

ASSURANCE OF MAJOR PROJECTS: WHAT IS ASSURANCE AND WHY DO WE NEED IT?

Highlights from the Major Projects Association event held on **12th June 2019**

The process of assurance ‘provides information to those that sponsor, govern and manage a project to help them make better-informed decisions.’ – **National Audit Office (NAO)**. Unfortunately, it is a process that is often more about compliance than foresight; open to neglect by those unwilling to hear bad news; and easily blunted by a lack of critical independence or poor focus.

At this Major Projects Association seminar cross-sectoral speakers discussed the purpose and design of assurance; the balance between consistency and context; and the key measures for success.

DESIGNING A SYSTEM THAT IS FIT FOR PURPOSE

The project assurance process should have a purpose and an owner. In many cases, the owner will be the project or programme’s audit committee but, in the case of critical, strategic projects the assurance should be written for the Board.

Since the process is closely aligned to project risk and project governance, the assurance process should be designed with these elements in mind. Those leading major projects need the confidence that they are deliverable, affordable and represent value for money. Consequently, an effective assurance process is one that:

- Delivers the requisite coverage and control.
- Includes an appropriate mix of assurance types – health checks, deep dive, gateway and embedded.
- Provides independent and expert challenge.
- Offers early identification of risk.
- Enables improved decision-making.
- Connects risk, project controls and governance.

A process which is not sufficiently critical or that becomes lost in detail may generate a misleading sense of confidence.

‘Beware “watermelon assurance and reporting”, a process that suggests a project’s RAG status is a healthy green; however actually when you open the supporting data a red interior is revealed just like the inside of a watermelon.

Lorraine Humphrey, Portfolio Assurance Manager, TfL

The complexity of major projects means that any process needs to be designed in a way that balances the tension between something that is bespoke and something that is consistent across the portfolio. Whatever the process chosen, it needs to be regularly refreshed to keep it current and tailored to the changing requirements of a project moving through its life cycle.

Most assurance systems include a number of elements or lines of defence, reflecting the various requirements of the process and the risks associated with projects.



(Lisa Kelvey, Director, KPMG LLP)

MAKING IT INDEPENDENT AND CRITICAL

A governance process may be undermined by an organisational culture in which the pressure to deliver at all costs or the positional power of those in the upper levels of the organisational hierarchy can cow or silence reviewers.

‘The human nature of projects sometimes leads to downplaying assurance or ignoring the bleeding obvious.’

Ben Brownlee, Programme Assurance Director, BBC

An independent and critical assurance process depends on:

- The requisite time in the project schedule to provide for reviews at critical stages.
- An understanding of the role of assurance and a willingness to hear bad news.
- A culturally diverse group of reviewers, drawing on perspectives and experience from other contexts.
- An understanding of risk and the need to adapt in the face of elements that do not work.
- Transparency and sharing lessons and experiences between projects.
- An Audit Committee or a Board that is willing to go and see for itself and to ask questions.
- A commitment to train reviewers.
- A shared sense of purpose and identity across the project to avoid the assurance process becoming undermined or politicised as a result of conflict between the different organisations involved.
- Clients with the requisite maturity and resources to understand and evaluate the risks.

INTEGRATED ASSURANCE AT NETWORK RAIL

The scale and complexity of its operations means that at any one time Network Rail may be managing 300–350 live projects, worth from just £250K to £7bn, and are under the scrutiny of three demanding oversight bodies, the Office of the Rail Regulator (ORR), Department for Transport and the Infrastructure and Projects Authority (IPA).

Over the last five years, the organisation has developed an integrated assurance system that recognises the different needs of the programmes and projects on which they are working; those of the clients/sponsors and of the commercial needs of the corporate business. Their transparent and comprehensive assurance model:

- Avoids problems such as optimism bias by taking an independent consolidated view of what is going on and instituting a 'watch list' of elements at risk.
- Is integrated with governance across all four organisations (including Network Rail itself) to ensure a single version of the truth.
- Uses peer review, tender assurance, internal audit and independent reporters (mandated by the ORR) to provide critical rigour.
- Is risk-based and proportionate (using exception reporting) and designed to avoid duplication, with appropriate tools and processes applied in an appropriate way (depending on the project's scale, complexity and potential for risk).

BUILDING AN ASSURANCE CULTURE

Building an intelligent and supportive culture of assurance starts with the right people who have the competence, capability and capacity to deliver. The increasing professionalism of the Civil Service through programmes such as the [Major Projects Leadership Academy](#) and [Project Leadership Programme](#) has gone a long way towards helping.

All those involved in the process can benefit from training and development. The NAO supports audit committees to guide them on the best form of questions to ask, and the IPA have established '[Orchestrating Major Projects](#)', a week-long introduction to complex projects, which performs a similar role.

Chair:

Alison Baptiste, Operations Director, Infrastructure and Projects Authority

Contributors:

Ben Brownlee, Programme Assurance Director, BBC

Mary Hardy, Independent Director

Katie Hickman, Consultant, The Nichols Group

Huw James, Programme Management Director, Network Rail Ltd

Participating Organisations:

Advance Consultancy Ltd

Anglian Water

Arcadis LLP

Arup

Atkins – member of the SNC-Lavalin Group

BAE Systems

BBC

Balfour Beatty plc

CJ Associates

Cavendish Nuclear

Deloitte LLP

Department for Transport

Environment Agency

Fluor Ltd

Freshfields Bruckhaus Deringer LLP

Grosvenor Britain & Ireland

Infrastructure and Projects Authority

Jacobs Group

KPMG LLP

Logikal Projects

London Legacy Development Corporation

MTR Crossrail

Major Projects Association

Mott MacDonald

National Audit Office

Network Rail Ltd

Nuclear Decommissioning Authority

Siemens UK plc

Strategic Estates, Houses of Parliament

Sunbeam Consulting

The Nichols Group

Transport for Greater Manchester

Transport for London

Wood

MAKING SURE YOUR ASSURANCE DELIVERS VALUE

As with other preventive elements of project governance, such as risk management, justifying the value of assurance can be difficult. If it does not work then it has been a waste of money and if it is working well, then its effects may be largely invisible. This can make securing sufficient resources difficult.

Demonstrating the value of assurance may require some creative approaches. Adopting an approach analogous to the 'cost of quality' can help. In other words, showing what happens or what can happen if assurance is not integrated effectively and rigorously into your project processes. Whilst much of the work may seem to be backward-focused – making sure things have been done – effective assurance can be one of the main sources of foresight, enabling the organisation to spot or anticipate pitfalls and problems before they happen.

'The best assurance is proactive, pre-emptive and should drive the right behaviours, rather than simply be seen as "a necessary evil."'

Katie Hickman, Consultant, The Nichols Group

Often the most valuable parts of the process may be the conversations at the end of the day or the end of the week, rather than what is actually recorded in the reports. For Network Rail, an important part of the focus of assurance is around sharing what people have learned from their programmes and this is one of the real benefits of being a reviewer.

POINTS FOR FURTHER DISCUSSION

- How can you make the process and your reports more interesting, engaging and relevant for decision makers?
- What can you do to make your assurance structures and processes as simple as they can be, but no simpler?

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