risk exposure - Not all key control procedures are working effectively. |
| 2 | Limited risk exposure – Minor control procedures are not in place / not working effectively. |
| 1 | Efficiency / housekeeping point. |

Management Action Plan

| 1 Key control objective: Appropriate risk management arrangements are in place | | |
|---|--|--|
| Observation and Risk | Recommendation | Management Response |
| <p>1.1 Risk Management System</p> <p>It was noted from the review that the ARM (Active Risk Management) system was recently introduced as a risk management tool for the TRAM project.</p> <p>As with any new system, it will take time before the system's functionality is fully utilised as users become more familiar with the system.</p> <p>During the course of our review, we identified several areas which require consideration before the ARM system can be considered as fully supporting risk management within the TRAM project.</p> <p>It was noted that project managers require further training to improve their understanding of the functionality of the ARM system. Their responsibilities for maintaining the system i.e. recording risks, updating risk profile and closing risks also have to be confirmed.</p> <p>Without this being fully embedded in the risk management arrangement there is potential that TRAM project risks are not being fully considered and the ARM system is not being utilised effectively.</p> | <p>We recommend that management ensure that project managers are reminded of the importance of the ARM system and clarify their role and responsibilities for maintaining risks within the system.</p> | <p>Agreed.</p> <p>To be actioned by: Matthew Crosse</p> <p>No later than: 31 May 2007</p> |
| | | <p>Priority</p> |

Management Action Plan

2 Key control objective: Quality assurance is considered and applied.

We identified no significant weaknesses in relation to this control objective.

The project is subject to OGC Gateway reviews at key stages for all procurements which exceed the OJEU procurement thresholds. These have been conducted on three occasions in the last year.

The Quality & Risk Review process is undertaken on a four weekly basis and includes input from the Risk Manager, Finance Director, Project Director, Strategy Director, Environmental and Safety Director and Deputy Project Director. Any issues identified will be raised with the sub-committees and TRAM Project Board, if appropriate.

A Health and Safety Quality Management plan has been developed by the TRAM project and is being adhered to. An Engineering Assurance and Approvals Director is in place to oversee activity in this area.

3 Key control objective: Effective governance arrangements are in place.

We identified no significant weaknesses in relation to this control objective.

The Project Management Plan clearly identifies the governance arrangements for the project from both a tie Limited and TRAM project perspective. As the project develops, good governance practices will become increasingly important.

We consider the governance arrangements for the TRAM project to be sufficiently robust and well defined and these should contribute to effective control systems for the project.

Management Action Plan

4 Key control objective: Monitoring and reporting mechanisms are effective.

We identified no significant weaknesses in relation to this control objective.

The Project Management Plan outlines the monitoring and reporting arrangements for the TRAM project. This is supported by control documentation with the aim to ensure that the information being reported to the TRAM project board is of sufficient detail to allow decisions to be made.

There is a robust system of weekly and monthly monitoring and reporting procedures within the project to ensure that all relevant parties are informed of progress.

5 Key control objective: The business case is controlled and updated accordingly.

We identified no significant weaknesses in relation to this control objective.

The Draft Final Business Case was approved by the City of Edinburgh Council. Work is due to begin on production of the Final Business Case which is to be presented for approval in Autumn 2007.

The same level of control applied in the production of the Draft Final Business Case will remain during the development of the final business case. In maintaining this management should be able to gain positive assurance that the framework for producing the Final Business Case is robust and its content appropriate.

Management Action Plan

| 6 Key control objective: Issue/Change Management is effective and controlled. | | | | |
|--|---|---|-----------------|----------|
| Observation and Risk | Recommendation | Management Response | | |
| <p>6.1 Management of Project Issues Log</p> <p>A Project Issues Log was developed by the project to assist the management of the programme and also to ensure that reasonable consideration has been given to the management and overall progress of the project.</p> <p>Primarily, it exists as a tool to capture all thoughts and considerations relevant to the successful delivery of the project.</p> <p>Access to this document is freely available via the extranet to allow all staff to populate it. Currently, it is the responsibility of both the Planner and Project Managers to work in tandem in addressing the content of the Project Issues Log.</p> <p>It was noted that as this Project Issues Log has developed, its content has increased. However, there is no system of scoring the issues in relation to their importance to the project nor are dates included by which the issue requires to be addressed.</p> <p>Without such a system in place, there is a risk that some issues may not be addressed with the required level of priority. This could result in aspects of the project failing to deliver the required outcome and/or cause delays to other areas of the project which are dependent on their completion.</p> | <p>We recommend Management ensure that issues are clearly identified by type and priorities allocated in the Project Issues Log. This will ensure that the most significant issues are being managed in line with their respective priority and action is taken to minimise impact on the project.</p> <p>We also recommend that the Project Issues Log contain the date by which actions require to be taken for adequate control of issues.</p> | <p>Agreed.</p> <p>To be actioned by: Susan Clark</p> <p>No later than: 30 June 2007</p> | | |
| | | <table border="1"> <tr> <td>Priority</td> <td>2</td> </tr> </table> | Priority | 2 |
| Priority | 2 | | | |

Management Action Plan

| Observation and Risk | Recommendation | Management Response | |
|---|---|--|-----------------|
| <p>6.2 Ownership of the Project Issues Log</p> <p>The Project Issues Log was created originally by a member of staff who was able to maintain this with minimal impact on their main role in the overall management of the project.</p> <p>However, as the TRAM project has evolved, the role and responsibility of this member of staff in the project has also changed and they are now involved in other areas of the project. As a result this member of staff is not able to maintain the Project Issues Log as effectively as previously.</p> <p>It is important that there is clear ownership of such a key project document and there is a risk that not all issues related to the project are being identified and addressed.</p> | <p>We recommend that ownership and responsibility for the Project Issues Log be allocated to a specific officer. Consideration should be given to allocating responsibility to the Project Controls Team (PCT) in order to align this with the project Change Control and Risk Management activities.</p> | <p>Agreed.</p> <p>To be actioned by: Susan Clark</p> <p>No later than: 31 May 2007</p> | |
| | | <p>Priority</p> | <p>2</p> |

Management Action Plan

7 Key control objective: There are effective resource planning arrangements in place.

We identified no significant weaknesses in relation to this control objective.

From a financial perspective, the Management Accountant reviews expenditure and reports on this monthly and this forms part of project review procedures.

Other resource issues are addressed by the Delivery and Programme Director through the monthly project manager review meetings.

A TRAM Delivery Resource plan is also maintained to ensure that the project has the required resources and that these are considered and any variances are acted upon throughout the lifecycle of the project.



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