

# Final Internal Audit Report

## Project Management Office - Structures and Processes Review

March 2024

Distribution: Interim Assistant Chief Executive  
Director of Policy, Programmes and Performance  
Business Improvement Manager  
Head of Programmes and Improvement  
PMO Consultant  
Corporate Director of Resources and S151 Officer  
Director of Finance

Assurance Level	Issues Identified	
Limited Assurance	Priority 1	3
	Priority 2	2
	Priority 3	0

### Confidentiality and Disclosure Clause

This report ("Report") was prepared by Mazars LLP at the request of London Borough of Croydon and terms for the preparation and scope of the Report have been agreed with them. The matters raised in this Report are only those which came to our attention during our internal audit work. Whilst every care has been taken to ensure that the information provided in this Report is as accurate as possible, Internal Audit have only been able to base findings on the information and documentation provided and consequently no complete guarantee can be given that this Report is necessarily a comprehensive statement of all the weaknesses that exist, or of all the improvements that may be required.

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Please refer to the Statement of Responsibility in Appendix 3 of this report for further information about responsibilities, limitations and confidentiality.

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## **1. Introduction**

- 1.1 The Project Management Office (PMO) at Croydon Council (Council) was created in April 2020. Prior to this a resourced PMO did not exist; only a handbook describing how to manage projects, but this was judged to be ineffective and underutilised. A number of products, tools and templates have already been implemented by the PMO, including a Delivery Tracker for projects and programmes and general reporting, MS Planner for scheduling and a Community of Practice to share best practice and knowledge across all change management staff at the Council.
- 1.2 The scope of the PMO currently includes savings, governance, housing improvement and culture, while capital and IT are in separate portfolios. The PMO is a developing entity with plans to introduce Internal Control Boards which will act as a regulatory point for all projects and programmes within the PMO, with the aim of ensuring the Project Management Process framework is complied with, including the submission of a business case. At the time of the audit fieldwork there are six programmes of work that the PMO are involved in made up of several projects.
- 1.3 The Project Management Framework and its associated policies, processes and tools have been in development since the inception of the PMO and all relevant documentation has been produced. This includes templates and processes relating to risks, planning, governance, resources, lessons learnt as examples.
- 1.4 This audit assessed the PMO following the ongoing implementation of new standards, assessing the following areas:
  - Management Control
  - Benefits Management
  - Financial Management
  - Risk Management
  - Stakeholder Management
  - Organisational Governance
  - Resource Management
- 1.5 While our review and testing were performed remotely, we have been able to obtain all relevant documents to meet the objectives of the audit.
- 1.6 The audit was undertaken as part of the agreed Internal Audit Plan for 2021/22. The objectives, approach and scope are contained in the Audit Terms of Reference at Appendix 1.

**Management Update from Director of Policy, Programmes and Performance - February 2024**

Significant progress has been made developing the role, focus and operation of the PMO since this audit was carried out in May 2022. Following the updates noted below, in January 2024 it was agreed to move to a new model of project management delivery. This new model reflects the development of Directorate level project management support, and the renewed focus on corporate transformation projects. As a result the PMO in its 2022 form will cease operation at the end of March 2024, with its responsibilities being shared between:

- The Business Improvement team – responsible for governance, project management methodology and Verto system support. A new all Directorate project management improvement group has also been established to embed a consistent and coherent methodology and approach to project management across the council.
- A specific single role will also be created to coordinate and service the Council’s Internal Control Boards.
- Directorate project management teams – responsible for Directorate and service level projects in their areas
- A new Corporate Transformation Office – responsible for corporate and cross-council transformation projects.
- Updates (as of February 2024) to the original management response are included in the proposed management action below for completeness. It is planned to re-audit the corporate project management governance and compliance in early 2025 once the new model is bedded in.

**2. Key Issues**

**Priority 1 Issues**

Internal control boards were not yet running as planned leading to projects proceeding without approval. **(Issue 1)**

There was a lack of senior accountability for projects leading to project delays. **(Issue 2)**

A lack of PMO resource was leading to the PMO not being able to function effectively. **(Issue 3)**

**Priority 2 Issues**

The PMO did not have full oversight of all key projects. **(Issue 4)**

Wider council staff were not all properly aware of the function and benefits of the PMO. **(Issue 5)**

There were no Priority 3 issues.

**Detailed Report**

**3. Actions and Key Findings/Rationale**

**Control Area 1: Management Control**

Priority	Action Proposed by Management	Detailed Finding/Rationale - Issue 1
1	<p>Internal Control boards have been running since May/June 2022. The Corporate Framework mentions projects and programmes has three routes of governance.</p> <ul style="list-style-type: none"> <li>• Internal control boards (ICB)</li> <li>• Directorate Management Team (DMT)</li> <li>• Programme boards (specific boards e.g. housing improvement)</li> </ul> <p>ICB's are currently under review, with a paper from Reece Bowman going to CMT on 20 September 2023. Some ICB's have been paused. There remain some questions around governance and decision-making powers in relation to programme boards.</p>	<p>Internal Control Boards are identified in the Project Management Framework provided by the PMO and in the lifecycle of a project within the Council. These are critical to managing the status of projects and ensuring smooth delivery, as well as ensuring business cases have been completed and evaluated prior to project implementation.</p> <p>At the time of conducting the audit (in April 2022), the Internal Control Boards had not yet been implemented, although it was noted by senior staff in the PMO that these were due to be implemented as soon as possible.</p> <p>The senior project manager estimated that 0% of the projects managed by them had a completed business case, caused primarily by the PMO becoming involved in the project far beyond the beginning stages and beyond the point in time at which a business case should have been completed. The senior project manager also highlighted that several projects under his responsibility had not had any change in status for several months. The reasons provided for this were cited as being a combination of late transfer to the PMO when the project was already in the mid-to-late stages and no business case being submitted prior to delivery beginning, creating a series of projects which had not been properly evaluated prior to commencement. This then led to issues materialising which would have been identified during a business case review had that process been in place.</p>

The establishment of the Transformation ICB in analysing business cases (Verto) to determine the most suitable allocation of the transformation budget has reduced the risk around financial loss due to project failure. There is more work to be done to improve the organisation's ability to write business cases and then read and approve them. Verto provides a process of financial approval and control. Benefit realisation training is beginning to be rolled out across the organisation and will be a mandatory requirement, offered on a quarterly basis.

**Update Feb 2024:**

To ensure a consistent approach to ICB administration and coordination a new role will be introduced to take sole responsibility for supporting and servicing ICBs.

*Risk:* There is a risk of significant financial loss to the Council as money is allocated towards projects which ultimately have very little chance of completion or success, or very little benefit realisation. There is a more general risk of the entire Project Management Framework failing without the Internal Control Boards in place to act as a supervisor and control point.

Responsible Officer	Deadline	
Head of Programmes and Performance	Initial stage complete as detailed above.  Further review of ICBs to be completed by Dec 2023	



**Executive Representation and Accountability (Issue 2)**

Priority	Action Proposed by Management	Detailed Finding/Rationale - Issue 2
1	<p>Verto programme management tool went live April 2023, with a rollout across the organisation planned over six months. Each project and programme have an SRO assigned. There is more work to do, to define the role and responsibilities of an SRO. This documentation and guidance are expected Autumn 2023, this will include definitions of roles, responsibilities and RACI. There are no known delays in this area. The introduction of the programme boards provides structure that replaces the need for steering group. Issues around delays and accountability have largely been resolved, however, the guidance and training around process, roles and responsibilities is required and expected from Autumn 2023.</p> <p><b>Update Feb 2024:</b></p>	<p>As part of our audit we identified a lack of accountability and executive follow-up caused by a separation between the CMT and the PMO.</p> <p>We understand a Programme and Project Management Steering Group was previously in place, which was attended by members of the CMT, but lack of attendance by CMT members in these meetings caused these to fail and ultimately cease to exist over time. We were advised by senior managers within the PMO during the fieldwork these had ended approximately two years prior to our audit. Therefore, there is no clear follow-up by the CMT with PMO staff over project statuses.</p> <p><i>Risk:</i> Projects are delayed because authority required to progress certain elements is not held within the PMO. There is also no accountability for the status of projects, so some are left unchanged on the tracker for extended unnecessary periods, resulting in financial loss for the Council due to additional resource costs needed to continue to undertake the project. This has a knock-on effect on any returns on investment identified by specific projects.</p>

<p>A new cross council project management governance group has been established with representatives of all Directorates to embed a consistent approach to project management. This group reports to the Project Management Improvement Board co-chaired by the Directors of PPP and Transformation. A formal linkage with the Finance, Risk and Assurance ICB is being considered to further strengthen oversight.</p> <p>The new project management support model, including the development of a new Corporate Transformation Office and a monthly Transformation focused CMT meeting will ensure CMT retain oversight of key projects with DMTs responsible for Directorate level projects.</p>	
<p>Responsible Officer</p>	<p>Deadline</p>

Business Improvement Manager	Initial stage complete as detailed above.  Further development of roles, responsibilities and training – Dec 2023	
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**PMO Resource Expansion (Issue 3)**

Priority	Action Proposed by Management	Detailed Finding/Rationale - Issue 3
1	<p>The PMO is now fully resourced, with work being undertaken to provide capacity to fully support the newly appointed Transformation Director. The PMO consists of Improvement, projects and project support. This broad scope allows the PMO to provide a high-quality service across the whole organisation. Morale in the PMO is good.</p> <p>Roles in the PMO:</p> <ul style="list-style-type: none"> <li>1 x Manager (G16)</li> <li>1 x Senior Improvement Officer (G14)</li> <li>3 x Senior project manager (G14)</li> <li>1 x Improvement officer (G12)</li> <li>3 x project manager (G12)</li> <li>2 x project officer (G08)</li> </ul>	<p>During interviews with PMO staff it became clear the volume of work managed by senior managers is causing other elements of the PMO to be delayed or demoted. For example, when discussing a communication and training plan to be put in place, staff highlighted that they agreed with the idea but did not have the time or resources available to manage that.</p> <p>There was also a concern within PMO staff that the PMO Consultant’s one-year contract ending in January 2023 will leave a gap in the PMO which cannot reasonably be filled by the existing staff. The responsibility of managing and monitoring the Internal Control Boards to ensure consistency and effectivity is not currently assigned to an individual.</p> <p><i>Risk:</i> Without the proper resources and staffing in place the PMO will be unable to operate effectively and both current and future projects managed by the PMO risk causing significant financial loss to the Council as a result of the inability to be properly managed.</p>

The majority of PMO posts were set up on a temporary basis and have been extended to the end of March 2024. The operation and future requirements of the PMO will be considered ahead of March 2024 to ensure that the future structure and setup of the PMO is effective at responding to the changing needs of the organisation.

**Update Feb 2024:**

In January 2024 it was agreed to move to a new model of project management delivery. This new model reflects the development of Directorate level project management support, and the renewed focus on corporate transformation projects. As a result the PMO in its 2022 form will cease operation at the end of March 2024, with its responsibilities being shared between:

- The Business Improvement team – responsible for

	<p>governance, project management methodology and Verto system support. A new all Directorate project management improvement group has also been established to embed a consistent and coherent methodology and approach to project management across the council.</p> <ul style="list-style-type: none"><li>• A specific single role will also be created to coordinate and service the Council's Internal Control Boards.</li><li>• Directorate project management teams – responsible for Directorate and service level projects in their areas</li><li>• A new Corporate Transformation Office – responsible for corporate and cross-council transformation projects.</li></ul>	
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Responsible Officer	Deadline	
Head of Programmes and Performance	Initial stage complete as detailed above.  Permanent restructure of PMO to be completed by March 2024	

**Expansion of the PMO Scope (Issue 4)**

Priority	Action Proposed by Management	Detailed Finding/Rationale - Issue 4
2	<p>The PMO using Verto and its close relationship with the Transformation ICB and CMT now has full oversight of all the key projects and programmes. The team supports many of these directly, our key priority being to support the transformation work, others are managed and supported through the developing Directorate project management structures. Further work is underway to map and improve the linkages between the Corporate PMO and Directorate PMOs to ensure collaboration and standardisation of approaches – particularly with relation to governance and use of the Verto system. The PMO’s scope has expanded with particular focus on areas where lack of resource would have a financial impact. Where projects are not directly</p>	<p>The PMO currently oversees a number of large-scale projects and programmes concerning savings, governance, housing improvement and culture. Capital and IT projects are held in separate portfolios.</p> <p>It was identified during the course of our audit that part of the reason for projects being passed to the PMO at a later stage was simply a lack of understanding over their role, confusion over whether the project fell under the scope of the PMO, or awareness of the PMO at all.</p> <p>Once the PMO has completed its development plan, it should prove to be an effective mechanism within the Council, especially with regards to saving money unnecessarily spent on.</p> <p><i>Risk:</i> The current limited scope is creating confusion over what does / does not fall under the PMO scope and means that several projects are being handed over for PMO management at a much later stage than would be ideal. The Council risks financial loss if the PMO scope is not expanded to include all projects and programmes: the processes in place and being developed to be put into place within the PMO will prove to be an essential part of the Council’s financial loss mitigation strategy.</p>



managed by the PMO, the team are reliant on relevant project managers in Directorates to ensure progress updates provided in Verto are timely and accurate. This remains a challenge however the training and support for the Verto roll-out across the organisation may help to improve compliance. Capacity of colleagues across the organisation is a challenge.

**Update Feb 2024:**

The implementation of the Verto system as well a growth in project management support in Directorates has resulted in a change in the proposed structure for project management support in the council as set out above. To ensure the success of this new approach a new cross-council Project Management Improvement Group has been established to embed a consistent approach to project management methodology and governance. It is planned to re-

	audit the corporate project management governance and compliance in early 2025 once the new model is bedded in.	
Responsible Officer	Deadline	
Head of Programmes and Performance	Initial stage complete as detailed above.  Further development of Verto system and project management processes remain ongoing.	

**Communication and Training Development Plan (Issue 5)**

Priority	Action Proposed by Management	Detailed Finding/Rationale - Issue 5
2	<p>This is still an issue. The community of practice is well received but remains underutilised and isn't supporting the priority users. Policy documents, guidance and training is currently being built and expected to be in place Autumn 2023. A formal communications plan and updated intranet pages will support a re-launch of the community of practice.</p> <p><b>Update Feb 2024:</b></p> <p>As noted above, under the new proposed model of project management support Directorate project management teams will lead Directorate and service level projects, with the Corporate Transformation Office leading cross-council and corporate transformation projects. The Verto system has been enhanced with new sections to</p>	<p>Interviews conducted with staff at the PMO identified that one of the key reasons for projects failing, or being delayed, is as a result of lack of PMO engagement at the start of the process. The lack of understanding or awareness of the PMO by wider Council staff appears to be one of the key reasons for this. From our interviews with senior PMO staff we concluded that all projects and programmes were facing issues with regards to their costs and time baseline.</p> <p>Since April 2020 staff at the PMO have been implementing a number of tools and programmes to support project management and delivery. Senior staff members within the PMO agreed that a thorough and effective communication plan, including training on the role of the PMO for new starters and refresher training / communication, is the next crucial stage of PMO development which should mitigate the issue.</p> <p><i>Risk:</i> Without proper communication and training on the PMO there is the risk of under-utilisation of the services the PMO can offer, which will lead to projects and programmes being poorly managed without proper financial analysis and business cases submitted thus impacting benefits realisation and returns on investment.</p>

capture analysis of the financial and other benefits from projects from the outset. Updated highlight report formats allow for simple review of this information on a regular basis.		
Responsible Officer	Deadline	
Business Improvement Manager	December 2023	

## AUDIT TERMS OF REFERENCE

### PMO - Structures and Processes

#### **1. INTRODUCTION**

- 1.1 In April 2020, a new Programme Management Office (PMO) was formed at Croydon Council. Various recommendations had been set with an improvement plan put in place following the financial issues the Council faced and, as a result, an action to ensure a fully functioning PMO was in place was set.
- 1.2 A resourced PMO did not exist prior to April 2020; only a handbook for how to manage projects however, this was ineffective and underutilised.
- 1.3 A number of products, tools and templates have already been implemented by the newly formed PMO team, including a Delivery Tracker for projects and programme and general reporting, MS Planner for scheduling and a Community of Practice to share best practice and knowledge across all change management staff at the Council.
- 1.4 The projects and programmes in scope of the PMO concern savings, governance, housing improvement and culture. Capital and IT projects are separate portfolios.
- 1.5 The purpose of this review was to give the Council a view on the maturity of their portfolio, programme and project management office and whether any changes need to be made to ensure any future programmes or projects have better chances of success. It was based on P3M3 models and P3O best practice.
- 1.6 This audit is being undertaken as part of the agreed Internal Audit Plan for 2021/22.

#### **2. OBJECTIVES AND METHOD**

- 2.1 The overall audit objective is to provide an objective independent opinion on the adequacy and effectiveness of controls / processes.
- 2.2 The audit will for each controls / process being considered:
  - Walkthrough the processes to consider the key controls;
  - Conduct sample testing of the identified key controls; and
  - Report on these accordingly.

#### **3. SCOPE**





- 3.1 The audit included the following areas (and issues raised):

Control Areas/Risks	Issues Raised		
	Priority 1 (High)	Priority 2 (Medium)	Priority 3 (Low)
Management Control	1	0	0
Benefits Management	1	0	0
Financial Management	1	0	0
Risk Management	0	1	0
Stakeholder Management	0	1	0
Organisational Governance	0	0	0
Resource Management	0	0	0
<b>Total</b>	<b>3</b>	<b>2</b>	<b>0</b>

**Definitions for Audit Opinions and Identified Issues**

In order to assist management in using our reports:

We categorise our **audit assurance opinion** according to our overall assessment of the risk management system, effectiveness of the controls in place and the level of compliance with these controls and the action being taken to remedy significant findings or weaknesses.

	Full Assurance	There is a sound system of control designed to achieve the system objectives and the controls are constantly applied.
	Substantial Assurance	While there is basically a sound system of control to achieve the system objectives, there are weaknesses in the design or level of non-compliance of the controls which may put this achievement at risk.
	Limited Assurance	There are significant weaknesses in key areas of system controls and non-compliance that puts achieving the system objectives at risk.
	No Assurance	Controls are non-existent or extremely weak, leaving the system open to the high risk of error, abuse and reputational damage.

Priorities assigned to identified issues are based on the following criteria:

<b>Priority 1 (High)</b>	Fundamental control weaknesses that require immediate attention by management to action and mitigate significant exposure to risk.
<b>Priority 2 (Medium)</b>	Control weakness that still represent an exposure to risk and need to be addressed within a reasonable period.
<b>Priority 3 (Low)</b>	Although control weaknesses are considered to be relatively minor and low risk, still provides an opportunity for improvement. May also apply to areas considered to be of best practice that can improve for example the value for money of the review area.

## Statement of Responsibility

We take responsibility to the London Borough of Croydon for this report which is prepared on the basis of the limitations set out below.

The responsibility for designing and maintaining a sound system of internal control and the prevention and detection of fraud and other irregularities rests with management, with internal audit providing a service to management to enable them to achieve this objective. Specifically, we assess the adequacy and effectiveness of the system of internal control arrangements implemented by management and perform sample testing on those controls in the period under review with a view to providing an opinion on the extent to which risks in this area are managed.

We plan our work in order to ensure that we have a reasonable expectation of detecting significant control weaknesses. However, our procedures alone should not be relied upon to identify all strengths and weaknesses in internal controls, nor relied upon to identify any circumstances of fraud or irregularity. Even sound systems of internal control can only provide reasonable and not absolute assurance and may not be proof against collusive fraud.

The matters raised in this report are only those which came to our attention during the course of our work and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. Recommendations for improvements should be assessed by you for their full impact before they are implemented. The performance of our work is not and should not be taken as a substitute for management's responsibilities for the application of sound management practices.

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