

Aon Risk Solutions
Global Risk Consulting
Enterprise Risk Governance and Management

Governance of Project Risk

A Guide for Non-governmental Organisations

2011





Governance of Project Risk – A Guide for NGOs

Purpose of the Handbook

The NGO sector is board and NGOs come in various shapes and sizes – statutory bodies, charities, advisory committees, to name a few. The target segment of this handbook is the non-governmental, not-for-profit organisations which provide certain public services (e.g. healthcare, education, social welfare, art and culture). They typically have an arms-length relationship with the government through subvention. They will have a “business-like” governance and organisation structure to manage an operating budget, run certain day-to-day operations and provide certain services to the public. Some even have annual business plans. Charitable organisations and social service providers will fall into our scope, so will be statutory organisations undertaking major projects.

This handbook is designed for directors and senior management of NGO boards who are required to make decisions on new projects and to perform an oversight role on on-going projects. This practical handbook aims to:

- Provide templates and checklists for directors to implement Project Governance and Risk Management;
- Provide an easy-to-understand guide for directors to follow in order to perform their stewardship and monitoring role throughout the project life cycle; and
- Help directors detect problems in projects at early stages.

Who would benefit from this Handbook?

- **Members of the Project Governance / Steering Committee** who are tasked with ensuring projects are delivered with the required values;
- **Project Sponsors / Funding Providers** whereby the project governance structure can provide them with greater assurance that the sponsored projects can deliver the intended benefits;
- **The Board of the NGO** who can make use of the guidelines to set up a proper project governance system for the organisation in undertaking projects;
- **Senior executives of the NGO** who make use of the guidelines to help align projects and operations at the same time;
- **Project Managers** who require a project governance structure to perform their project management responsibilities; and
- **Programme / service managers of the NGO** who will turn completed projects into programme / service offerings.



Acknowledgment

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Aon may be the only independent consulting practice in Asia that provides a comprehensive range of proactive risk management advisory services for Boards of Directors as they move from one stage of maturity to the next. The Enterprise Risk Governance and Management Practice is led by Dr. Gregg Li and supported by colleagues throughout the world, including some of the leading lights in this area such as our emeritus consultants and professors Robert Tricker in the UK, Gordon Redding in France, and Mike Hough in Australia. The Practice offers a range of specialties -- including Enterprise Risk Management, Institutional Governance, Family Business Governance, and Enterprise Governance for Private Equities. The Practice aims to help Directors enhance their impact and relevance, design and implement effective corporate governance practices, create and monitor sustainable value for their organisations, and manage key risks.

For more information, please visit us at <http://www.aon.com/hongkong/products-and-services/risk-services/corporate-governance-and-board-solution.jsp>



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Executive Summary

Project Failure

Non-governmental organisations (NGOs) often embark on new projects to advance their organisation objectives. These projects range from launching a social enterprise, developing a new service, automating certain processes, to building a new service centre. A project is considered failed if it cannot meet the set objectives. Increasingly a project failure implies a failure of governance.

If any of the following incidents occurred in your organisation, you should read on:

- Under-bidding of government contracts on running a subvented service;
- Cost overrun on new building / centre development and the only way to secure additional funding is through fund raising;
- Financial non-viability of self-financing projects / social enterprises; and
- Completed projects short of end users' expectations.

Many reasons attribute to project failure. The Office of Government Commerce of the UK Government together with the National Audit Office lists out eight common causes of project failures. All but items 4 and 5 are related to **governance** of projects:

1. *Lack of clear **link** between the project and the organisation's **key strategic priorities**, including agreed measures of success.*
2. *Lack of clear **ownership** and **leadership** for the project from the organisation's governing body.*
3. *Lack of effective engagement with **stakeholders**.*
4. *Lack of **skills** and proven approach to project management and risk management.*
5. *Too little attention to breaking development and implementation into **manageable steps**.*
6. *Evaluation of proposals driven by initial price rather than **long-term value** for money (especially securing delivery of business benefits).*
7. *Lack of understanding of and contact with the project **contractors** / service **vendors** at senior levels in the organisation.*
8. *Lack of effective project team integration between clients, the supplier team and the **supply chain**.*

A narrow definition of project success is when all required deliverables (be it a building, a system, or a service) are made within budget and on time. When a project is complete and handed over to user departments, benefits of the project are often not fully realised until they are used and assimilated into the day-to-day operations. Where the project ends and where the benefits are fully realised is a “**Gap**” which is often overlooked. Many project sponsors would sign off the project at completion without further input to ensure that the final benefits are realised.



Project Governance Framework – The Foundation

Project governance describes the processes that need to exist for a successful project. Project governance provides the framework to ensure proper evaluation, planning and execution of the project; defines the decision making flow and authority; ensures appropriate review of issues and management of risks throughout the project life cycle; and ensure proper flow of information to report progress and address issues. Project Governance extends the principle of Corporate Governance into governance of project management.

This guide introduces a Project Governance Framework for organisation leadership to put in place a systematic way to govern projects. The framework is made up of a number of building blocks. The guide provides guidance on setting up the organisation and systems to govern projects. To set up a Project Governance framework, we recommend a scan in the outset to understand an organisation's current status in terms of project governance maturity in order to identify gaps. Other building blocks for the foundation include:

- Project governance organisation (i.e. terms of reference of the project sponsor and project governance / steering team);
- Key project governance policies; and
- Project risk management processes.

Project Risk Management

Projects face many risks – financial, operational, human capital, legal and contractual, socio-political, and environmental – to name a few. Risks which are specific to NGOs, particularly to those providing social services, include:

- **Talent retention.** NGOs have to deal with their fair share of personnel turnover, and professionals with the right skill sets were not always easy to find;
- **Crisis / contingency.** For example, the outbreak of Swine Flu in mid-2009 had impacted many projects in the social welfare and education sectors. Contingency plans needed to be made and implemented;
- **Competition.** Other NGOs carrying out similar projects and competing for resources (the project manager's role to look out for potential competition and take action to ensure the project was clearly differentiated); and
- **Context shift.** Social services were also cyclical. What was perceived as a meaningful project could lose its values a few years down the road. What was a pioneering project could become a follower if another NGO took the first mover advantage. It was therefore important for the project manager to stay alert of development elsewhere and be ready to adapt.

Risk management and governance are integrated. Good governance will drive risk management and risk management anchored effective governance. The same principles apply to Governance of Project Management. Projects face risks and risks might change over the course of a project. Project Governance should entail the setting up of a project risk management process shown below:

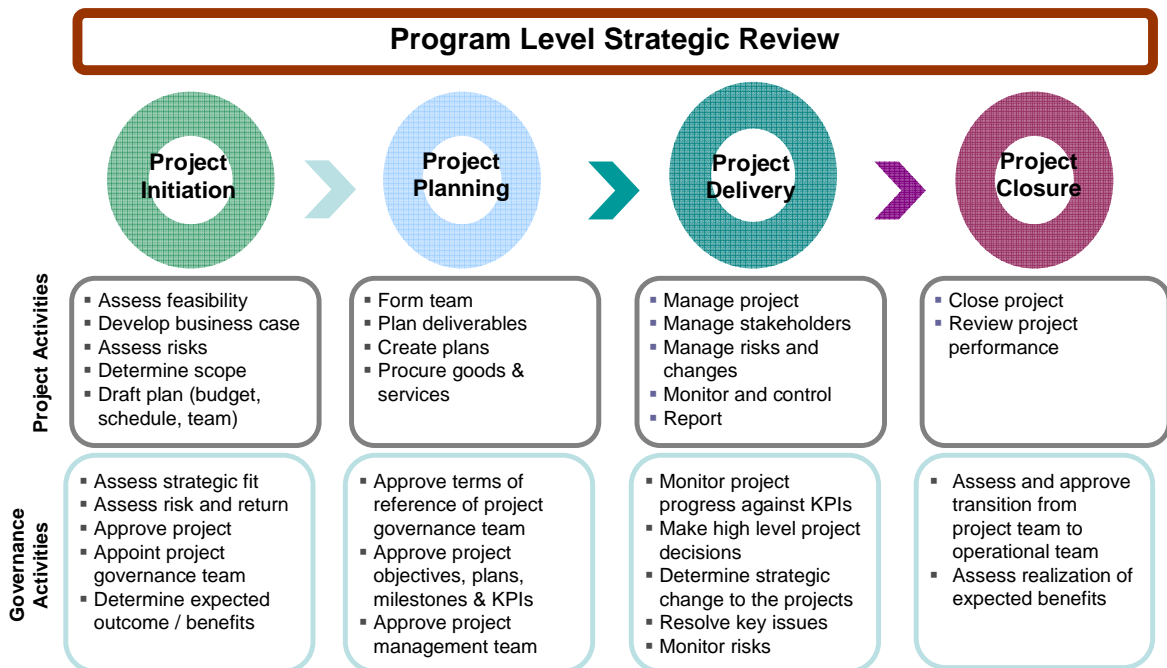


A proper risk assessment exercise would identify the inherent controls that are in place, and attempt to minimise risks through management intervention and other means. The remaining residual risks are made known, and are either transferred, dropped, or simply absorbed. Insurance is an effective way to transfer risks which are insurable. However, some risks are not insurable and good project governance is the most effective preventive measure.

Project Governance Framework - Project Life Cycle

Every project goes through a life cycle. In running a project, the guide divides the project life cycle into four stages and provides checklists and templates for leadership to carry out governance activities at each stage.

“The only truth about a project plan is that it will be different once the plan starts...” Anonymous





Key project delivery checkpoints along the project life cycle are:

No	Checkpoint	Purpose
0	Strategic Assessment	Periodic programme level review to examine the strategy, direction, planning and intended benefits of the programme and its constituent projects.
1	Business Case	Project level review to examine the business case of a project in terms of its benefits to the organisation, its strategic fit (to the programme and thus to the organisation's overall strategic objectives), its objectives and the cost-benefit trade-off and risks.
2	Delivery Strategy	Project level review of the delivery strategy.
3	Investment Decision	Final review of the business case to make the investment decision to approve and commence the project.
4	Readiness for Service	Project level review to determine the readiness of the project to transition from the project environment to the operational environment.
5	Post-implementation Review and Benefits Realisation	Periodic review post-project completion to confirm that the intended benefits are realised and the goods and services are meeting the ultimate users' expectations.

Source: Adopted from the UK Government Gateway Project for Project Delivery



Key Governance Principles to Manage Project Risks

- ☑ **People.** Get the best people to serve on your Project Steering Committee. Seek experienced individuals who are able to ask critical and insightful questions without trying to micromanage the project (which is the project manager's responsibilities). An independent mindset is more important than the individuals' relationship with the organisation. They must be excellent communicators.
- ☑ **Purpose.** Peter Drucker once said the purpose of any business is to find and keep a customer. The same applies to projects. And a project's purpose must align with the overall strategic objectives of the organisation. Keeping the end in mind is a powerful means to guide wayward decisions.
- ☑ **Process.** What the Project Steering Committee does when it deliberates and how it makes decisions within its time constraints underscores the quality of the decisions made. What decisions are to be made by the Committee as opposed to those by the project team have to be clearly defined. Decisions made at the Committee level affect how value is delivered to the end users by the project team. The overlapping levels of authority and decision making need to be articulated. Red lights need to be defined. Managing expectations of the stakeholders has proven to be one of the most critical of all success factors to watch.
- ☑ **Planning.** Emphasis on initial programme and project planning (e.g. risk assessment, gaining support from stakeholders, clearly define success or failure) would enhance the ability to manage and mitigate project risks. For example, to carry out a project risk assessment on the outset to identify and prioritise risks, identify ways to mitigate and treat residual risks with additional controls. A lengthy project can start with a seeding phase. Commitment will increase only if the seeding phase is proven to be successful. For long term projects (say, a 10-year development programme), the project will be planned on a multi-year rolling basis. Engagement of key stakeholders – work with, define scope and agree deliverables with the stakeholders to enlist their support and avoid unnecessary conflicts.
- ☑ **Strong Internal controls.** Internal controls are embedded in policies and procedures. Checks and balances are exercised through policies and procedures, internal audit and perhaps external reviewers. Note that the control points for projects could be different from those in normal operation as the decision making processes and policies and procedures are much more fluid and will be different. Effective and timely documentation are keys.
- ☑ **Regular Review.** The Project Steering Committee (which ultimately reports to the Board) monitors (NOT manages) a project by regular review of Key Performance Indicators and even Key Risk Indicators (KRIs) compiled by the project team based on laid down procedures. This can be complemented by periodic site visits by the Board / Steering Committee members to understand the challenges faced by the project team on the ground.



1 Introduction

1.1 Project Failure

Non-governmental organisations (NGOs) often embark on new projects to advance their organisation's objectives. These projects range from launching a social enterprise, developing a new service, automating certain processes, to building a new service centre. There are examples of projects which fail to achieve the desired outcomes. Typical examples are:

Incidents	Consequences
➤ Under-bidding of government contracts on running a subvented service	➤ Additional funding to be sought from the Board or from donors to keep the project running
➤ Cost overrun on new building / centre development	➤ Additional funding to be sought from the Board or from donors to complete the development
➤ Financial non-viability of self-financing projects / social enterprises	➤ Subsidised by internal resources or shut-down the operations
➤ Completed projects short of end users' expectations	➤ Low utilisation of the services / facilities

If any of the above is your concern as a director or a senior executive in your organisation, **READ ON.**

1.2 Causes of Project Failure

Common causes of project failure are well researched and documented. The Office of Government Commerce of the UK Government together with the National Audit Office issued a guideline in May 2007 which lists out eight common causes of programme / project failures.

Governance of project risk, or the lack of it, is the major attribute to project failure.

Reasons for Project Failure	Governance or Management Issue?
1. Lack of clear link between the project and the organisation's key strategic priorities, including agreed measures of success.	Governance
2. Lack of clear ownership and leadership for the project from the organisation's governing body.	Governance
3. Lack of effective engagement with stakeholders.	Governance
4. Lack of skills and proven approach to project management and risk management.	Management
5. Too little attention to breaking development and implementation into manageable steps.	Management
6. Evaluation of proposals driven by initial price rather than long-term value for money (especially securing delivery of business benefits).	Governance
7. Lack of understanding of and contact with the project contractors / service vendors at senior levels in the organisation.	Governance
8. Lack of effective project team integration between clients, the supplier team and the supply chain.	Governance

(Adopted from the Guideline issued by the Office of Government Commerce, HM Treasury, May 2007)

What are the common behaviour one might find and how they will affect management of the project in NGOs?

Behaviour	Impact
➤ A project gets approved by the Board relatively easily as external funding is secured.	➤ The project finance might not have been scrutinised as rigorously as it would have been had internal funding was sought. If the project runs out of budget before completion, the entire management team has to scramble to secure additional funding. Day-to-day operations are affected as resources are diverted to save the project.
➤ A project decision gets pushed through near the end of the term of the current Board.	➤ The project management team may not receive the same level of endorsement and support from the next Board.

Behaviour	Impact
<ul style="list-style-type: none"> ➤ Project approval is treated as a single event – without due consideration of its strategic context. 	<ul style="list-style-type: none"> ➤ In a project intensive organisation, resource allocation between normal operations and projects is always an issue. Management may be reluctant to allocate resources to a project without understanding of its strategic value.
<ul style="list-style-type: none"> ➤ Decisions on projects are often made in isolation due to lack of context to enable informed debate. 	<ul style="list-style-type: none"> ➤ A project manager therefore also works in isolation without understanding of how the project impacts on the rest of the organisation. The project also lacks support from the functional organisation which is not adequately briefed on the project. ➤ The board lacks understanding of the projects as an information gap has built up between project managers and senior executives.
<ul style="list-style-type: none"> ➤ Decision making authority is not conducive to project management – project decision making follows the decision making process for normal operations and are made by the Board / Chairperson. 	<ul style="list-style-type: none"> ➤ Often project issues require very swift and timely decisions which could be slowed down by the normal decision making process / protocol (e.g. board meetings only held 4 times a year; the Chair is only in the office once every two weeks). Costs go up due to time delays.
<ul style="list-style-type: none"> ➤ The board relies on the capability of the Chief Executive (“CE”) or the Project Director, rather than a good governance system, to carry out the project. The board holds the CE accountable for the failure of projects. 	<ul style="list-style-type: none"> ➤ Project managers may not always receive the strategic support required from senior executives as there is no formal reporting line. ➤ Risk avoidance of the CE might result in turning down high value but challenging projects or failure to unleash the full benefits of a project. Blame game starts when a project shows sign of failure.
<ul style="list-style-type: none"> ➤ Project risk monitoring can get lost in the overall operations. The board lacks understanding of the projects and their risks as an information gap has built up between project managers and the Board. 	<ul style="list-style-type: none"> ➤ Project managers may take unnecessary risks without knowledge of the strategic context of the project.
<ul style="list-style-type: none"> ➤ Many of the project subject matters (e.g. IT system) are not home ground for most, so the subject can get passed by very quickly. 	<ul style="list-style-type: none"> ➤ Management will need to shoulder project delivery without direction and steering from the Board and be held responsible for project failure.

If you want to know how to manage the risks when such behaviour is observed in your organisation, **READ ON.**

1.3 Definitions

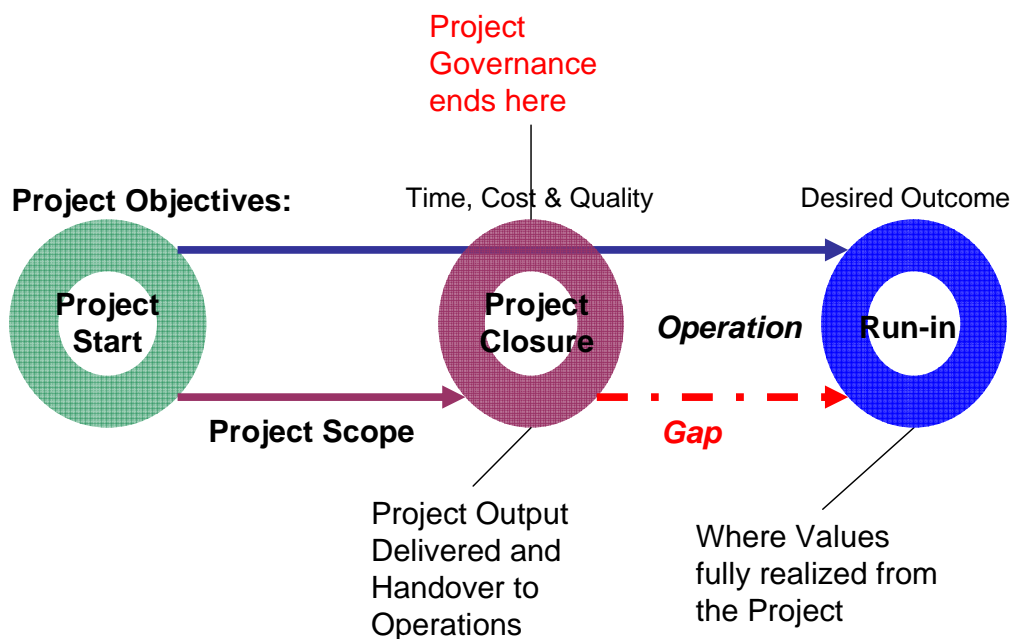
Before moving on, let's define the various key terms.

Project, Programme and Portfolio

A **project** is defined as a temporary endeavor, having a defined beginning and end (usually constrained by date, but can be by funding or deliverables¹, undertaken to meet particular goals and objectives², usually to bring about beneficial change or added value. The project's objectives should align with the organisation's goals in order to support the overall goals. However, Project Manager responsible for a project may not always see the connection as he/she is separated from the organisation's decision makers by layers of functions and structures. Projects may be grouped together to form a **programme** as sometimes it will take several projects to achieve the organisation's goals. For example, building a road may only divert the congested traffic from one place to another while building a transport network of roads, bridges and traffic management system will. A **portfolio** will in turn make up of a number of programmes.

How to define project success or failure?

A narrow definition of project success is when all required deliverables (be it a building, a system, or a service) are made within budget, on time, and at the right level of quality. A project which meets this narrow definition may still deem failed if it fails to generate the desired benefits or values. When a project is complete and handed over to user departments, benefits of the project are often not fully realised until they are used and fully assimilated into day-to-day operations after several months. Where the project ends and where the benefits are fully realised is the **Gap** which is often overlooked. Many project sponsors would sign off the project at completion without further input to ensure that the final benefits will be realised.

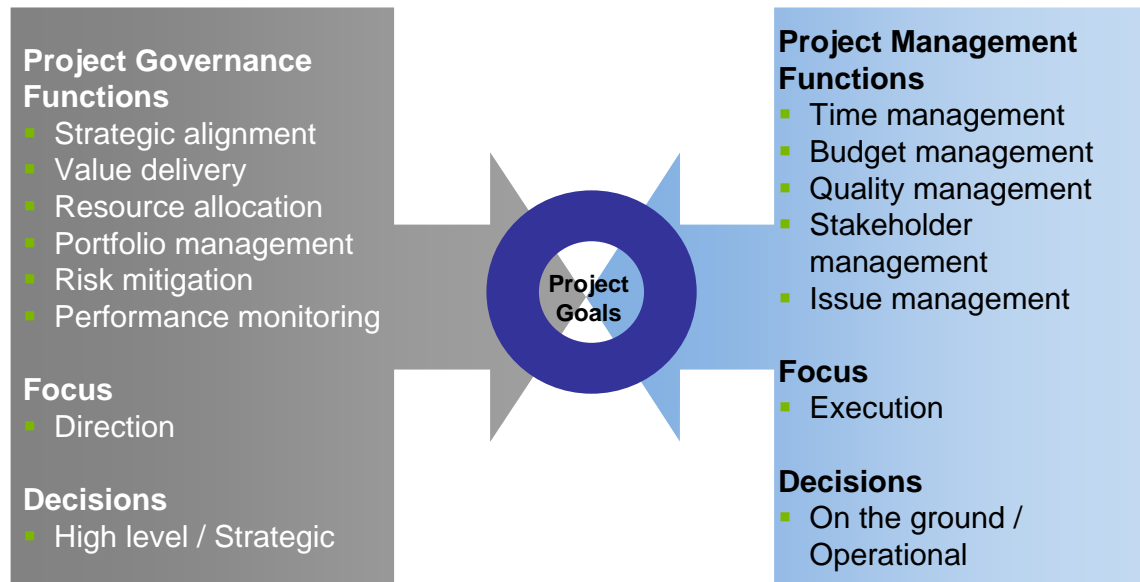


¹ A short course in project management. Chatfield, Carl.

² The Definitive Guide to Project Management. Nokes, Sebastian. 2nd Ed.n. London (Financial Times / Prentice Hall): 2007

What this guide does not cover?

This guide does not cover **Project Management** principles, tools and techniques which are well researched and documented. This guide focuses on **Governance of Projects** which serves a different purpose to management of project. The former focuses on delivery on time, within budget and of the required quality whilst the latter looks into the oversight of strategic fit with organisation goals, fitness for purpose, value creation and risks to the organisation.



In the remaining sections, we present a framework and checklists to put governance of project risks into action through the project lifecycle. If you are interested, **READ ON.**



If you do not wish to read on, at least read this:

Key Governance Principles to Manage Project Risks

- ☑ **People.** Get the best people to serve on your Project Steering Committee. Seek experienced individuals who are able to ask critical and insightful questions without trying to micromanage the project (which is the project manager's responsibilities). An independent mindset is more important than the individuals' relationship with the organisation. Get the best communicators you can.
- ☑ **Purpose.** Peter Drucker once said the purpose of any business is to find and keep a customer. The same applies to projects. And a project's purpose must align with the overall strategic objectives of the organisation.
- ☑ **Process.** What the Project Steering Committee does when it deliberates and how it makes decisions within its time constraints underscores the quality of the process. What decisions are to be made by the Committee as opposed to those by the project team have to be clearly defined. Decisions made at the Committee level affect how value is delivered to the end users by the project team.
- ☑ **Planning.** Emphasis on initial programme and project planning (e.g. risk assessment, gaining support from stakeholders, clearly define success or failure) would avoid unnecessary project risks. For example, to carry out a project risk assessment on the outset to identify and prioritise risks. A lengthy project can start with a seed phase. Commitment will increase only if the seed phase is proven to be successful. For long term projects (say, a 10-year development programme), the project will be planned on a multi-year rolling basis. Engagement of key stakeholders – work with, define scope and agree deliverables with the stakeholders to enlist their support and avoid unnecessary conflicts.
- ☑ **Strong Internal controls.** Internal controls are placed in policies and procedures. Check and balance are exercised through policies and procedures, internal audit and perhaps external reviewers. Note that the control points for projects could be different from those in normal operation as the decision making processes and policies and procedures could be different.
- ☑ **Regular Review.** The Project Steering Committee (which ultimately reports to the Board) monitors (NOT manages) the project by regular review of Key Performance Indicators compiled by the project team based on laid down procedures. This can be complemented by periodic site visits by the Board / Steering Committee members to understand the challenges faced by the project teams on the ground. Communication – continuous and timely – is one of the necessary conditions for any project.

2. The Project Governance Framework

2.1. Define Corporate and Project Governance

Projects are common in many organisations. Projects are undertaken for various reasons. But it must be to realise some kind of organisational benefit or to create values, and doing so in light of emerging risks that must be managed and treated.

In the context of NGOs, some projects may be initiated to expand the capacity of the organisation in advancing the social cause for which it was set up. Some projects may be undertaken because they would enhance the status of the organisation. Other projects are undertaken on requests from the government which provides financial support. Nevertheless, like commercial projects, NGO projects equally have economic considerations as they face the same challenges of limited economic resources.

The focus of this Guide is on development projects of larger scale which typically will have an investment horizon of over one year and larger capital outlay.

Projects are undertaken to realise some kind of organisational benefit.

Benefits are seldom realised at the time of implementation e.g. an IT project will enable organisational changes but benefits realised through those changes.

An interesting analogy in implementing governance is that it is like teaching someone to drive – control of the car (project) is in the hands of someone else. You as the governor really don't have full control and you have to coach, mentor, advise, warn, pre-empt risks, make decisions and direct to ensure both you and the driver get to your end point safely.



2.2. Corporate Governance

Corporate Governance relates to accountabilities and responsibilities for the management of the performance of an enterprise. Following recent well-publicised events, directors' responsibilities of Governance have been extended, for example, in the area of disclosure of corporate performance information, particularly financial and management of risks.

Governments and regulatory authorities have amended laws and strengthened codes to make responsibilities of Governance more explicit, and to introduce new requirements and standards relating to the production of financial and other data. In many organisations, this will include project data, creating a direct link between key project management information and corporate governance.

The terms "corporate governance" and "risk management" have gained popularity in recent years, particularly in the aftermath of several major corporate failures internationally. Still, it may be no surprise that the term means different things to different people. Accountants often think of governance in terms of compliance; lawyers think in terms of ownership and rights; and economists often think in terms of conflicts of interest and corporate social responsibility. Governance is not simply about compliance. Nor is it simply about ownership or being transparent about one's interests. Simply put, corporate governance ("CG") is the system, or set of systems and processes, by which companies are directed and controlled. Effective governance manages risks proactively and balances opportunities with the right amount of risks. All projects have certain risks that can be forecast; some are only known when the situation presents itself. Good governance means to be able to identify what these risks are, have a plan in place to treat those difficult risks that would remain. Often this means having the courage to put aside some cushion or spare capacity for the rainy days...and rainy days will come.

At its core, corporate governance is about setting the decision-making architecture for an organisation - from the board level to the frontline - as it evolves and strengthens its business model. It is about making decisions that contribute to value and reduce risk. This is only possible with clear accountability and authority, and timely disclosure of accurate and meaningful information. One output of effective governance is the exercise of good judgment within a framework of reasonable checks and balances. The ultimate goal is the long-term sustainability and value creation of the entity, and for all its stakeholders, internal and external alike.

Critical elements for effective governance include understanding the process and working practices of governance, the governance structure, insurable risks and non-insurable risks, and decision-making and accountability systems. Implementing good corporate governance requires the leadership of competent directors who know what these elements are and when to deploy them. A key objective of corporate governance is the creation of a systematic decision-making architecture that is appropriate to the unique nature of the organisation as it adapts to its changing environment.

2.3. What is Good Project Governance?

The objective of a governance process is to focus an organisation's investments and resourced on areas of the greatest benefit to the organisation — and then ensure this value is fully realised.

A good governance system:

- Sets clear goals and measurements of the goals;
- Has transparent and accountable leadership;
- Defines authority and decision making hierarchy;
- Has clearly defined roles and processes;
- Provides sufficient information to enable proper supervision;
- Ensures that all critical activities are under control;
- Enforces internal control points to ensure conformance;
- Identifies residual risks and takes measures to avoid them;
- Deals with problems efficiently and effectively when they arise;
- Operates efficiently; and
- Empowers the team to perform.

The same principles apply to governance of projects which often involved major investments from the organisation. In addition, effective project governance requires:

- Clear accountability for the success of the project (with the project sponsor or project director);
- Project ownership belonging to the one who ultimately delivers the products / services to end users;
- Cushion to take on those unexpected events;
- Separation of stakeholder management and project decision making; and
- Separation of project governance and organisational governance structure (for larger projects).

Project governance refers to the practices of governing projects to ensure risks of projects undertaken are properly managed and the projects will deliver the intended outcome. What are the specific measures of success of project governance? They encompass:

- **Timely and clear Communication.** Frequent and clear updates are a must for any project. If this is going to be an issue, don't start.
- **Leadership.** Senior executives who understand the roles of project sponsor in steering and directing a project to delivery of the outcomes and values promised. You have to have commitment.



- **Strategic Alignment.** Mechanisms and methodology to allow thorough examination of project ideas in terms of costs and benefits and alignment with the organisation's vision and strategic objectives.
- **Risk Management.** Processes to assess risks associated with the project, financial and otherwise and that risks are properly managed throughout the project cycle, and that residual risks can be treated.
- **Monitoring.** Monitor and review mechanism to assess project progress and continual viability against expected benefits.
- **Change Control.** Change process to assess the effects of project variations on overall expected outcomes.
- **Change Management.** Translation of project outcomes to changed business processes. Managing expectations of all key stakeholders (as in public consultation) if not properly managed, have known to delay a project by up to 10 years.
- **Programme Management.** Programme management capability to monitor and review multiple projects against overall benefits to the organisation.
- **Knowledge Management.** Repository of project experiences and lessons learnt that future projects can make reference to. Do not under-estimate the power of a project review.



2.4. Project Governance Framework

A project governance framework defines:

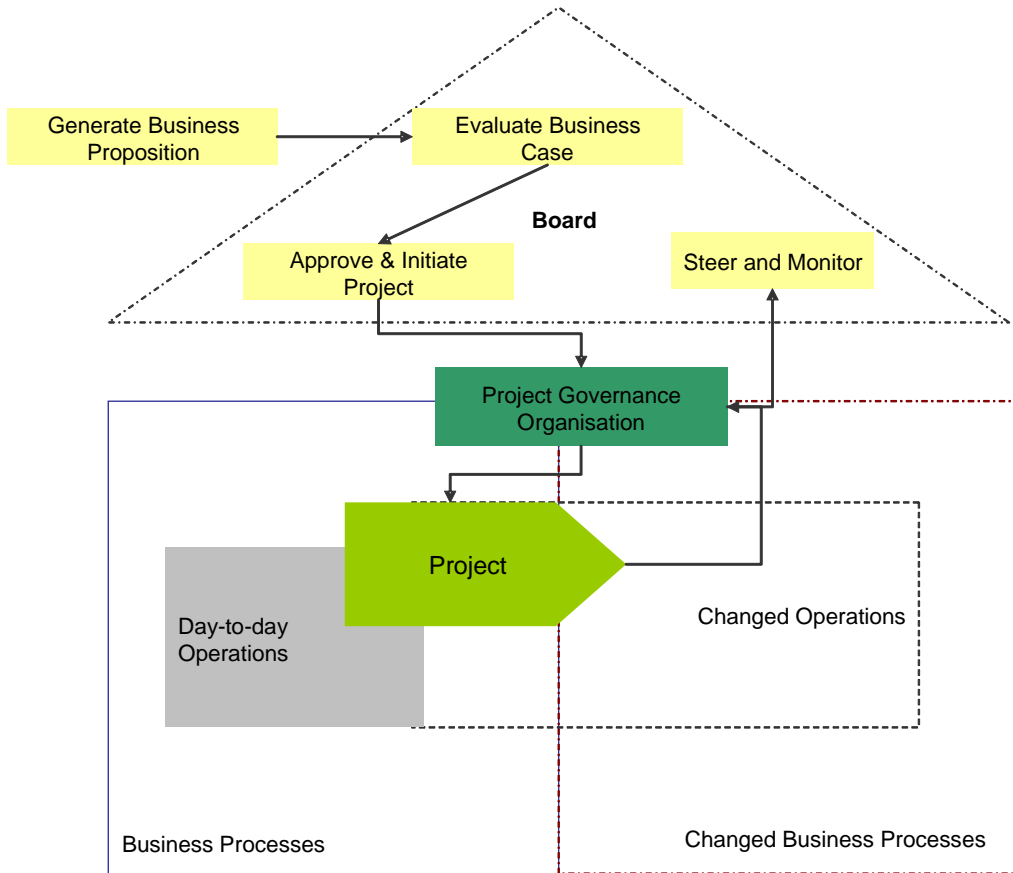
- i. Who steers the project?
- ii. What are the decision making authorities at different levels?
- iii. Who are accountable for success or failure of the project?
- iv. Who are the stakeholders and how to communicate with them?
- v. How projects should be controlled, monitored and steered to meet the intended outcome?

The framework comprises:

- i. Project governance organisation;
- ii. Terms of reference of the project steering committee;
- iii. Roles and responsibilities of different parties in the project organisation;
- iv. Intended outcomes of the project;
- v. Critical success factors;
- vi. Risks – definition of risks, priority and dependency, inherent and residual;
- vii. Project documentation;
- viii. Communication and reporting structure – normal and contingency; and
- ix. Stakeholder profile.

Figure below illustrates the relationship of project workflow with day-to-day business processes. Project is a temporary endeavour for a defined period with desired outcomes. The desired outcomes may entail changes in the business processes but will eventually be assimilated into the day-to-day operations. This change process often determines the success or failure of a project.

Projects are therefore not standalone endeavours. They must serve a purpose which is synonymous with the overall purpose of the organisation. Project Governance is there to provide that vital linkage to the organisation.



Project Workflow and Integration with Business Processes

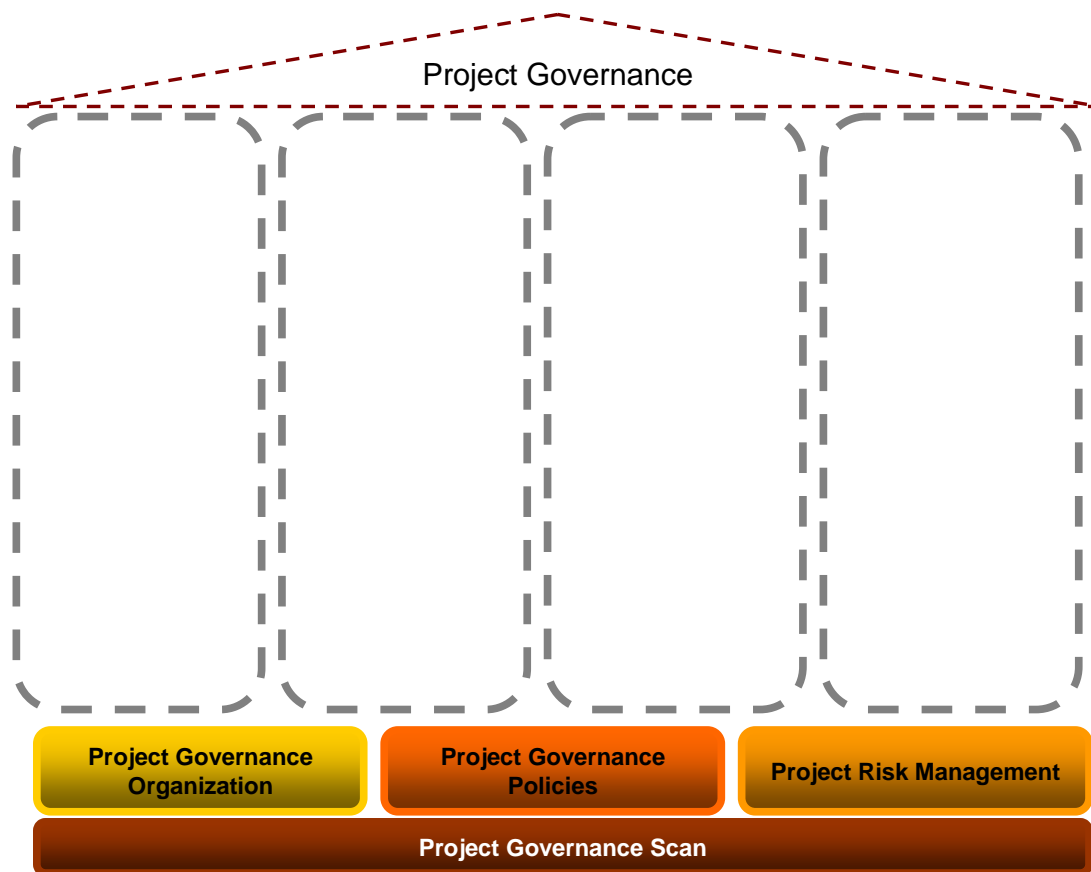
2.5. The Roadmap

In the following two sections, we will provide a roadmap for setting up a Project Governance Framework and how to govern a project through the four stages of a project life cycle. A good analogy will be building blocks for a house.

The Project Governance framework resembles the architectural design of the house – the blueprint. To set up a Project Governance framework to prepare an organisation for project undertakings, we recommend a scan in the outset to understand an organisation’s current status in terms of project governance maturity. This will help identify gaps. The framework will involve development of the following at organisation / enterprise level:

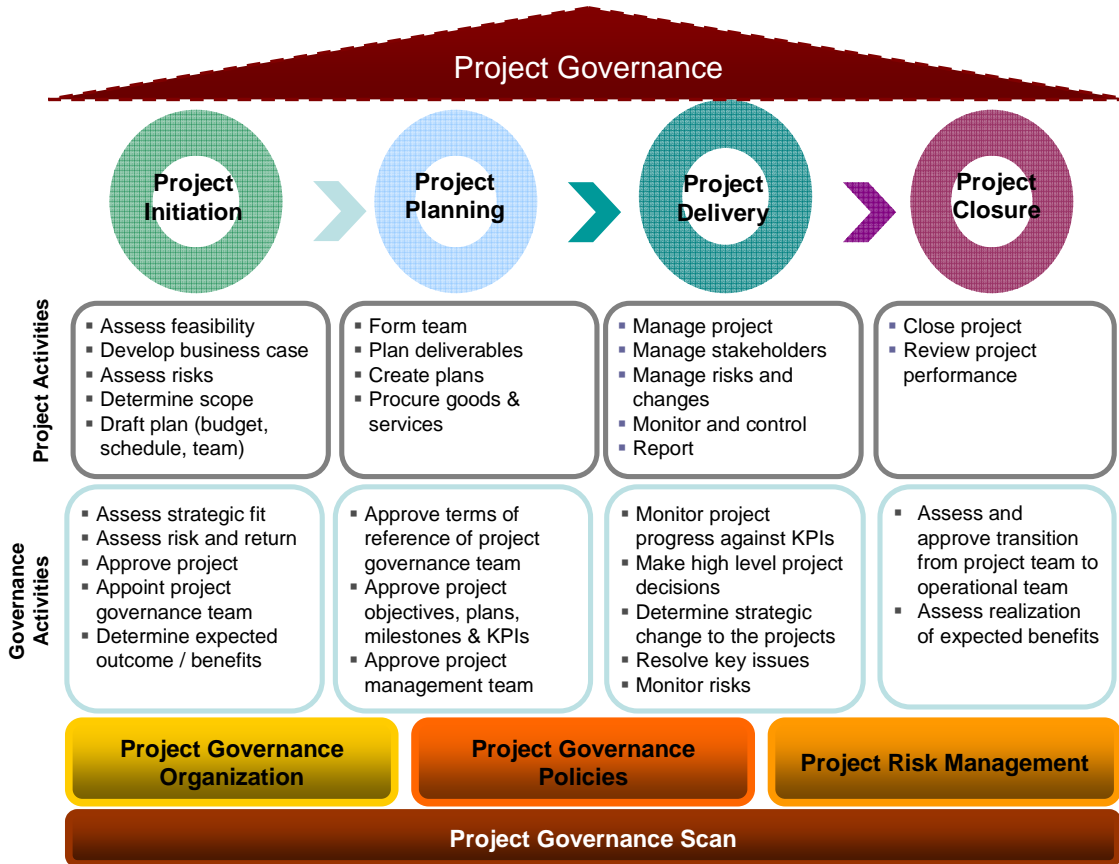
- Project governance organisation (i.e. terms of reference of the project sponsor and project governance / steering team);
- Key project governance policies; and
- Project risk management processes.

These lay down the foundation for project governance system which all project undertakings should follow.

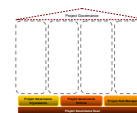


With the foundation laid down, governance activities at the project lifecycle form the pillars of the house. The four pillars represent the four stages of a project and governance activities take place throughout the project. This guide will explain at each stage of the project what the governance focuses are in terms of governance activities to perform, key milestones to track, and information to be reported.

In other words, the Board should demand that the Project Steering Committee undergoing this process of introduction. Draw a blueprint of this house.



3. Setting up the Project Governance Framework



3.1. How Good is Your Organisation in Project Governance Practices? – A Scan

To set up a Project Governance Framework, the first question to ask is “where we are”; or “how mature we are in project governance”. With an understanding of the current state, an organisation will have a better idea of where improvements are needed. There are literatures and check lists available in the market place. The **Project Governance Scan** designed by Aon is such a tool. The scan is divided into 7 sections, namely:

Attributes	Focus
i. Portfolio direction	Strategic alignment of project objectives with overall organisation goals and long term objectives
ii. Project sponsorship	Project ownership at the highest organisation level and the link between corporate and project governance
iii. Project delivery capability	The governance structure, roles and responsibilities of different players and the decision making authority
iv. Project financial stewardship	Project financial feasibility, project budgetary control oversight and financing arrangements
v. Disclosure and reporting	Disclosure and transparency, performance and effectiveness
vi. Combating corruption	Fraud and ethics
vii. Procurement	Accountability and fairness, fraud and ethics

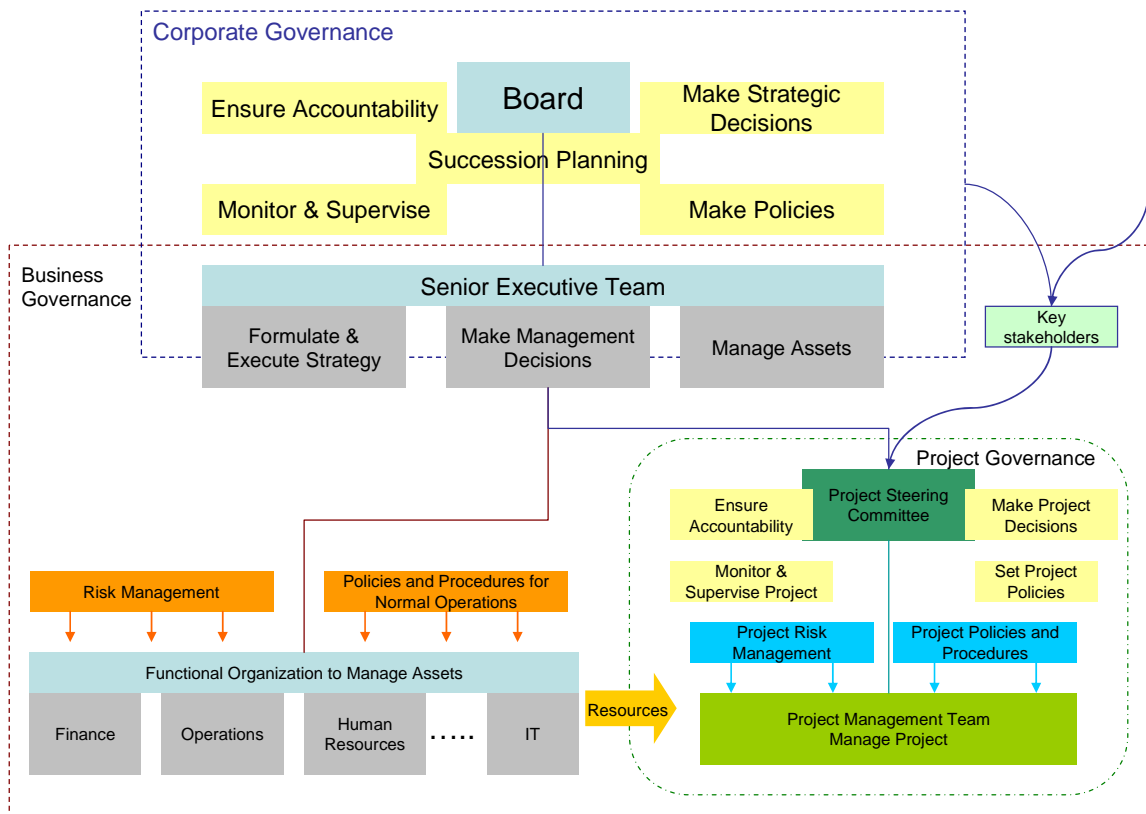
Each addresses a particular attribute of governance principles or practices. Each section is made up of a number of questions. The tool is designed to be self-assessed, though a trained assessor will provide a more effective review. The scoring system is based on a maturity scale from 0-5, based on evidence of the practices or observations of behaviors of the project sponsors / owners.

The exercise will be more fruitful if it is accompanied by a facilitator-led workshop where the analysis and results will be presented and discussed. The workshop provides a powerful forum to address issues and determine the way forward, flushing out solutions that the organisation’s leadership can share and own in project governance. The Project Governance Scan template can be found in **Appendix I**.

3.2. Setting Up Project Governance Organisation

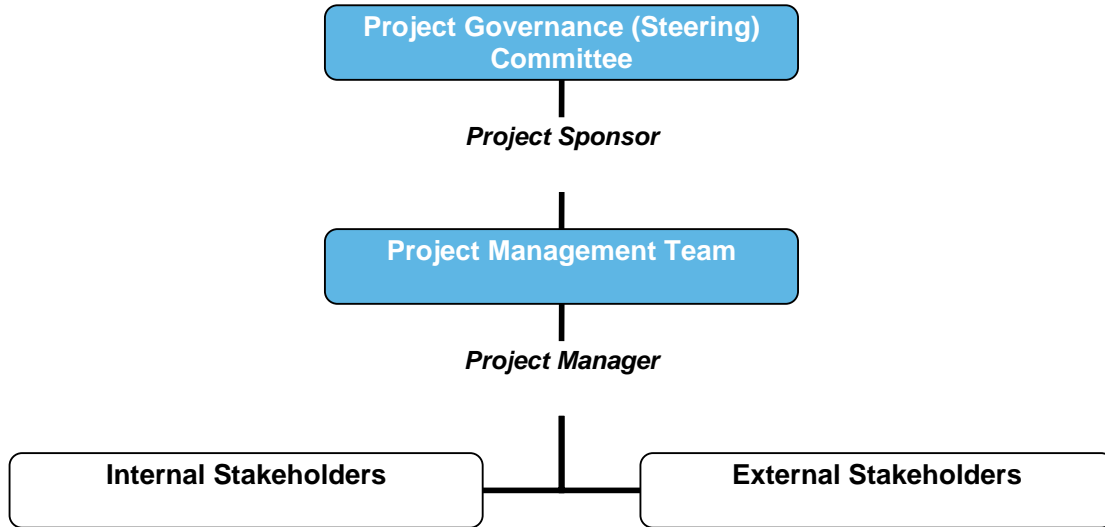
There is a common misconception that the Project Manager leads a project and is responsible for its success and failure. This is not entirely true as the Project Manager can only do things within the charter, scope and resources defined for the project. A project really rotates around the Project Sponsor who can influence the project, from initiation to completion.

Project teams are usually drawn from existing organisation resources. It is therefore important to set up the project organisation structure which aims to define the roles and responsibilities and assign decision making authority in the conduct of the project. Figure below denotes the project organisation for a larger project.



Corporate and Project Governance Overview

A project steering (governance) committee will obviously form only when a project is initiated. The project governance organisation structure described here guides the formation process. The structure is described below:



Project Governance / Steering Committee

The Project Governance (Steering) Committee is accountable to the Board for successful delivery of the project and attainment of the intended outcome. It is important to note that a project manager's responsibilities often end at the point when the project is completed (e.g. a school is built, a new service commences, a new IT system goes on production) but quite often the full expected value of the project will not be realised or seen until at a later stage. It will be the Project Steering Committee's responsibility to monitor the realisation of the expected value from the project and to ensure project outcomes can be integrated into the business processes. Membership of the Project Steering Committee should therefore reflect the needs of the project.

Many Project Steering Committees assume a passive role of receiving reports from project managers and making decisions when asked. Project governance requires the Committee to assume a more active role of:

- Promoting the importance of the project to various internal and external stakeholders at all time – *“as if it is the most important project at the time”*;
- Protecting the project from adverse and destructive forces by actively managing project risks; and
- Seeing through and ensuring complete delivery of business values the project intends to deliver – throughout the project and thereafter, until all the intended values have been delivered.

“Project governance does not stop when the project stops; it has to continue, often for many months, to ensure the expected value is realised. This takes commitment and leadership. Without this level of leadership, the importance of your project won't be recognised, you'll be exposed to both external forces and business resistance and the business value will be lost all along the way.”
 (Jed Simms 17 November, 2009)

For smaller NGOs or for smaller projects:

Project steering committee is a concept as well as organisation. For smaller NGOs or for smaller projects, it may not be feasible to have a physical Project Steering Committee formed but it must have a project sponsor or owner. The project sponsor will determine the need for a project steering committee dedicated to the project. A project directory may play that role and the principles and concepts of Project Governance are equally applicable. It will be the Board's responsibility or the Chief Executive's responsibility (with authority delegated by the Board) to follow this through.

Project Sponsor

The Project Sponsor or Owner endorses the initiation of the project and is ultimately accountable to successful delivery of the project to meet the intended outcome. Therefore, the Sponsor must be able to represent the business or service needs the project is designed to deliver. The Sponsor usually has direct access to the Board (or him/herself is a Board member) and key resources. In commercial organisations, he/she is often the chairperson of the Project Governance / Steering Committee. Internally, the incumbent provides leadership in the Steering Committee to ensure it functions effectively. Externally, he/she is responsible for promoting the project to various stakeholders.

The Project Sponsor is often the person who approves or can influence the approval of funding for the project. In the case of NGOs, the project funding providers might not play an active role in project governance. For example, the Charity Fund of the Hong Kong Jockey Club is a major sponsor of NGO projects in Hong Kong but it normally does not involve in directing the projects (although it does monitor project progress for funding purposes). In this case, a senior member of the NGO will assume the role of Project Sponsor.

Terms of Reference

Project charters for the Project Steering Committee and the Project Sponsor are recommended to clearly define the roles and responsibilities of different parties. Sample Terms of Reference of the Project Steering Committee and Project Sponsor are provided in **Appendix II**.

Project Management Team

The Project Management team is responsible for manage the project to ensure it is completed on time, within budget and of the required quality. Project Governance sets the framework under which the project management processes are carried out.

The project management team members are often drawn from the existing organisation structure. One common pitfall of project management team is that it disconnects with those who are ultimately responsible for delivering the services or making use of the facilities to deliver certain services. User direct participation in project management is therefore important.

Project Manager

The Project Manager is responsible for the day-to-day management of a project and is accountable to the Project Steering Committee for successful completion of the project while meeting the required objectives.



Stakeholders

Stakeholders of a project could comprise:

Externally	Internally
<ul style="list-style-type: none">➤ The ultimate beneficiaries of the project (e.g. service recipients, users of a facility built)➤ The community at large➤ The politicians (e.g. district councilors, LegCo members)➤ Government departments	<ul style="list-style-type: none">➤ Departments directly responsible for service delivery on completion of the project➤ Finance / Internal Audit who monitor the project➤ Other supporting departments➤ Other project managers who might be competing for funds and resources

Another common pitfall of project failure is the failure to manage stakeholders' expectations, or, on the other hand, too much attention paid to manage stakeholders' conflicting expectations to the extent that the project focus has been lost.

3.3. Setting Up Policies for Governance of Projects

One of the key pillars of good governance and control is setting policies in place. A number of policies related to project should be in place in the outset and they should be applicable to all programmes and projects undertaken by the organisation.

3.3.1. Project Governance Policy

The policy of all policies is the one that prescribe the project governance arrangement which is being articulated in this section. The policy should comprise the following:

- Purpose of the policy. The policy addresses the project governance arrangement for projects undertaken by the organisation. Expected results or the expected impact that the policy would bring;
- Time, scope, and context in which it would apply;
- Responsibility (or which departments or personnel would be affected) and accountability;
- Main guidelines or the main set of references that departmental procedures should adhere to. Example: Subvention guidelines from the Social Welfare Department;
- Key organisational systems or the related policies that are somehow linked to this policy. Example: the planning process;
- Verification or how the policy would be verified and by whom; and
- Modification time frame or how and when the policy should be amended, recorded, or discarded in view of continuous improvement..

3.3.2. Design Accountability and Authority Matrix

Similar to good corporate governance, clear accountability and decision making authority is crucial to governance of project management. The essence of corporate governance is about the delegation of decision making and balancing that with accountability to match with that authority. The objectives of setting a decision making framework are:

- To define the decision-making and signing authorities of different roles in a project context (i.e. directorial, managerial and etc) so that misunderstanding and confusion can be reduced;
- To define the decision-making process of some, if not all, major decisions and hence ensure proper checks and balances are built into the system and at time of crises there is a protocol;
- To provide clarity to the authority of each staff under a particular situation where key decisions are being called upon; and
- To indicate possible alternatives should the original authority holders become unavailable, as a project must carry on.

It is called an authority matrix because the process is two-dimensional, with types of decisions to be made in one axis and the role of decision making in the other. The decision making hierarchy and processes would be different by organisation. However, the following design principles are recommended:

- **Delegation:** The authority matrix is built on the belief that certain authorities can be delegated to appropriate individuals in the project organisation. All authorities rest with the Project Governance Committee (and ultimately to the Board). The authorities are delegated downwards from one level to the next lower level. When certain project management responsibilities are delegated, it is important the corresponding level of authority to act is given. Also, while the authority should rest as far down the chain of command as possible to enable the incumbent to act, there should be also be a corresponding system of checks and balances (feedback loop) for the supervising officers to ensure any decisions made is line with the intent.
- **Ultimate accountability:** Authority can be delegated but the ultimate accountability remains with the primary holder of responsibility for that area of decision-making. One cannot just pass the buck completely.
- **Decision-making process & authority:** The decision-making process usually consists of at least four different levels of authorities – something like Propose, Review/Check, Decide, Endorse/Document. In general, a project member should only perform one role in a decision to ensure check and balance.



3.3.3. Set Up Communication and Progress Reporting Policies and Procedures

Another pillar of good governance is proper Monitoring and Reporting. As mentioned, the Board is ultimately responsible for project success and failure. Proper monitoring and reporting will ensure the Board, via the Project Steering Committee, is informed.

Laid down reporting policies will ensure projects are communicated to the Board in a consistent manner, not in a piecemeal manner or at discretion of the project manager which does happen in some NGOs. This is particularly important for larger NGOs who run multiple programmes and projects at the same time. Communication and reporting are also essential to provide early warnings to the organisation with respect to risks and issues. The Board must also be very careful not to ask too many questions as a simple question often will require a day of research and confirmation. One of the most under-estimated resources to put in place is the time and effort needed to report progress to the Board.

Progress report

The Project Manager is responsible for providing periodic progress reports to the Project Steering Committee which in turn reports to the Board. Each organisation can decide what to report but the principles are:

- **Concise** – the report should be concise and succinct and focusing on key indicators such as time, cost and quality; and
- **Forward looking** – not only should the Project Manager be reporting on historical (what had happened), but he/she should also report on what is coming (e.g. risks anticipated, anticipated variations etc.).

Communication to various stakeholders

Stakeholders also need to be informed. Different stakeholders may need different communication formats. A Project Sponsor will require formal report. The local pressure groups may need to be informed through periodic meetings. The community at large may benefit from a newsletter.

3.3.4. Set Up Fraud Prevention Policies

Larger NGOs might consider having a fraud prevention policy because:

- NGOs are accountable to the public and/or the Government for funding; and
- Projects tend to entail larger sums of funding and thus are subject to higher risk.

Fraud can have many definitions but is generally defined as "misappropriation, irregularities and illegal acts characterised by deceit, concealment or violation of trust"

Generally speaking, the larger the scale of the project, the more vulnerable it is to fraud and corruption. For NGOs, projects could range from construction of a new building / centre to disaster relief in the Mainland. Types of fraud commonly found in projects, particularly those of larger scale, include:

- **Substitution fraud** - materials are replaced by those of lower quality while invoiced with those of the specified quality;
- **"Short" the specifications** - cutting back on quantities required and then reselling the unused material; and
- **Pseudo payments** - payments to phantom vendors and employees.

These can be mitigated by having a robust control system including segregation of duties, due diligence on vendors, strict quality control, surprise audits and serious penalties for fraud and malpractices.

The policy should define:

- Roles of different personnel who have a responsibility in fraud prevention within the organisation (e.g. the Chief Executive, the Financial Controller, the Internal Auditor, the Procurement Manager);
- Separation of roles and duties; and
- The scope of the policy – the policy should apply to any fraud (actual, suspected or attempted) involving staff members as well as consultants, contractors, suppliers doing business with the NGO. The policy should also apply to everybody disregard of their positions in the organisation.

The policy will state three key elements in fraud prevention, namely, risk assessment, preventive measures and corrective actions.

- Fraud **Risk assessment** helps the organisation understand where the high risk areas are in terms of committing fraud so that appropriate internal controls can be put in place;
- **Preventive measures** are the policies and procedures and internal controls designed to address the risks; and
- **Corrective actions** are the procedures and corresponding actions laid down when a fraud is discovered.

The fraud prevention policy can be part of the project risk management framework.



3.3.5. Set Up Change Control Policy

Projects are subject to changes in terms of time, costs or even deliverables. Changes are triggered by both internal (e.g. change in personnel) and external factors (e.g. change in project funding provider's requirements, change in government regulations). A formal change control policy and procedures will help properly document and manage change requests. Within the policy will be an escalation policy to categorise the authorisation levels of different types of change. Change control is particularly relevant to projects of larger size.

Certain changes should go back to the Project Steering Committee or even the full Board for approval. These changes normally have financial implications (e.g. funding request over the approved budget) or impact on the reputation of the organisation.

3.4. Setting Up Project Risk Management Process

3.4.1. Management of Project Risks

Projects are exposed to complex risks.



Typical risks include:

Governance Risk <ul style="list-style-type: none"> ➤ Company Structure ➤ Company Policies ➤ Management Structure ➤ Board's Infrastructure – Risk Committee and Chief Risk Officer ➤ Project Governance Structure 	Fraud Risk <ul style="list-style-type: none"> ➤ Fraud ➤ Corruption
Legal & Contractual Risks <ul style="list-style-type: none"> ➤ Legal Risk ➤ Supplier Contracts ➤ Dispute Resolution 	Financial Risks <ul style="list-style-type: none"> ➤ Financial Viability ➤ Project Cost Control ➤ Exchange Rates ➤ Financing
Stakeholder Management Risks <ul style="list-style-type: none"> ➤ Sponsors ➤ Funding Providers ➤ Government ➤ Suppliers ➤ Public 	Market Risks <ul style="list-style-type: none"> ➤ Market Size ➤ Market Supply ➤ Pricing ➤ Product Substitution

Process Risks	Resource Risks
<ul style="list-style-type: none"> ➤ Project Management ➤ Process Design ➤ Engineering Design ➤ Logistics ➤ Change Management 	<ul style="list-style-type: none"> ➤ Equipment Risks ➤ Human Resources ➤ resignation of key persons ➤ non-commitment of team members
Costs & Schedule Risks	Construction Risks
<ul style="list-style-type: none"> ➤ Equipment Prices ➤ Availability of Equipment ➤ Availability of Contractors ➤ Delays ➤ Overall Construction Schedule 	<ul style="list-style-type: none"> ➤ Construction Contract ➤ Schedule ➤ Risks to Third Parties
Operational Risks	Health & Safety Risks
<ul style="list-style-type: none"> ➤ Operational Management ➤ Spares & consumables ➤ Maintenance ➤ Transport 	<ul style="list-style-type: none"> ➤ Project Site Safety ➤ Construction Related Risks ➤ Operational Related Risks
Community & Social Risks	Environmental Risks
<ul style="list-style-type: none"> ➤ Government Support ➤ Expectations of the Community ➤ Expectations of End Users 	<ul style="list-style-type: none"> ➤ Environmental & Social Impact ➤ Contingency Planning & Business Continuity Plans

What are some of the risks specific to NGOs, particularly to those providing social services?

- **Talent retention.** NGOs have to deal with their fair share of personnel turnover, and professionals with the right skill sets were not always easy to find.
- **Crisis / contingency.** For example, the outbreak of Swine Flu in mid-2009 had impacted many projects in the social welfare and education sectors. Contingency plans needed to be made and implemented.
- **Competition.** Other NGOs carrying out similar projects and competing for resources (the project manager's role to look out for potential competition and take action to ensure the project was clearly differentiated).
- **Context shift.** Social services are also cyclical. What was perceived as an meaningful project could lose its values a few years down the road. What was a pioneering project could become a follower if another NGO took the first mover advantage. It was therefore important for the project manager to stay alert of development elsewhere and be ready to adapt.

Risk management and governance are integrated. Good governance will drive risk management and risk management anchored governance. The same principles apply to Governance of Project Management. Projects face risks and risks might change over the course of a project. Project Governance should entail the setting up of a project risk management process. Figure below is a typical project risk management process:



Project Risk Management Process

The steps are detailed as follows:

Establish the Context	Risk Assessment
<ul style="list-style-type: none"> ➤ Internal / external stakeholder analysis ➤ Develop a definition of risk based on project goals ➤ Develop common ranking criteria ➤ Assess project risk tolerance ➤ Develop risk escalation matrix 	<ul style="list-style-type: none"> ➤ Map project critical path ➤ Identify key uncertainties ➤ Analyse possible causes and potential impacts ➤ Evaluate existing controls ➤ Evaluate risks using a semi-quantitative approach ➤ Assign risk owners ➤ Develop probabilistic models for key risks
Risk Treatment	Monitoring & Communication
<ul style="list-style-type: none"> ➤ Develop actions to treat risks ➤ Assign risk treatment owners ➤ Determine resources and timeframe for each action ➤ Assess root causes of complex risks ➤ Assess impact on project from successful action implementation ➤ Implementation and change management plans ➤ KRI development 	<ul style="list-style-type: none"> ➤ Manage risk management information ➤ Track risk treatment projects ➤ Monitor changes in risk and performance of Key Risk Indicators ➤ Update critical path analysis ➤ Share knowledge from within the project as well as from other events

Risk management activities should be practised throughout the project life cycle but are particularly prevalent in the following milestones:

Project Initiation

The Project Risk Register needs to be created at the outset, when the project brief is prepared at the conceptual stage. The brief should address a number of risks facing the potential project. Typical



risks are impending legislative changes, reputation, project cash flow, change of organisation leadership, key project staff turnover.

Preparation of the Project Proposal

During the course of preparing the project proposal and examine the business case, new risks may come to light as more information is available and be updated into the Risk Register. Such risks may include unknown performance of resources, contractor ability and certain assumptions being made in the plan. At the same time all existing risks should be reviewed for any new information or change in circumstances.

Project Authorisation

The Board now has an updated Risk Register to examine as part of its decision on whether to go ahead with the project. The Board should be fully aware of the risks and actions or plans to address them.

Planning

At project planning stage, the risk profile will again change. New risks may be found or risks required re-prioritisation. No plan should be put forward for approval before its risk content has been fully analysed and risk mitigation actions are very much part of the project plan. The Risk Register should be updated with all such details.

Project Milestones

When a project phase is complete or a milestone reached, the Project Manager should examine the project objectives, the project plan, performance indicators, outstanding project issues and the Risk Register. The Project Manager or perhaps together with the Risk Officer should look for changes and warning signs.

Project Implementation

Assessment of a new Project Issue logged during project implementation may throw up a risk situation. For example, a proposed change may produce a risk of pushing the stage or project beyond its tolerance margins.

Escalation of Project Risks

As well as Project Issues, a risk change may cause the Project Manager to raise an Exception Report to the Project Board.

Risk Analysis & Evaluation

The key purpose of this task is to prioritise risks in order to more efficiently allocate resources to deal with the risk that requires urgent attention from management. Therefore risks are analysed, considering likelihood and impact, as a basis for determining how they should be managed. Risks should be assessed on an inherent and a residual basis.

Risk analysis considers a range of potential impact and how likely these would occur. A particular risk can have different areas of impact therefore the greater impact area will be used as a final impact rating.



The final rating of risk is determined by multiplying the likelihood and impact score to determine risk severity rating.

Risk Formula: Likelihood x Impact = Risk Severity

Risk analysis and evaluation task need to be undertaken at same time to avoid gap in the risk rating. Risk evaluation looks at evaluating the existing control that is in place to manage the risks. The effectiveness of a controls put in place to manage a particular risk will have influence on the residual risk score of that particular risk.

Inherent Risk + Current Control = Residual Risk

Risk Reporting

Project risks should be reported to the Board, via the Project Steering Committee. Examples here would be notifying the board of any risks that are no longer relevant, warning about new risks and reminders about risks that board members should be keeping an eye on. This gives the Board early warnings on deviation or project issues which the Board can give advice or provide decisions.

Realisation of Expected Outcome

At the end of the project a number of risks may have been identified that will affect the product in its operational life. These should be transferred to the Follow-on Action Recommendations for the information of those who will support the product or service after the project.

Risk Treatment

The finalised risk list (residual risk) will show that some of the risks required further mitigation in order to reduce the level of severity to the organisation. The risk treatment or risk response planning involves strategies and documentation of risks. Or, how you and your team will deal with risks.

Having established how the key current controls are designed and operate, it should be possible to determine what needs to be done to improve the situation. However, it is important to ensure that improvements are practical and economical. In a nutshell project risk treatment strategy should focus on the below points.

- **Risk Response/ Action Planning** – Project management selects risk responses – avoiding, accepting, reducing, or transferring risk – developing a set of actions to align risks with the entity's risk tolerances and risk appetite.
- **Control Activities** – Policies and procedures are established and implemented to help ensure the risk responses are effectively carried out.

Improvement should be an activity which is most likely to fit in with the current systems in place (and thus culture) rather than an activity which imposes ideas that would be very difficult to implement. Therefore each risk actions should be SMART:

S – Specific **M** – Measurable **A** – Achievable **R** – Realistic **T** – Time effective



The four broad ways you can respond to risk that should be included in your risk management plan are:

Risk Treatment	Risk Treatment Description
Avoiding Risk	To avoid risks, you can first identify them by past project experience and documentation of that experience. Analyse what risks may occur upfront at your project initiation meeting. Clarify if potential risks are low, high, or acceptable risks. If you can conquer any potential risk first, your response planning can help you avoid the risk altogether.
Transferring Risk	Often, an identified risk can be transferred to a third party. Remember, when setting up your risk transference controls, it does not mean a risk will go away. It only means you have set a team or outside source to handle the risk. A good risk response plan will identify to whom certain risks will be transferred.
Reduce Risk	This is a control process that allows you to stop a risk before it starts or bring it to an acceptable level. It identifies potential threats first so you and your team can take appropriate steps to keep the risk from triggering. A good way to mitigate risk is to set a contingency plan that will deal with the risk when it occurs. Project contingency planning is often a must for large projects.
Accepting Risk	Accepting risks on your business is a must for risk response planning. It is also a strategy of sorts and is only used when risks are considered low, or for small risks. Planning for these risks includes recognising what they may be and adjusting small areas within a business, such as identifying a cost or process that might have been missed. Acceptable risk can also be considered passive where no action is taken at all.



3.4.2. Insurance as a Risk Transfer Solution

Project Insurance

Project insurance is particularly relevant to construction projects and NGOs do undertake construction projects such as building schools, social centres and elderly homes. It is a protection against claims arising from the negligent acts, errors or omissions committed by the architects / design consultants arising from a specific project. While design consultants normally carry professional liability insurance to protect their own practices, the coverage is not necessarily directly related to a project and may not be adequate for large projects and this can leave the owners exposed.

Insurance is an effective way to transfer insurable risks. An insurance programme exchanges the uncertainty of a risk exposure for the certainty of a premium – but there are always limits and exclusions applicable, so the basic design of the insurance programme is as critical as the source and the price. Because the nature of any project is that it is one off and not repeatable, the skills of the insurance broker to design the coverage, source and place the insurance, and secure the insurance cover is vital.

In determining what insurances should be purchased, there are key questions to be answered:

1. What are the significant risks associated with the projects under consideration?
2. What are stakeholders' expectations regarding the transfer of excess/unwanted risk?
3. What is the organisation's appetite and ability to retain some of the risks?
4. Have we engaged professional expertise in designing an effective and efficient risk transfer programme?

The answers to these questions determine “buyer behavior” in insurance procurement. For example, many NGOs exhibit the following characteristics:

1. They often exist in commercial environments, but without the high levels of competitiveness found in other business sectors.
2. Funding is often via public money provided under intense scrutiny, therefore pricing and value are paramount.
3. Such organisations are frequently “risk averse”; therefore insurance is often purchased with minimal retentions, to preclude potential losses from dissipating funds.
4. Decision-making is often committee-driven rather than by an individual, so consensus is critical.

With these points in mind, needs are more easily identified and insurance procurement better focused.

Establishing effective control over project insurance procurement is essential. By taking up **project insurance** in the NGOs name rather than leaving it to contractors and/or consultants, the project owner has greater control over the project and the design consultant by offering a policy that can protect the owners' specific needs on a project. Policy limits and coverage can be tailored according to factors such as the project's length, scope, nature and location. The design consultant is also benefited from insurance coverage dedicated to the project without relying on its own policy that covers its general practice.



Project insurance also enables a single insurer to coordinate the responses to professional liability exposures in the event of a loss. This will reduce the likelihood of disputes created by the situation of having multiple carriers and policies (by individual members of the team). It also enhances risk management of a project by having a separate policy with separate limits in force for the owner's project that will protect the professional liability exposure of the design team.

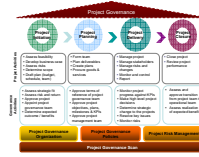
NGO Insurance

For smaller projects, an NGO might not have specific project insurance but rely on the general insurance coverage of the NGO. NGO project insurance protection ranges from the essentials such as Contractors All Risks, Employees' Compensation and Public Liability to others such as Professional Indemnity, Property and Personal Accidents, depending on the nature of the operations and projects undertaken. Some NGOs may not be able to obtain insurance with competitive terms because of their size and nature. Schemes such as the one offered by the Hong Kong Council of Social Service for its member agencies enable individual NGOs to enjoy insurance protection at the competitive rates and level of services which would otherwise elude them. Such joint schemes are common internationally and the coverage encompasses:

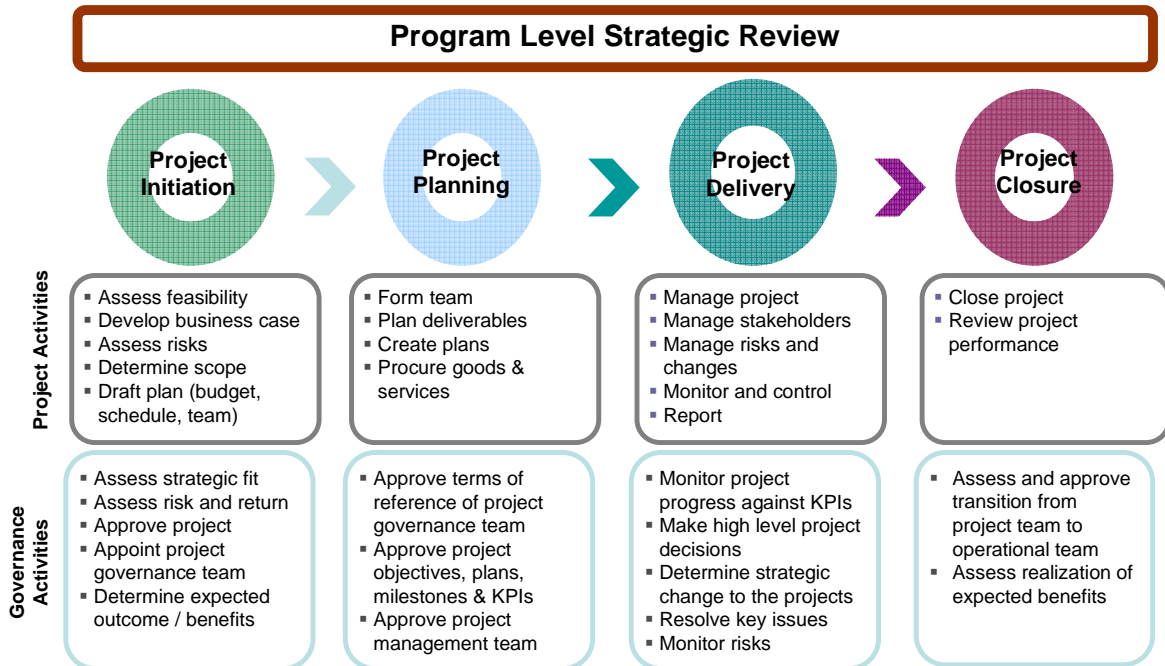
- **Public Liability** - protects the organisation from claims by members of the public for personal injury or property damage due to negligence.
- **Professional Indemnity** - protects the organisation and its management from directors and officers and professional indemnity claims.
- **Property insurances** - protects the organisation's assets (includes fire and other perils, burglary, money, glass, general property and business interruption).
- **Personal Accident Volunteers** - compensates the volunteers who are accidentally injured while providing voluntary services on behalf of the organisation.
- **Comprehensive and non-owned motor vehicle** - covers vehicles owned by the organisation as well as workers' and volunteers' vehicles.

4 Operationalise Project Governance

4.1 Govern a Project through its Life Cycle



This section highlights the key governance activities at each stage of the project life cycle. Practical checklists and templates are also provided to assist the project sponsors and managers to carry out those governance activities.



Governance refers to stewardship and oversight / monitoring and control and it exerts its influence throughout the life of a project. A project essentially has four stages.

- i. **Initiation** – when the project idea germinated is examined and approval sought.
- ii. **Planning** – when the governance structure is set up and project management plans are formulated for an approved project proposal.
- iii. **Execution** – when the approved project is implemented according to the approved plans.
- iv. **Closure** – when the project comes to an end.

Traditional project management framework focuses on project execution. Project Governance covers the entire project life cycle and is particularly critical for the initial stages before the project kick-starts.

4.2 Strategic Review at Organisation or Programme Level

NGOs often have multiple projects being run at the same time. Projects are grouped into programmes. For example, an NGO for the aged may have a rehabilitation programme and a hospice programme. Under each programme, there could be several on-going projects. Periodic programme level review to examine the strategy, direction, planning and intended benefits of the programme and its constituent projects is necessary to ensure the projects continue to have the strategic fit, the expected outcomes of the project are still attainable and the resources committed are appropriate.

Some NGOs will have annual strategic programme meeting whereby all programme / project owners will get together to review all outstanding projects strategically and to plan new initiatives. The strategic meeting is critical as larger projects typically require funding commitment for more than one year and resources have to be planned ahead. Funding needs against resources available for new project initiatives will also be incorporated in the planning process.

 **Key checkpoint**

Key checkpoint at this stage is a periodic programme level review to examine the strategy, direction, planning and intended benefits of the programme and its constituent projects.

4.3 Project Initiation

Initiation – assessment of project needs and approval of project proposal

At **Initiation**, project ideas are being generated, feasibility being assessed, costs and benefits weighed, the business case presented to the Board and approval sought.

Project initiation is arguably the most important stage of a project. Projects often start with a wrong footing and the best intentions. A project may be something the Chairperson is passionate about but it does not necessarily fit with the overall strategy of the organisation. A NGO may start a social enterprise because many other NGOs have one without carefully considering its viability.

The responsibilities of the Board at project initiation stage is to ensure the project is worthwhile, financially and otherwise, and the business case presented has a strategic fit with the organisation's goal. Risk management also commences at this juncture as risks and risk mitigation will be part of the decision making process. Specific activities include:

- Make strategic assessment;
- Assess business case;
- Approve project;
- Appoint project governance team;
- Determine expected results / benefits the project needs to achieve; and
- Set risk register.

Case in Point: Penny Wise and Pound Foolish

A major donor to charities told us an interesting pattern that he believed has become the norm for many NGOs and the simple solution is to ask for more disclosure and higher level of transparency. This donor has given away millions in donation to good causes over the past twenty years and to a variety of NGOs in the region. He is not sure why this strange phenomenon has taken this twist.

He has seen that many NGO boards have a tendency to be “Penny Wise and Pound Foolish.” He postulated that on average, many NGOs have extremely lax attitude when it comes to managing millions of dollars; and would have draconian procedures in internal control when it comes to a few dollars. The checks and balances of decisions made at the very top on major projects are not as rigorous, and millions would be spent on projects without adequate assessment.

He attributed this phenomenon to these possible causes:

- New projects are viewed as different from normal operations. As they are so new and the roads are unknown, control procedures are difficult and one has to trust those bearing the initiative. Controls may also stymie innovation. Hence, these new projects inherently would tend to have less oversight;
- There's a general belief that the future will be better and what we build and produce, someone will buy them;
- No one has seriously entertained the thought of having a pre-feasibility or feasibility study;

- The project is funded by external sources; and
- There's a general belief that somebody else on the board would have picked up any risks since the project is so large.

Consequences

Now a veteran when it comes to philanthropy, he has refrained from simply giving large sum to initiatives or NGOs that do not have a history of managing large projects or do not follow his special request for transparency. What he doesn't want to see is a willful cover up as that would imply gross negligence and bring in lawsuits. After all, he wants to spend his time in philanthropy, not in the courtrooms.

Learning Points

Like good corporate governance, it is the Board's responsibilities to ensure transparency and accountability. Although the actual processes might be different from those of day-to-day operations, the principles of monitoring and control, check and balance equally apply to projects. The discipline of project evaluation at Project Initiation (e.g. strategic fit, feasibility study) must be observed.

Questions to ask

The Board or the potential Project Sponsor should ask the following questions:

1. What is the business case for undertaking the project?
2. What are the expected benefits of the project?
3. How does the project's expected benefits relate to the organisation's strategic objectives?
4. How can the benefits be measured?
5. When will the expected benefits be realised?
6. What are the major risks of the project?
7. How much change in the organisation is required to realise the benefits?
8. Does the Board of Directors have the business and domain knowledge to understand and make informed decision on the proposed project?
9. Do we have capabilities in-house to **govern** the project?
10. Do we have capabilities in-house to **manage** the project?
11. Who is the sponsor of the project?
12. Who are the stakeholders of the project other than the project sponsor, project team and the direct beneficiaries?
13. Are the stakeholders supportive of the project?
14. What are the residual risks of undertaking the project? What are the mitigation measures?
15. Have directors and management been asked to declare conflict of interest related to the project?
16. What are the financial implications of undertaking the project to the organisation in current and next two financial years?
17. What are the other current projects being undertaken by the organisations?
18. Is the project linked to a programme? What is the impact to the programme if the project does not go ahead?

19. What are the total financial implications of the programmes and projects to the organisation in current and next two financial years?
20. Are there alternative project proposals in the pipeline (within the next three months)?
21. Has the best value for money option for undertaking project been selected?

Documents to review

An initiative should start with a Project Initiation Form (sample in **Appendix III**) for the Board's initial vetting before proceeding to evaluating the business case. The initial vetting will help the organisation prioritise project ideas / proposals and only focuses on those with strategic fit. When a project idea got past initial vetting, the Board should request the following documents and/or expect the following milestones:

1. Business Case for undertaking the Project with Cost and Benefit Analysis, Stakeholder Impact Analysis, Regulatory and legislative Impact Analysis, Environment Analysis, and Risk Assessment;
2. Financial and Operational Feasibility Study with Sensitivity Analysis;
3. Analysis of Options;
4. Financing Options;
5. High Level Project Governance and Management Structure;
6. High Level Project Plan with Key Milestones; and
7. Risk Analysis.

The Business Case – acceptance criteria:

- Project objectives aligns with the organisation's strategy;
- The need for the project is justified;
- The benefits of the project (against costs) are analysed;
- Realistic budget and timeline are presented;
- Financial projection and sensitivity analysis on the return on investment area made;
- Performance indicators of the project are defined;
- Risks are identified and assessed; and
- Values that the project will deliver are identified and desired outcome defined.

Key checkpoint

Key checkpoint of this stage is the examination of the business case of a project in terms of its benefits to the organisation, its strategic fit (to the programme and thus to the organisation's overall strategic objectives), its objectives and the cost-benefit trade-off and risks.

4.4 Project Planning

Planning – mobilisation of resources, setting of governance framework, formulation of project management plan and Key Performance Indicators

At **Planning** stage and with the project initiative agreed in principal, the role of the Board is to ensure the Project Governance infrastructure is set up for the project. This includes forming the Project Governance / Steering Committee - with a Project Governance Charter, clear terms of reference, and authority. At this stage, the Project Governance Committee should direct the formation of the project management team and the development of the detailed project plan. The terms of reference of the Project Governance Committee and the project plan should be formally approved by the Board. The approval process also serves as confirmation process that the project still has the required support from the Board, senior management and other key stakeholders. A risk register for the project is also established at this juncture to start documenting and monitoring project risks. A Project Governance Plan will help formalise the governance and risk management structure and a sample table of content is provided in **Appendix IV**. A sample Project Risk Register can be found in **Appendix V**.

“Failure to Prepare is Preparing to Fail”
John Wooden, Basketball Coach

For NGOs, securing project funding is obviously an important task at this stage and funding often comes from external donors or the Government. A good governance practice is to sign a formal agreement with the donor to set out the project objectives and expected deliverables.

Case in Point: Construction Projects and Moving Goal Posts

Designing and construction a new building takes three to four years. The most important element of this kind of project is the design plan as everything else depends on it. While variations are inevitable in building projects, the master plan should not change. A leading architect who has built schools, social welfare centres and hospitals told us that governance structure of NGOs makes governance of building projects particularly challenging.

Background

The NGO in this case secured funding to build a brand new building for its various services on a green field site. The project would take 3 years to complete and the architect was engaged to design the building. The NGO's Board oversaw the project and appointed one of the senior executives as the project manager. This particular project suffered delay and cost over-run. Lawsuit followed between the owner and the contractors.

Challenges

The architect cited these attributes contributing to project failure:

- **The project commenced without agreed final design and specifications.** Different members of the Board had their own version of the design or others might treat it as their own pet project. The Board decided to begin the project before a consensus could be reached, hoping that things will get sorted out in due course. No detailed project brief was produced.
- **Project specifications shifted with leadership changes:** Chairmanship of the NGO lasts for only a year. Given the project goals and specifications were not agreed and documented by the Board in the outset, the incoming Chairperson had different ideas and imposed changes. Some

new directors also imposed their wishes. The project manager and the architect were made to work with moving goal posts.

- **Stakeholders' expectations not met.** NGO projects involve many external stakeholders, the donors, the Government and local community groups representing the end users of the services / facilities, to name a few. Consulting every stakeholder group and getting consensus would take time. The Board thought they knew what users wanted and the consultation process was downplayed. The final product could end up very differently from the stakeholders' expectations. Changes were made at very advanced stage of the project to address some of the expectations found subsequently by the potential users, else the users would refuse to use these facilities.
- **Project Manager engaged contractors who passed on their work to another contractor.** For this project the Board had the wisdom to hire a professional project manager ("PM"), but did not manage that person well. The PM subsequently used outside contractors who used replacement parts that were not entirely up to specification, resulting in subsequent mismatching with the finished products of other contractors. As the project was drawing near, the PM spent less and less time on this project and began to work on other projects with another owner.

Consequences

Project costs exceeded the donated fund because of substantial variations imposed on the project and the changes also caused project delay. The Board had to find resources elsewhere to fund the shortfall. Blame game was resulted as to who were responsible for the project failure.

Learning Points

Good project governance demands the Board to approve in the outset the project goals which are translated into clear project design and specifications. While variations are inevitable in construction projects, a threshold should be set. Changes exceeding the threshold would require senior approval.

The Board needs to engage a committed Project Manager or have a binding contract to commit the PM until project completion.

Key Governance Activities at the Planning stage include:

- Set Project Charter and governance policies;
- Approve project plan, milestones and key performance indicators (KPIs) and (Key risk indicators) KRIs; and
- Approve project management team.



Questions to ask

The Board or the potential Project Sponsor should ask the following questions:

1. Do we have the support of the Board for the project?
2. Has the Board determined the delegated authority to the Project Governance in governing the project?
3. Has a clear communication protocol been agreed between the Board and the Project Governance team to report progress and escalate issues?
4. Are the project governance principals and practices in consistent with the governance principals and practices of the organisation?
5. Have project funding been approved and secured?
6. Are the goals of the project clearly defined?
7. Have the measure of success of the project been determined and agreed?
8. Do we have commitment from the project sponsor and project management team?
9. Are the roles and responsibilities of the project governance team and the project management team clearly defined?
10. Do we have commitment from senior management to support the project management team?
11. Have the rules of engagement been agreed?
12. Have all known conflicts of interest been declared, examined by the Board?

Documents to review

At this stage, the Board or the Project Steering Committee should request the following documents and/or expect the following milestones:

1. Project Terms of Reference Approved (Objective and Scope);
2. Project Structure Agreed;
3. Project Sponsor Appointed;
4. Project Governance Team Chairperson Appointed;
5. Project Governance Team Membership Agreed;
6. Project Management Team Approved;
7. Project Manager Appointed;
8. Project Management Manual Approved;
9. Project's Delegation of Authority (Authorisation Matrix) Approved;
10. Code of Ethics and Fraud Prevention Policies Approved;
11. Project Plan (Timeline and Major Milestones) Approved;
12. Project Budget Approved;
13. Project Key Performance Indicators Agreed;
14. Project Governance Reporting and Submission Timeline Agreed;
15. Project Governance Team Meeting Schedule Agreed;
16. Tender / Procurement Procedures for Consultants / Suppliers Agreed;



17. Consultant / Supplier Contract Management Guidelines;
18. Issue Resolution and Escalation Processes Setup;
19. Risk Management System Setup;
20. Detailed Risk Register;
21. Crisis Management and Communication Plan Approved; and
22. Project Change and Termination Policies and Processes Approved.

 **Key checkpoint**

Key checkpoint of this stage is the project level review of the delivery strategy which comprises the Project Governance structure, the project management structure, project management plan and project budget and financing plan.

4.5 Project Execution

Execution – implementation of project plan and tracking of performance

At **Execution** stage, most critical to project governance are monitoring and control – tracking progress against plan, tracking deviation against the expected outcome and benefits, deciding changes necessary to meet changing internal and external circumstances. The Project Management team should be at the driving seat at this stage and the role of Project Governance is to check and balance on project delivery, guide and advice on major issues.

“Plans are only good intentions unless they immediately degenerate into hard work”
Peter Drucker

Key Governance Activities include:

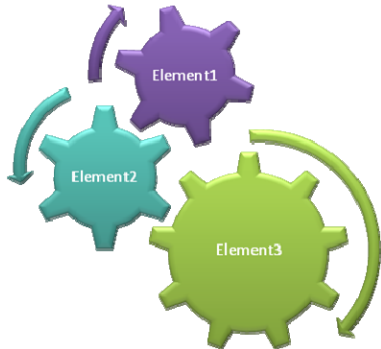
- Monitor project progress against project plan and milestones;
- Make high level project decisions;
- Determine strategic changes to project;
- Resolve key issues; and
- Monitor risks.

It will be the Project Management role to report progress to the Project Steering Committee. A sample Progress Report can be found in **Appendix VI**.

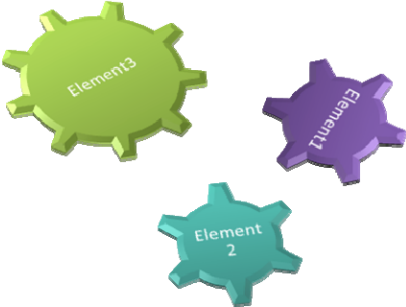
Case in Point: the Inexperienced Project Manager

Running and delivering a project smoothly requires a number of disparate elements to come together. These elements are jointed at the right time, at the right sequence, and when they are properly assembled, the final product is much more than the sum of its parts. In the midst of this chaos sits the Project Manager or PM. This person alone provides one of the greatest contributions to the success or failure of a project than anyone else. He is like a conductor of an orchestra and a piece of beautiful music flows out from the music score, if he has done his job properly. Conversely, someone who has insufficient clout or experience will break a project, and may have profound impact on the NGO that has taken on the new project.

Good/Experienced PM



Inexperienced PM



We interviewed an architect who works on some of the most expensive projects that can be undertaken by an NGO, which is the designing and erection of a new building. His first reaction and concern for the next few years in Hong Kong is the increasing number of inexperienced PMs in the field and which due to their immaturity, has made the architect's life so much more difficult. Good architects need good clients to become good architects. He has seen increasingly more clients who were not clear on what they really wanted, and took such uncertainties to their appointed PM.

Consequences

The most obvious symptom of inexperienced project manager is a lack of understanding of the protocols or standard practices in the industry. Other symptoms that manifest themselves would include:

- Demand to include unplanned and yet-to-agree changes and execution with no changes to the costs.
- A belief that Architects are purposely creating and demanding variations to the plan when in fact these PMs signed and approved such deviations.
- A breakdown in communication between the PM and his or her board of directors, leading the board to second guess or challenge the final decisions that were given to the contractors.
- An acceptance that the future and all uncertainties can be planned away years ago while sitting behind a desk, hence, would meant a rejection of all subsequent plans that are more attuned to the requirements of the ultimate users.

Learning Points

As the Board is ultimately accountable to the success of a project, it should mandate the appointment of a qualified Project Manager as one of the checkpoints in the Project Initiation stage before making the project commitment decision. There might be Board members who are qualified to carry out the assessment. Otherwise, it might be worthwhile to get external assistance.

Questions to ask

The Board or the potential Project Sponsor should ask the following questions:

1. Is the project meeting the project objectives at the milestone?
2. Are there changes in risk profile as a result of changes in the internal and external environments?
3. Does the planned project output still meet the intended benefits in light of changes in the internal and external environments?
4. How stakeholders' expectations have been managed?
5. What adjustments are required in the project delivery in response to the above changes?
6. What are the major decisions to be made in response to the above changes?
7. What decisions are required of the Board?
8. Are there red flags / major risks that will lead to the decision to terminate the project?
9. What is the contingency plan to manage project termination?
10. Is the project management team performing?
11. Does the project management documentation follow a standard (e.g. PRINCE2 for an IT project)?
12. Is the organisation ready for the transition of the project from the project stage to the operational stage?

Documents to review

At this stage, the Board or the Project Steering Committee should request the following documents and/or expect the following milestones:

1. Project Governance Committee Meeting Minutes;
2. Project Accounts;
3. Project Funding Report;
4. Project Progress Reports with KPIs and Key Issue List;
5. Programme / Project Reports to the Board;
6. Key Issue List and Resolutions that require Project Governance Committee's attention;
7. Detailed Risk Register;
8. Exception Reports on Major Changes;
9. Issue Register (common for IT projects);
10. User Acceptance Test Reports (for IT projects); and
11. Crisis Management and Communication Plan involved in the event of Project Termination.

Key checkpoint

Based on the delivery strategy, the business case will be reexamined and final investment decision made to approve and commence the project.

4.6 Project Closure

Closure – final user acceptance to project deliverables

At **Closure** stage, the project has formally come to completion. The governance team has to ensure the project has met the project objectives, delivered the “output” promised (although the expected outcome might not be fully realised until at a later stage) and is ready to be handed over to the users / operations.

The Governance team’s work does not stop when the project management team hands over the project to operations as the expected outcome and benefits from the project may not be fully realised until the service goes live or a facility in operations for a period of time. Post-project review and on-going monitoring will help to ascertain the impact.

Key Governance Activities at the **Closure** stage include:

- Assess and approve transfer of project ownership from the project team to operations;
- Carry out a project completion review; and
- Assess realisation of expected benefits.

Questions to ask

The Board or the potential Project Sponsor should ask the following questions:

1. Is the organisation ready for the transition of the project from the project stage to the operational stage?
2. Are all project objectives achieved and all deliverables made?
3. If there have been changes made during project execution, do the final deliverables still meet the project objectives?
4. What is the project P&L?
5. Are all outstanding issues resolved?
6. Are there outstanding issues from stakeholders that the Board should be aware of?
7. If the project is not ready to be transferred to operations, what is the contingency plan?

Documents to review

At this stage, the Board or the Project Steering Committee should request the following documents and/or expect the following milestones:

1. User Acceptance Report;
2. Project Handover plan;
3. Project Final Report with KPI Achievements; and
4. Project Accounts (at completion).

Project Review

The project review attempts to answer the questions of what has been done right and what could be done better. While post-implementation review is common amongst IT projects, its focus is on how well the system is performed against objectives and if the required return is achieved. Project review is seldom performed at Board / Committee level – i.e. how well the Board or the Project Steering Committee has performed in governing the project management. A sample Project Review Form can be found in **Appendix VII**.

**“What we learn
from lessons learnt
is we don’t learn
from lesson learnt”**
T. Block

Questions to ask

The Board or the potential Project Sponsor should ask the following questions:

1. Was there a clear link between the project and the organisation’s key strategic priorities?
2. Were the measures of success of the project not clearly defined and agreed in the outset?
3. Was the governance team (board or project sponsor) provided with the appropriate level of information to monitor project progress?
4. Did the Board and / or senior management demonstrate leadership and show ownership to the project?
5. Was the project governance organisation separated from the organisational governing structure?
6. Was the governance team given the appropriate level of authority to make project decisions?
7. Was the accountability of the project clearly defined?
8. Was the project governance committee performing its core function of ensuring effective and efficient decision making?
9. Was the ultimate users of the project output (i.e. service units that use the project output to deliver the goods/services to the ultimate customers) involved in the project governance and project delivery?
10. Was the project governance committee (the project decision making body) structured to make effective project decisions?
11. Was stakeholder management clearly separated from project decision making?
12. Was the project managed by a competent project management with the necessary project and project risk management skills and experience?
13. Was the project approved based on the initial financial returns rather than long term value of the project (delivery of benefits)?
14. Was project execution broken down into manageable steps with clear deliverables and milestones?



Documents to review

At this stage, the Board or the Project Steering Committee should request the following documents:

1. Post Project Review Report.

Key checkpoint

Key checkpoints of this stage are:

- **The project level review to determine the readiness of the project to transition from the project environment to the operational environment; and**
- **Post-project operational review to confirm that the intended benefits are realised and the goods and services are meeting the ultimate users' expectations.**



4.7 Summary of the Project Delivery Framework

Recap of the key project delivery checkpoints along the project life cycle:

Project Lifecycle	Strategic assessment	Project initiation	Project planning	Project execution	Project closure	
					Handover	Operations
Key governance documents	<ul style="list-style-type: none"> ➤ Strategic plan at programme or organisation level 				<ul style="list-style-type: none"> ➤ User acceptance ➤ Project handover plan ➤ Project final report with KPI 	
Key governance activities	<ul style="list-style-type: none"> ➤ Multi-year strategic planning of programmes and projects 					
Major milestones	<ul style="list-style-type: none"> ➤ Plan approved 	<ul style="list-style-type: none"> ➤ Business Justification ➤ Project feasibility 	<ul style="list-style-type: none"> ➤ Project governance committee formed 	<ul style="list-style-type: none"> ➤ Project commenced 	<ul style="list-style-type: none"> ➤ Project handover to operations ➤ Project management team dissolved 	<ul style="list-style-type: none"> ➤ Operational review completed ➤ Project governance committee dissolved ➤ Post project review
Key approvals		Strategic decision to proceed		Resources committed	Approve project completion	
Key checkpoints	(0) Review of strategic fit of projects at programme level	(1) Business case of the project	(2) Delivery strategy	(3) Investment decision	(4) Readiness for service	(5) Operational review & benefits realisation



No	Checkpoint	Purpose
0	Strategic Assessment	Periodic programme level review to examine the strategy, direction, planning and intended benefits of the programme and its constituent projects.
1	Business Case	Project level review to examine the business case of a project in terms of its benefits to the organisation, its strategic fit (to the programme and thus to the organisation's overall strategic objectives), its objectives and the cost-benefit trade-off and risks.
2	Delivery Strategy	Project level review of the delivery strategy.
3	Investment Decision	Final review of the business case to make the investment decision to approve and commence the project.
4	Readiness for Service	Project level review to determine the readiness of the project to transition from the project environment to the operational environment.
5	Post-implementation Operational Review and Benefits Realisation	Operational review after system run-in to confirm that the intended benefits are realised and the goods and services are meeting the ultimate users' expectations.

Source: Checkpoints adopted from the UK Government Gateway Project for Project Delivery

4.8 Project Control by International NGOs

The ways that international NGOs govern projects can provide some reference points for local NGOs. International NGOs handle projects range from disaster relief to long term projects to tackle poverty or improve social conditions in developing countries. Project durations tend to be longer (one to three years) and project budgets more substantial. Typically these NGOs are headquartered in the US or Europe and have branch / project offices in the countries / cities where they provide services. Many of them have offices in Hong Kong which serves as a funding base and offices in China which serve as project / field offices. Given the scale of these international NGOs (with annual budget in billions of dollars), they typically have well established policies and procedures that all branch offices need to follow. Project governance is exercised through multi-level project controls. The following is an example:

- Overarching are methodologies, guidelines, policies and procedures in donation and fund management, project governance and management stipulated by the international headquarters;
- Commitments are ascertained through signing of formal letters of agreement (with the local authorities and/or the local service providers);
- Project level check and balance:
 - project reports prepared and submitted by local project team following the standards stipulated by the international NGO;
 - first level check by the corresponding regional project office; and
 - second level check by finance or programme office at the country head office.
- Annual internal audit on project accounts by the internal audit team from the country office;
- Annual external audit on financials by an external auditor; and
- Periodic compliance check of guidelines / methodologies by external reviewers appointed by the international headquarters of the NGO.

4.9 IT Project Governance

Amongst different types of projects, information technology (IT) projects are probably one of the most common. “Value gaps” of IT projects are also evident; examples of IT projects failing to meet user expectations or yielding the expected benefits are not uncommon.

IT is a relatively well researched and studied discipline as far as project governance and risk management are concerned. International standards in IT project governance and management such as PRINCE2 are widely adopted, particularly in public sector projects. Some of the tools and techniques can be applied elsewhere.

IT Risk Management

IT risks are defined as business risks associated with the use, ownership, operation, involvement, influence and adoption of IT within an enterprise. They consist of IT-related events and conditions that could potentially impact the business. Such risks can occur with uncertain frequency and magnitude. They create challenges in meeting strategy goals and objectives. The model below illustrates how governance integrates with the risk management process.

Principles underpinning IT risk management are:

- Always connect to business objectives;
- Align the management of IT-related business risk with overall Enterprise Risk Management;
- Balance the costs and benefits of management IT risks;
- Promote fair and open communication of IT risks;
- Establish the right tone from the top while defining and enforcing personal accountability for operating within acceptable and well-defined tolerance levels; and
- A continuous process and part of daily activities.

IT Governance

Governance of Information Technology projects is worth separate mentioning because IT projects are common in organisations, public and private sector alike. IT governance focused on the performance and risk management of IT system projects. It involves not only IT professionals but also the necessary input from all stakeholders, including the Board, internal customers, and departments such as finance. Like corporate governance, it defines and applies the leadership, organisational structure, and processes to sustain and extend the organisation’s business strategies and objectives. The same principles apply to a project environment when a new IT system is being developed / implemented.

Functions of CIO

The Chief Information Office is responsible for:

- Serving as a bridge between top management, line management, and information management;



- Advising top management on IT related decisions and investments;
- Designing and manages an organisation-wide information architecture; and
- Articulating the pivotal role of information management in achieving organisation vision.

IT Steering Committee

The IT Steering Committee:

- Should make up of members from senior management, user management and IT management;
- Bridges the gap between business planning and IT planning;
- Focuses primarily on business applications of IT rather than on the technical aspects of computer systems;
- Coordinates and integrates IT long and short term business plans;
- Establishes priorities for system acquisition, development, and maintenance projects based on economical, technical, legal and operational feasibilities;
- Approves funding requests and monitors major system projects to ensure plans are completed as expected; and
- Exercises control over allocation and effective usage of system resources.

Outsourcing

For reasons of performance improvement or costs reduction, an organisation may outsource its IT systems and services to contractors. These include telecommunications and network supports, facilities management, education and training, system development and maintenance, etc.

- Put in place an outsource policy to provide guidance on vendor selection and performance monitoring;
- Be aware of outsourcing risks such as hidden costs, contractual difficulties, service debasement, and loss of organisational competencies;
- Establish contracts to adequately protect the organisation, particularly with issues such as licensing, code ownership and intellectual property rights;
- Take security measures (including access control, network control) to protect organisation-owned data during the outsource process;
- Request for certification of quality and accuracy of the work done from the service providers;
- Establish escrow arrangement in the event of the provider's financial failure;
- Obtain right to audit service provider's operation; and



- Ascertain delivery dates, change management control and budgetary control.

Monitoring IT Performance

There are different ways to set Key Performance Indicators (“KPIs”) to measure the performance of IT projects. A balanced scorecard styled KPIs which look at both quantitative and qualitative yardsticks is one; benchmarking is another.

IT Balanced Scorecard

- Customer oriented – User satisfaction, alignment with the business, service level performance.
- Business value – Business value of IT initiative, stewardship of IT investments, strategic contribution.
- Operational Excellence – efficiency and effectiveness, enterprise architecture evolution, promotion of partnerships throughout business units, responsiveness.
- Awareness and Growth Orientation – Employee knowledge and effectiveness, professional growth, awareness and knowledge of new technology.

Benchmarking

- Internal Benchmarking – Focus on specific value chain or sequence of driver-activities combination.
- Competitive Benchmarking – Looking outward, limited to the same industry.
- Industry Benchmarking – Looking for trend.
- Best-in-class Benchmarking – Compare with the best in all industries with similar size.

Case in Point: Failure of an IT system implementation project

In 2005, a school district in the US formally kicked off a project to build a new Enterprise Resource Planning system. This was to be a fully integrated system designed to manage functions such as payroll, accounts receivables, account payable, facilities, human resources and supply chain. Total project estimate was US\$95 million, including services fees to the system integrator (the Project Manager) of US\$55 million.

The implementation of the system was to help the school district administration to:

- Replace a payroll system that was written in-house in the 1960s
- Reduce paperwork required to complete business transactions
- Streamline redundant processes and data entry points in multiple systems by various business units

The implementation was to roll out in three phases, starting with Finance, followed by HR & Payroll

and finally ESS (employee self-service) and Supply Chain, over a period of about 2.5 years.

When the HR & Payroll Module went live, thousands of employees received their new paychecks and found that they were either overpaid, underpaid or not paid at all. The teacher union filed a lawsuit against the school district seeking emergency relief for the teachers. Total cost of the controversial project was expected to reach \$132 million, more than 35% higher than its expected price.

The situation went on for several months without improvement and paycheck errors continued to be found. The teacher union called for industrial actions. It took a year and an additional US\$37 million for the school district to fix the problem. Reasons of the failure as commented by media include:

- Infighting and lack of internal oversight within the School Board.
- The implementation was ill-timed because of the retirement of the CIO
- The old system contained inaccurate and conflicting data
- Employees were inadequately trained.

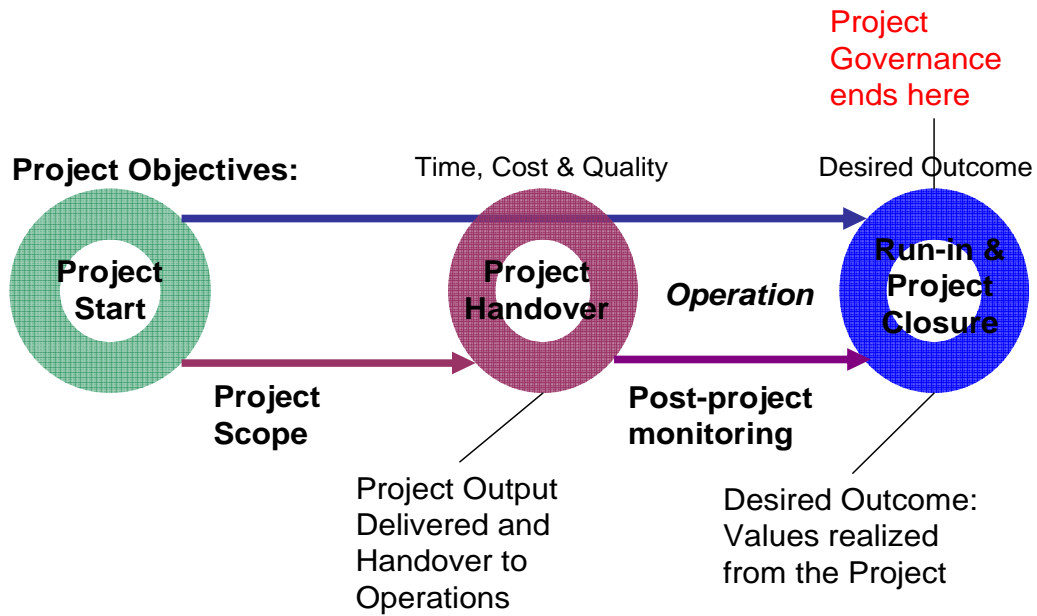
Learning Points

IT projects failed often not because they were not delivered on time but they did not meet end users' needs, in this case, accurate and timely paychecks. Major systems implementation project is an organisation change management project. Good project governance will demand the need for a strong sponsorship at Board level, careful planning, frequent testing and retesting, and regular oversight by the Board to ensure problems are identified and to make timely decisions.

5 Critical Success Factors for Governance of Project Risk

- ☑ **People.** Get the best people to serve on your Project Steering Committee. Seek experienced individuals who are able to ask critical and insightful questions without trying to micromanage the project (which is the project manager's responsibilities). An independent mindset is more important than a purist interpretation of relationships. Get good communicators.
- ☑ **Purpose.** Peter Drucker once said the purpose of any business is to find and keep a customer. The same applies to projects. And a project's purpose must align with the overall strategic objectives of the organisation. Remind everyone what is the mission or the end point.
- ☑ **Process.** What the Project Steering Committee does when it deliberates and how it makes decisions within its time constraints underscores the quality of the process. What decisions are to be made by the Committee as opposed to those by the project team have to be clearly defined. Decisions made at the Committee level affect how value is delivered to the end users by the project team.
- ☑ **Planning.** Emphasis on initial programme and project planning (e.g. risk assessment, gaining support from stakeholders, clearly define success or failure) would avoid unnecessary project risks. For example, to carry out a project risk assessment on the outset to identify and prioritise risks. A lengthy project can start with a seed phase. Commitment will increase only if the seed phase is proven to be successful. For long term projects (say, a 10-year development programme), the project will be planned on a multi-year rolling basis. Engagement of key stakeholders – work with, define scope and agree deliverables with the stakeholders to enlist their support and avoid unnecessary conflicts.
- ☑ **Strong Internal Controls.** Internal controls are placed in policies and procedures. Check and balance are exercised through policies and procedures, internal audit and perhaps external reviewers. Note that the control points for projects could be different from those in normal operation as the decision making processes and policies and procedures could be different.
- ☑ **Regular Review.** The Project Steering Committee (which ultimately reports to the Board) monitors (NOT manages) the project by regular review of Key Performance Indicators compiled by the project team based on laid down procedures. This can be complemented by periodic site visits by the Board / Committee members to understand the challenges faced by the project teams on the ground.

The ultimate objective is to plug the “gap” and fully achieve the desired outcomes of the project.





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Aon Corporation (NYSE: AON) is the leading global provider of risk management services, insurance and reinsurance brokerage, and human capital consulting. Through its more than 36,000 colleagues worldwide, Aon delivers distinctive client value via innovative and effective risk management and workforce productivity solutions. Aon's industry-leading global resources and technical expertise are delivered locally through more than 500 offices in more than 120 countries. Named the world's best broker by Euromoney magazine's 2008, 2009 and 2010 Insurance Survey, Aon also ranked highest on Business Insurance's listing of the world's largest insurance brokers based on commercial retail, wholesale, reinsurance and personal lines brokerage revenues in 2008 and 2009. A.M. Best deemed Aon the number one insurance broker based on brokerage revenues in 2007, 2008 and 2009 and Aon was voted best insurance intermediary, best reinsurance intermediary and best employee benefits consulting firm in 2007, 2008 and 2009 by the readers of Business Insurance. For more information on Aon, log onto aon.com.

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Appendices

- I. Aon Project Governance Scan Template
- II. Sample Terms of reference of project steering committee and project sponsor
- III. Sample Project Initiation Form Template
- IV. Sample Table of Content of a Project Governance Plan
- V. Sample Project Risk Register Template
- VI. Sample Project Progress Report Template
- VII. Sample Project Review Form



Appendix I

Aon Project Governance Scan Template

Name of organisation:

Industry:

Types of projects undertaken:

Name of interviewee:

Position:

Project responsibility, if any:

		Not Sure / Not Applicable	FALSE	Probably False	Somewhat True	TRUE
		1	2	3	4	5
Portfolio Direction						
1	The core objective of project governance is to make efficient and effective project decisions.					
2	The organisation's project portfolio is aligned with its overall organisation objectives.					
3	The organisation select projects which will help achieve its financial and non-financial goals.					
4	The organisation ensures that the engagement in projects will not affect its daily operations.					
5	The organisation applies the same set of financial control standards and processes over individual projects and the portfolio as a whole.					
6	The project portfolio is regularly reviewed and projects re-prioritised to achieve the best fit to the organisation's strategy which might be changing in response to external factors.					
7	The Board regularly assesses and takes remedial actions against the risks associated with individual projects and the portfolio as a whole to the organisation.					
8	The Board regularly reviews and has assurance that the project portfolio is within the financial capacity of the organisation.					
	Sub-total					



		Not Sure / Not Applicable	FALSE	Probably False	Somewhat True	TRUE
		1	2	3	4	5
1	All projects have clear sponsors who are senior members of the organisation.					
2	The project sponsor is aware of the impact of a project on the organisation as a whole.					
3	The project sponsor is the key conduit between the board and project team in communicating each party's needs and concerns.					
4	The project sponsor is accountable to the governing board of the organisation for the success and failure of the project.					
5	The project sponsor communicates clearly to the project management team the project's KPIs which have been agreed with the Board.					
6	The project sponsor is provided with sufficient information about the status of the project.					
7	The project sponsor regularly appraises the viability and risk of a project under his/her steering and reports to the Board if major issues arise.					
8	The governing board of the organisation has delegated authority to the project sponsor to make project decisions.					
9	The project sponsor provides steering to the project team and makes project decisions within his/her authority.					
10	The project sponsor ensures that sufficient resources are allocated and the relevant skills are assigned to a project.					
	Sub-total					



	Not Sure / Not Applicable	FALSE	Probably False	Somewhat True	TRUE
	1	2	3	4	5
Project Organisation and Project Decision Making					
1 A project governance committee or a committee of similar nature is set up to provide steering to the project management team.					
2 The project governance committee is headed by the project sponsor who is ultimately accountable to the governing board of the organisation on the performance of the project.					
3 The project governance committee is structured to effect efficient and effective project decision making, not to manage stakeholder expectations.					
4 The project management team is set up to manage the delivery of the project.					
5 The project management team is answerable to the project governance committee on conduct of the project.					
6 The project organisation (at both project governance and management levels) should include members of staff who are the ultimate users / service deliverers of the project output - the ultimate project owners.					
7 The project organisation is responsible for identifying the needs of the ultimate beneficiaries / customers of the project and ensure the output specifications of the project meet those needs.					
8 The project management team is responsible for delivery of the project that meet the output specifications.					
9 Project decision making authorities between the project governing committee and the project management team are clearly defined.					
10 The project organisation is not embedded within the organisation structure (thus a project manager will have a separate project reporting line in addition to the reporting line for his/her functional role.					
Sub-total					



		Not Sure / Not Applicable	FALSE	Probably False	Somewhat True	TRUE
		1	2	3	4	5
Project Delivery Capability						
1	Project governance structure (terms of reference of project sponsor and project members) are in place.					
2	Project governance process (from project initiation to project closure) are defined and adhered to in individual projects.					
3	The project decision making and authorisation hierarchy is in place to ensure decisions can be made at the appropriate level, balancing risks and efficiency.					
4	The organisation has at its disposal the appropriate systems and tools to deliver projects.					
5	The board assures that people responsible for project delivery are properly mandated and have the competency to achieve the project outcomes.					
6	The organisation's systems, operational departments and suppliers are geared towards supporting project delivery in an efficiency and responsive manner.					
7	The project teams are appropriately motivated to improve project outcomes.					
8	Project resources are allocated and utilised in accordance with each project's approved plan and budget.					
9	Project contingencies are evaluated and controlled in accordance with the delegated power.					
10	Capability of deliver projects are regularly reviewed and upgraded in line with the organisation's strategic requirements.					
	Sub-total					



		Not Sure / Not Applicable	FALSE	Probably False	Somewhat True	TRUE
		1	2	3	4	5
Project Financial Stewardship						
1	All projects with budget over a prescribed limit requires the organisation's board approval. For projects within the prescribed budget limit, the board is to be informed.					
2	The board examines the financial returns of a project prior to approval					
3	The board ensures financing is in place for the project prior to its approval and commencement					
4	If the project is funded (or co-funded) by external parties, the board understands and accepts the external party's requirements before approving the project					
5	The board examines the financial risks of the project provided by the project manager prior to approval					
6	Each project has a detailed budget (manpower, capital purchase, recurrent expenses)					
7	The organisation's project management system enables on-going monitoring of project risks					
8	The organisation has project accounting system in place to manage and track project expenditure and cash flow movements					
9	The project manager follows procurement, billing and payment processes laid down in managing the project's finance					
10	Project accounts will be provided to the project sponsor and the organisation's board for periodic monitoring					
	Sub-total					



		Not Sure / Not Applicable	FALSE	Probably False	Somewhat True	TRUE
		1	2	3	4	5
Disclosure and Reporting						
1	The project sponsor provides relevant and reliable information to the board to formulate the business case for a proposed project.					
2	The board receives sufficient information with respect to significant project risks in the outset.					
3	The board receives timely, appropriate and relevant information on project progress and risks to enable it to make informed decisions at different stages of a project.					
4	The organisation sets threshold criteria / warning signs so that significant risks, issues and opportunities can be highlighted and escalated to a higher level.					
5	The board receives and monitors performance measures on projects which are set in the outset.					
6	The board engages independent agents to verify / audit project information and progress.					
7	The organisation has systems and tools to enable efficient project reporting.					
8	The organisation has in place a whistle-blower policy which is applicable to projects.					
9	The board communicates project progress and status to key stakeholders at the appropriate level of details.					
10	A mechanism is place to require project sponsors to report to the board for direction variances / risks / change issues that will significantly impact project outcomes					
	Sub-total					



		Not Sure / Not Applicable	FALSE	Probably False	Somewhat True	TRUE
		1	2	3	4	5
1	The board of directors or others with the delegated responsibilities has an oversight role on fraud prevention and anti-corruption					
2	Each project owner is responsible for managing fraud and corruption risks within his/her project and is accountable to the risks					
3	The organisation's fraud and anti-corruption policies are communicated to all existing and potential business partners					
4	The organisation has a process in place to identify and classify significant risks of fraud and corruption exposure in projects					
5	The organisation has a policy in place to determine treatment of different kinds of fraud risks in projects (e.g. zero tolerance on some risks, transfer of risks through insurance or other means on others)					
6	The organisation has specific policies and processes to handle fraud and corruption when they happen					
7	The organisation imposes controls over the project workflow to prevent fraud and corruption (e.g. segregation of duties, authorisation matrix on procurement, tendering)					
8	The organisation has a culture to promote ethical behaviour, professional conduct, zero tolerance of corruption and fraud in project delivery					
9	The organisation has a whistle-blowing policy to encourage reporting of fraudulent behaviour or transactions					
10	All staff undergoes training and retraining on fraud risk prevention and anti-corruption from time to time					
Sub-total						



		Not Sure / Not Applicable	FALSE	Probably False	Somewhat True	TRUE
		1	2	3	4	5
1	The organisation has a procurement policy in place to govern procurement in projects					
2	The organisation project procurement policy adhere to it's fraud prevention and anti-corruption standards					
3	The procurement policy is communicated to all staff involved in project management and delivery					
4	Procurement in projects follow the same policy standards as procurement for the organisation's daily operations					
5	The project-related purchase requisition approval and receipt of goods and services follow the same procedures and controls as regular purchase of the organisation					
6	The organisation maintains a list of qualified suppliers					
7	The organisation's suppliers are required to abide to the same fraud and anti-corruption standards as the organisation					
8	The organisation has protection against supplier failure (e.g. performance bond, insurance)					
9	The organisation has controls in place to ensure cost efficiency and prevent fraud in procurement (e.g. competitive bid, segregation of duties, project budget)					
10	The project director / manager holds the project budget and is accountable to the project's procurement					
Sub-total						



General Comments

- 1 What issues or challenges should the organisation be focusing on in terms of project governance and project risk in the coming 12 months?

- 2 What actions should the board be taking in the coming 12 months to improve its performance in project governance and risk management?



Appendix II

Sample Terms of Reference

Project Steering Committee

The Project Governance Committee is accountable to the Board of Director for successful delivery of the intended outcomes and associated benefits of the project.

Roles and Responsibilities

- Steer the project throughout its life cycle, from initiation to closure;
- Agree and approve the project management team, project budget and project plan;
- Track project progress to ensure it is within the agreed scope and will deliver the required outcomes and benefits;
- Monitor and control the project to ensure the benefits of the project are fully realised, often after the closure of the project;
- Monitor risks throughout the project cycle and direct corrective actions when needed;
- Provide the framework to facilitate effective decision making at project governance and management levels;
- Advise and support the project management team to make project delivery;
- Decide on stopping or suspending the project if required;
- Control and allocate contingency fund;
- Decide when the project has delivered on required output and can be closed and govern its hand-over to users; and
- Monitor the operations after project closure to track and ensure the intended benefits are fully realised.



Appendix II

Sample Terms of Reference

Project Sponsor

The Project Sponsor is often the Chairman of the Project Governance Committee and is accountable to the Board of Directors for successful delivery of the intended outcomes and associated benefits of the project.

Roles and Responsibilities

- Evaluate and identify the project's value proposition to build the business case;
- Recommend the project to the Board of Directors based on the business case;
- Deliver its value proposition;
- Select and direct the project manager and his/her team;
- Resource the project;
- Lead the Project Governance Committee to discharge its duties;
- Act as the key liaison person between the project and the Board;
- Maintain commitment to and support for the project by stakeholders;
- Act as the key promoter and champion of the project internally and externally;
- Make key decisions;
- Direct the definition of project scope, project acceptance criteria and benefits to be realised;
- Monitor risks and other factors critical to the success of the project;
- Monitor project progress against agreed plans and outcomes;
- Decide when the project has delivered on required output and can be closed and govern its hand-over to users; and
- Track and ensure the project's benefits / values are fully realised.



KEY MILESTONES:

1. START

2.

3.

4.

5.

6.

7. CLOSURE

RISK EXPOSURE OF PROJECT:

1. STRATEGIC PROBABILITY AND LEVEL OF RISKS

2. FINANCE

3. OPERATIONAL

4. SOCIAL ENTREPRENURIAL

5. TECHNICAL

6. ENVIRONMENTAL/LEGAL



FINANCIAL PROJECTION

Year	1	2	3	4	5	6	7	8	9	10
Estimated Revenue										
Estimated expenditure										
Capital Investment required										
Estimated net cash flow										

IRR

NPV



GENERAL COMMENTARY BY PROJECT OWNER

Signature: _____ (Title) ____ Project Director (Date) _____

Signature: _____ (Title) ____ CEO _____ (Date) _____

FINAL DECISIONS BY THE BOARD

Signature: _____ (Title) _____ (Date) _____



Appendix IV

Sample Table of Content of a Project Governance Plan

Project Governance Plan	
Project:	Date:

Table of Contents

1. Introduction
 - 1.1. Purpose
 - 1.2. Scope
 - 1.3. Definition
 - 1.4. Document maintenance
2. Project Organisation and Terms of Reference
 - 2.1. Project Sponsor and Project Steering Committee
 - 2.2. Project Manager and Project Management Team
 - 2.3. End users
 - 2.4. Other Stakeholders
3. Project Governance
 - 3.1. Project Approvals
 - 3.2. Project Funding
 - 3.3. Project Management
 - 3.4. Supplier Contract Management
4. Issue Resolution and Escalation



Appendix V

Sample Project Risk Register Template

Project Risk Register												
This risk list is non-exhaustive, but simply outlines some of the key potential risks to this project. Additional risk will arise as the project matures. Regular risk assessments will be conducted throughout the project lifecycle to ensure that all projects risks are managed efficiently and responsibly.												
ID	Risk Description	Category	P	I	S		Risk Owner	Impact Description	Mitigation Action	Action Owner	Project Phase	Comments
					0	G						
					0	G						
					0	G						
					0	G						
					0	A						
					0	G						
					0	R						
					0	G						
					0	G						
					0	G						
					0	G						
					0	G						
					0	G						

Project Risk Scoring Matrix						
Risk Scores		Risk Level	Delays	Costs	Reputation	
Level 1-5	Green	Low risk	Minor days rather than weeks	Minor impact	No impact	
Levels 5-15	Amber	Medium risk	Several days delay, possibly a week or two	Potential cost impact - time based mostly	Potential impact	
Levels 15-25	Red	High risk	Significant delay - more than two weeks	Definate time cost and potential cost impact	Definate impact on reputation	



ID	Risk Description	Category	P	I	S	RAG	Risk Owner	Mitigation Action	Action Owner	Project Phase	Escalate Risk
1	Insufficient resources	Resources	1	4	4	G	Project Team / Client	Ensure attention to details in project planning.	PM	All phases	
2	Poor quality resources	Resources	1	4	4	G	Project Team	Ensure attention to details in project planning.	PM	All phases	
3	Poor planning reduces ability to finish on time and within budget	Risk Management	1	4	4	G	Project Team	Ensure quality and details in the planning process.	PM	All phases	
4	Insufficient budget reduces quality and delivery capability	Finance	1	4	4	G	Client	Ensure adequate planning and discussion with client on cost and contingency.	PM	All phases	
5	Poor quality deliverables	Quality	1	4	4	G	Project Team / Client	Ensure quality evaluation criteria for deliverables are established at the outset of every phase	PM	All phases	
6	Client's staff unavailable	Resources	1	4	4	G	Client	Ensure open discussion with client to establish sound understanding of staff involvement and delivery expectations	Client	All phases	
7	Project consultant personality clash with the client's staff	Resources	1	4	4	G	Project Team / Client	Ensure that the project consultant would meet the project sponsor, steering committee members and key senior management. PM is interchangeable if clash issues become high risk.	Project Team / Client	Initiation	
8	The client's organisational culture difficult to deal with - reduces ease of delivery	Culture	1	4	4	G	Project Team / Client	Ensure good understanding of client's culture before kick-off/initiation. Ensure one client employee is part of the project team.	Project Team / Client	Initiation	
9	Project failure/overrun due to poor risk management	Risk Management	2	5	10	A	Project Team / Client	Deploy formal project management and project risk management process. Regular reviews and analysis of risks. Take immediate actions on red flags.	Project Team / Client	All phases	
10	Lack of buy-in from the client's senior management reduces effectiveness of project	Culture	2	5	10	G	Project Team / Client	Ensure formal engagement and communication to client management in relation to the aim of the project, their roles and required contributions.	Project Team / Client	Initiation and key phases	
11	Necessary conditions for operation eg. Client is unwilling to share documents	Resources	4	4	16	R	Project Team / Client	Ensure regular engagement with project sponsor.	Client	Initiation and key phases	
12	Project purpose and need are poorly defined	Risk	1	4	4	G	Project Team	Clarify approach with key stakeholders and project team.	Project Team / Client	All phases	
13	Lack of co-ordination with other stakeholders	Strategic	3	3	9	A	Project Team / Client	Ensure engagement with other staff/ management.	Project Team / Client	All phases	
14	Failure to engage with stakeholders interest. No knowledge transfer	Strategic	2	3	6	A	Project Team / Client	Ensure extensive consultation and involvement with the client; develop knowledge transfer plan.	Project Team / Client	All phases	
15	Non-availability or lack of co-operation/ difficulties between project team and client	Risk Management	2	3	6	A	Project Team / Client	Ensure management structure and communication process are in place. Hold regular reviews.	Project Team / Client	All phases	
16	Failure to deliver key outputs	Resources (Operational)	1	4	4	G	Project Team	Resolve issues, redefine deliverables and timeline with client.	Project Team	All phases	
17	Loss of project staff	Resources	1	4	4	G	Project Team / Client	Ensure contingency plan is in place.	Project Team / Client	All phases	
18	Illness of key consultant or failure to do his job	Resources	1	3	3	G	Project Team	Ensure contingency plan is in place.	Project Team / Client	All phases	
19	Failure of individual consultant to deliver	Resources	1	4	4	G	Project Team	Ensure adequate monitoring of timeliness and quality of deliverables.	Project Team	All phases	
20	Technical IT infrastructure difficulties and lack of knowledge around key risks; project limitations	Risk Management	1	3	3	G	Project Team / Client	Ensure that alternative strategies are developed.	Project Team / Client	All phases	
21	Delay in contract signing	Legal	5	1	5	G	Client	Monitor contract signing process.	Project Team / Client	All phases	



Appendix VI

Sample Project Progress Report Template

Project Title:

Progress Report: [Period]

Date: [Date of Report]

Project Manager: _____ **Project Duration:** _____

Project Overview	
Project Objective: (brief description)	
Lifecycle Stage the Project currently in: <input type="radio"/> Initiation <input type="radio"/> Planning <input checked="" type="radio"/> Execution <input type="radio"/> Closure	
Completion Date: Planned _____	Projected _____
Overall Project Status:	<input checked="" type="radio"/> <input type="radio"/> <input type="radio"/>

Project Status

Summary:

Tasks	Period	Work Done	
I. Business Analysis		▪	<input checked="" type="radio"/>
II. System Design		▪	<input checked="" type="radio"/>
III. System Implementation		▪	<input type="radio"/>
IV. Testing and Production		▪	<input type="radio"/>

Major Accomplishments during the Last Period (maximum three items):

Major Planned Work in the following Period:

Major Issues to Note:

Distribution: Project Steering Committee, Project Management Office



Appendix VII

Sample Project Review Form

Project Title:

Project Director:

Project Team Members:

Project Commencement Date:

Project Completion Date:

Project Objectives

Have the objectives been achieved?

Yes Partially No

Comments:

Achievement of milestones and deliverables

Have the milestones been met and deliverables made?

Yes Partially No

Comments:



Management of resources

To your best estimates, have resources been best utilised to achieve the project objectives?

Yes Partially No

Comments:

If there were large deviation from planned resources (20% over budgeted cost and/or project duration)?

Yes Partially No

Comments:

Quality of project

Has the project been conducted and delivered according to our quality standards?

Yes Partially No

Comments:



Issues and Problems

Were there other any issues or problems worth-noting?

Yes No

Comments:

Client comments

Please state comments from clients on acceptance of project completion.

Comments:

Project Director

Reviewer

Name and Title:

Name and Title:

Date:

Date: