Department of **Treasury and Finance**

Investment Lifecycle and
High Value/High Risk Guidelines

Project Governance

Victoria

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1. Introduction

The word 'governance' comes from an ancient Greek word meaning 'to steer' or 'to guide' with connotations of 'wise and responsible'. In the modern context governance encompasses processes by which organisations are led and held to account. That is, the processes that enable decisions important to the future of an organisation to be considered, determined, communicated, monitored and assessed. It refers to the authority, accountability, stewardship, leadership, direction and control exercised in the organisation.

1.1 Context

This guide is a technical supplement to the investment lifecycle and high value/high risk guidelines (lifecycle guidelines). Users should refer to the lifecycle guidelines as a basis for developing concepts and preparing business cases for which project governance is required. The other technical supplements include the following:

- ICT projects business case development
- procurement strategy
- project budget
- economic evaluation
- project risk
- sustainability

Project governance is important in enabling project success and should be scaled and shaped to address the level of complexity of the particular investment. Project governance sets a firm framework which guides project success, creating transparency and confidence in decision making, clarity of roles and responsibilities and consideration of stakeholder interests.

1.2 Purpose

The purpose of this technical guideline is to:

- provide best practice guidance, templates and techniques; and
- promote the effective governance of programmes and projects in a consistent, transparent and robust way, by providing guidance to assist organisations to:
  - plan, govern, control and report on all projects through an appropriate and well understood governance and management regime;
  - establish an approved project baseline (business case and/or project plan) before progressing to project delivery and maintain its currency for agreed changes;
  - apply an appropriately scaled project governance methodology;
  - appoint a project sponsor or senior responsible owner (SRO) to be accountable for ensuring projects are effectively delivered and investments cost effectively realise their expected benefits;
  - utilise risk based planning and management to inform decision making and the execution of project activities; and
  - develop investments with a comprehensive vision from 'the project' through necessary transition to the operational delivery of benefits, including change management for effective implementation of the 'project's' deliverables.

1.3 Background

Project governance operates in a continuum from concept inception, through the various decision points and milestones, to operation and benefit delivery. The optimal shape of the governance, management and monitoring structure will change along this continuum as well as between projects. However, it must always be characterised by clarity around roles, responsibilities, accountabilities[1] and controls, in particular decision making processes, and involve appropriately skilled participants at all levels.

Project governance decisions should reflect the strategic reasons for the original decisions to approve, fund and resource projects. Project governance bodies and structures must recognise and manage risk in a way that is most likely to achieve the project's desired outcomes, but which mitigates the impact of project failure where necessary.

… a culture of value that reinforces accountability and transparency

Governance is also about setting and supporting a culture of value and transparency. This requires a shared understanding of what constitutes value for the organisation and the processes and practices to achieve value outcomes through active change and benefit management. For example, this includes the principle that the public sector should manage projects to the lowest cost for the required performance and not to the full project budget. It also includes the principle that some failing projects will need to be terminated early to achieve the best value- maximise value or minimise losses.

[1] Refer Glossary for definitions

Inadequate project governance may contribute to project failure. Issues relating to inadequate governance are a common subject in Gateway reviews as well as reports prepared by other independent commentators such as the Victorian Auditor-General and the Ombudsman.

Gateway review recommendations group the major causes of project governance issues in major capital infrastructure projects into two categories:

- inadequate project governance structure; and
- unclear or poorly defined roles, responsibilities and accountabilities.

Some case studies of governance issues identified in Gateway Reviews and Audit Reports are included in Appendix A: Case studies of project governance issues.

1.4 Causes of governance problems

A good governance structure does not guarantee good outcomes, but a bad structure will most likely diminish project success!

A key objective of governance is to make decisions efficiently, effectively and transparently. Sound governance is not always clearly established resulting in:

- failure to communicate fully and appropriately on a timely basis;
- failure to specify or accept decision making authority and responsibilities;
- indecision, lack of project direction and control;
- confusion between the project and organisational decision-making structures;
- non-alignment of key stakeholders;
- over emphasis on reporting that reduces meetings to status updates rather than interactive decision making;
- confusing contract management and decision making; and
- failure to sustain governance processes and practices through to delivery of benefits to the organisation.

Other factors contributing to governance failure are:

- excessive or inappropriate committee membership;
- weak leadership or lack of governance skills,
- poor project team cohesion or inappropriate probity practices leading to confusion, team turn-over and low morale;
- poor previous experience of project governance, which means project managers do not understand the role. This results in inadequate or inappropriate support for effective project governance (e.g. lack of transparency, poor communication, withholding of 'bad news');
- imbalance in the focus on immediate project issues at the expensive of future operational factors (for example value engineering decisions removing sustainability measures which reduce project costs but increase future operational costs).

Organisations and committees can be overly risk-averse, insisting on consensus in decision making, which can:

- result in delays;
- compromise outcomes through unnecessary input from peripheral interests;
- distract from the best value result by reducing the impact of the essential facts; and
- confuse accountability for the decision.

1.5 About this guideline

This guideline outlines the nature of governance, expected project governance skills and responsibilities as well as providing model structures. The next chapter describes effective governance practices for projects and provides a context for project governance with respect to governance at the organisational and government level. Subsequent chapters explore key roles and responsibilities, related skills and structural arrangements for effective management and monitoring of programmes and projects - with specific variations to adapt to unique project arrangements and requirements. These variations may arise because of the procurement methodology or as a result of the complexity surrounding the particular investment. Finally the guide explores lessons learnt about governance, management and monitoring arising from Gateway Reviews and the work of the Victorian Auditor-General.

Agencies should provide a detailed governance plan as part of a project's business case, setting out key accountabilities and responsibilities, as well as issue escalation mechanisms. For High Value/High Risk (HVHR) projects, including transformational information and communications technology (ICT) projects, this should include involvement of central agencies. The regular reporting to, and monitoring of, projects by government (e.g. through the quarterly Major Projects Performance Report) are important elements of project governance.

2. Project governance overview

2.1 What is project governance?

Project governance is about guiding and monitoring the process of converting investment decisions into value for the organisation, delivering the anticipated benefits – the business outcomes and benefits to intended beneficiaries. There are four key principles for effective project governance (set out below), which will be highlighted through this document.

Four key principles for effective project governance:

1. Establish a single point of overall accountability.
2. Service delivery ownership determines project ownership.
3. Separate project decision making from stakeholder management.
4. Distinguish between project governance and organisational structures.

Source: Ross Garland, "Project Governance - a practical guide to effective project decision making" Kogan Page (London and Philadelphia) 2009.

Principle 1. Establish a single point of overall accountability.

A single point of accountability ensures clarity of decision making and empowers the accountable person within the organization. It is important that outcomes defined and delivered by the investment match the service outcomes required by the organizational owner of those services. Consistency of accountability throughout the project's life ensures decision-making consistency – the focus of the project, its objectives and the benefits it seeks remain consistent throughout its life, or at least are not changed without due process. This is best achieved by having a single point of accountability, the Project Sponsor or Senior Responsible Owner (SRO).[2]

The project governance framework is a document prepared for each project outlining who has responsibility and authority to make decisions which ensures there is clearly defined accountability for all aspects of the project. It is the link between, and support for, the governance decisions made by Cabinet and the work of the project team to deliver the project and its outcomes. The public expect government delivery processes to be transparent and defensible. A sound project governance framework provides for a shared understanding of governance roles and the investment parameters, scope and deliverables.

Effective accountability requires everyone associated with the project to know:

- what they are responsible for;
- the limits of their authority and tolerance levels;
- when tasks have to be achieved; and
- communication, reporting and monitoring lines.

Care should be taken to ensure individuals who join the project receive sufficient introduction to this framework.

[2] Garland R, (December 2011) *Capital Investment Governance – the integrated governance of projects, programs and portfolios*. White paper commissioned by the UK Cabinet Office. http://www.best-management-practice.com/gempdf/Capital_Investment_Governance_White_Paper_Dec11.pdf. © TSO 2011

The project sponsor, as chair is accountable for the decisions of the steering committee. The project governance (steering) committee is responsible for:

- delivering the agreed business outcomes and expected benefits;
- optimising the cost-value equation;
- timely delivery in accordance with the agreed project schedule;
- ensuring an appropriate risk management plan is in place and in use;
- monitoring project performance and taking action to address project risks to ensure successful project delivery; and
- in the event that the outcomes are not achievable at an appropriate cost, acting to optimise the outcome or to recommend stopping the project, where appropriate.

2.2 Whole-of-Government governance context

The hierarchy of the government structure underpins a parallel hierarchy of governance.

2.2.1 Government as the investor

Government has an overarching accountability for governance of the resource management of the State. The government's role includes:

- setting policy priorities that drive resource investments;
- understanding the context and drivers for those investments;
- reviewing analysis of investment proposals – the value proposition and feasibility;
- prioritising and funding investments; and
- monitoring the effective procurement and benefit delivery from the portfolio of investments and resource allocation more broadly.

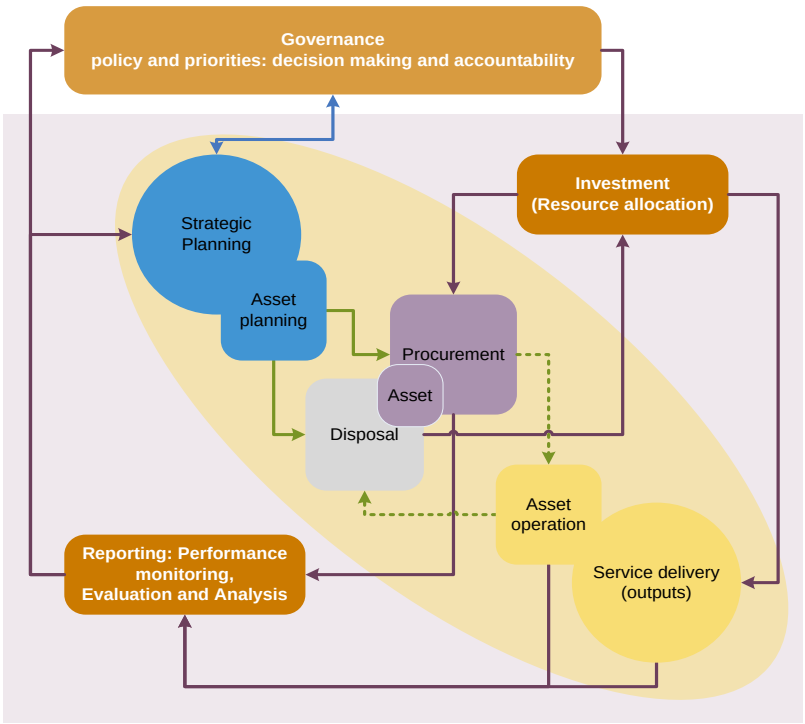


Figure 1 Overarching government governance role

The government is ultimately responsible for all public sector resource investments. Its governance role therefore spans all public sector activities including project delivery and investment benefit realisation, which is usually through ongoing services. Appropriate and timely project reporting is an important contribution to the government's governance monitoring role (see Figure 1).

For government, risk management is an essential element of the governance task for effective delivery of benefits from investments. To this end an increased focus is being applied to high value/high risk (HVHR) investments.

Investments versus projects

It is important to distinguish between projects and investments. Government undertakes investments to achieve outcomes and benefits, which are likely to have an ongoing duration. Investments may include a program of projects and transitional processes to derive the intended benefits. A project is 'a temporary endeavour undertaken to create a product, service or result. The temporary nature of projects indicates a definite beginning and end'. A project is usually time-constrained and often constrained by funding or deliverables. It is undertaken to meet unique goals and objectives, typically to bring about beneficial change or added value to the organisation.

Source: PMI (2008) '*A guide to the Project Management Body of Knowledge (PMBOK)®*', Pennsylvania USA
Chatfield, Carl. 'A short course in project management'. Microsoft.

2.2.2 Central agencies and HVHR projects

Central agencies support the government in their decision making and monitoring roles, coordinating the development of the budget, preparing policy guidance and accountability requirements, and monitoring resource expenditure and related investment risks.

The government has determined that a category of investments, high value/high risk investments, require greater scrutiny and support from central agencies. This enhanced rigour in investment development and oversight is designed to ensure major projects are delivered on time and on budget, with the agreed benefits.

HVHR projects ($100m plus and/or high risk) require Treasurer's approval at key stages in the project lifecycle as set out in Table 1. Early identification of likely HVHR status will allow for early central agency involvement and mandatory Gateway reviews to be organised.

Stage	Action
Business Case Approval	Requirement for a preliminary business case at the early filtering stage. Treasurer's approval of full business case: project deliverability (on time and on budget). The robustness is assessed by DTF for Treasurer's approval. Only robust business cases can be submitted for funding consideration.
Project tendering	Treasurer's approval of: • all procurement documentation prior to release; • preferred bid, prior to announcement; and • contracts, prior to signing and any major variations.

Stage	Action
Project implementation	Closer oversight by DTF of: • time, scope and budget reporting and analysis; • governance advice and monitoring; • risk assessments and mitigation reviews; and • any recommended interventions or remedial actions.

Table 1 HVHR governance requirements

The HVHR process requires more active central agency involvement in the project approval and delivery process and more rigorous monitoring of the project. This will generally involve participation in steering committees, reference groups and working parties as appropriate, determined on a risk assessed basis. **While central agencies have responsibility for monitoring project performance, this does not replace departmental accountability for the investment and its outcomes.**

2.2.3 Organisational and project governance

Principle 4. Distinguish between project governance and organisational structures.

Ministers and their departments have accountability for delivering against the resources allocated to them. This will include developing strategies and plans to meet future service needs and drivers which provide the context for the government's consideration of resource investments opportunities. The organisational governance needs to monitor and challenge the effective application of the resources allocated.

Project governance structures are established because organisation structures generally do not provide the necessary framework to deliver a project. Projects require flexibility, high levels of sustained focus and timely decision making, which the hierarchical nature of organisation governance does not necessarily enable. Project governance structures draw the key decision makers out of the organisation structure in a focussed context. Project governance is a subset of organisational governance which ultimately is subject to overall government oversight and accountability (Figure 2). Following project completion accountability for investment outcomes transitions to organisational governance.

Figure 2 Relationship between project and organisational governance

2.3 The importance of risk management

Effective management of the government's risk exposure is critical to financial sustainability and an integral part of governance and sound management practice. The risk management standard[3] recommends organisations have a framework that integrates the process for managing risk into the overall governance, strategy and planning, management, reporting processes, policies, values and culture.

The Victorian Government Risk Management Framework encompasses the broader risk exposure of entities. Project risk management is an important element feeding into the organisational risk considerations.

The standard provides that good risk management practices:

- increase the likelihood of achieving objectives and delivering government's desired outcomes;
- encourage proactive management, governance and controls;
- increase ability to adequately identify opportunities and threats and treat risk;
- improve compliance with legal and regulatory requirements;
- improve financial reporting and management;
- improved stakeholder confidence and trust;
- provide a reliable basis for planning, priority setting, decision making and use of resources;
- enhance health and safety performance;
- improved loss prevention and incident management; and
- improved organisational learning and resilience.

[3] AS/NZS ISO 31000:2000 Risk Management Principles and Guidelines.

3. Key roles and responsibilities

A specific project governance framework should be included in the project's full business case and in the project management plan. For complex projects, a separate project governance document may be required which, for example, may incorporate memoranda of understanding or funding agreements between key stakeholders.

Funding agreements

Where the Commonwealth Government or other external organisations fund projects, there is usually a funding agreement that includes: timelines, triggers for payments, risk allocation, processes for decision making, reporting and accountability. The project sponsor and/or project steering committee should be fully informed of the terms of any funding agreement. This is because there may be important implications for project management governance processes.

Principle 2. Service delivery ownership determines project ownership.

Within an organisation there are usually a number of individuals with sufficient seniority and experience to fulfil the role of SRO, but it is important to choose the right person. Investments involve undertaking projects to provide assets for the delivery of services. The primary reason for investing in a project is to achieve a service outcome. Therefore the service outcome should always be the focus of the project from an investment perspective. Hence, the person accountable for the success of the project should be that person best positioned to maintain a service outcome focus for the investment, the person that is accountable for the service outcome in question.[4]

As a minimum, projects must have:

- a project sponsor or senior responsible owner (SRO) who is responsible and accountable for the project and who secures its outputs and outcomes (the sponsor is the link between project and organisational governance);
- a project manager and/or director who will manage the project on a day-to-day basis, report to the project sponsor and deliver the outputs on behalf of the project sponsor;
- an operations (or asset) manager who will manage the project outputs after project closure, including the change management processes for effective implementation, and who is responsible for the realisation of agreed outcomes (benefits); and
- a steering committee that provides strategic direction and monitors the project.

[4] Garland R, (December 2011) Capital Investment Governance – the integrated governance of projects, programs and portfolios. White paper commissioned by the UK Cabinet Office. http://www.best-management-practice.com/gempdf/Capital_Investment_Governance_White_Paper_Dec11.pdf. © TSO 2011

Task **Key: A accountable R responsible S support**	Sponsor	Steering committee	Project manager / director	Operations manager
Overall investment outcomes	A & R	R & S	R & S	R
Day-to-day project management			A & R	
Project assurance and monitoring	A	R	R & S	S

Table 2 Key tasks and roles

Figure 3 provides a representation of some key components of a project governance and management structure. A fundamental requirement is that the relevant people must have:

- clearly defined roles, responsibilities and accountabilities;
- an appropriate mix of skills, experience and training; and
- enough time, resources and support from their agency to fulfil their responsibilities.

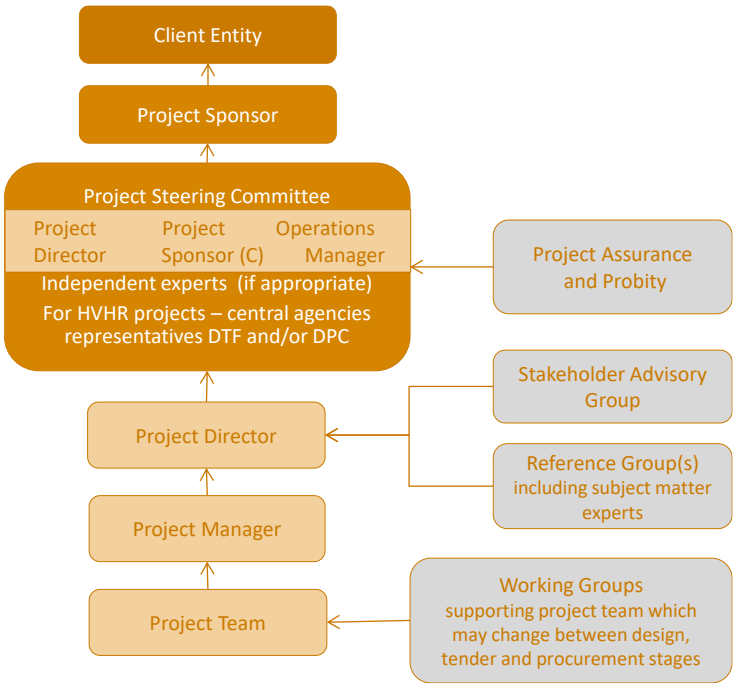


Figure 3 Project governance structure

3.1 Project sponsor

The project sponsor usually chairs the project steering committee and is the link between the organisation's senior executive body and the project. In addition to being an experienced organisational executive, well versed in the details of organisational stakeholder and client requirements and relationships, the sponsor needs to have sound project management capability.

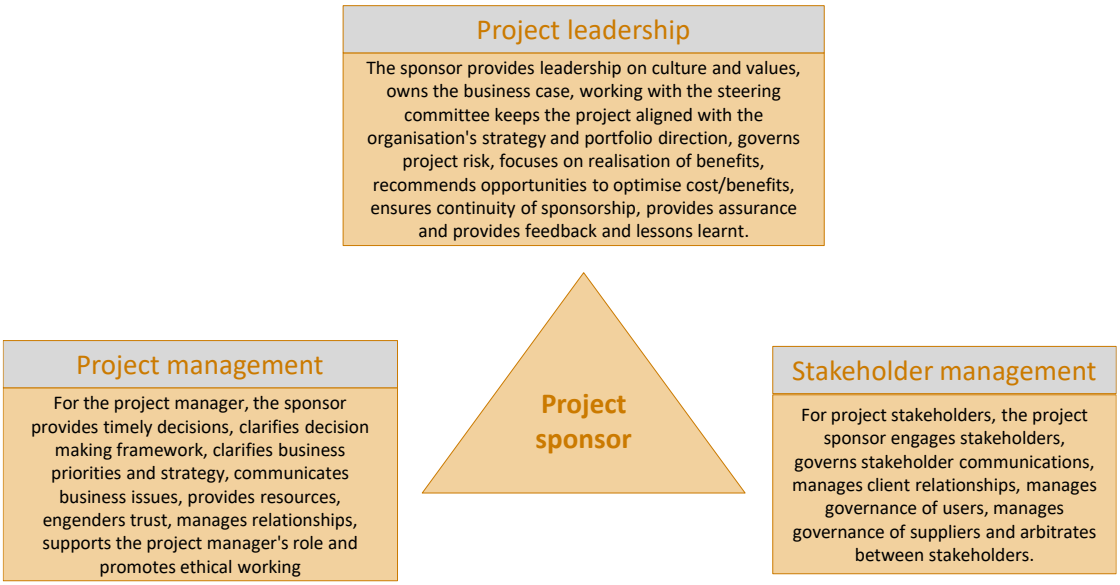


Figure 4 Project sponsor's main roles[5]

The responsibilities of the project sponsor are:

- ultimate accountability and responsibility for a project;
- decision making, directing and representational accountabilities for the project (project sponsors are variously titled such as SRO in the Gateway context;
- chairing the project steering committee;
  - an exception might occur where the project sponsor/SRO is the Secretary of a department, who may delegate the role of steering committee chair to another senior officer. Where the chair is not the project sponsor, clarity around authority tolerances and lines of accountability between the chair and the project sponsor is critical.
- ensuring project assurance processes, such as Gateway reviews (if required) are scheduled and responded to in a timely manner;
- ownership of the project business case and in particular its approved expenditure and claimed benefits;
- providing effective oversight and guidance on the ongoing identification of risks and associated treatment options and ongoing risk management activities;
- overseeing business management and project management risk and issues that arise outside the formal business of the steering committee (the sponsor also lends support, providing advocacy at senior levels and ensures necessary resources, both financial and human, are available to the project);
- identifying and appointing the project manager or director and key project personnel, providing advice and support and where necessary remedying project team performance issues on a timely basis;
- providing guidance on the identification and engagement of stakeholders;

[5] Sponsoring Change: A guide to the governance aspects of project sponsorship, Association for Project Management, 2009. ISBN 10:1-903494-30-1

- ultimate accountability for the realisation of outcomes (ensuring the ongoing fit of project outputs to program/strategic goals);
- ensuring that a post-implementation review is scheduled and takes place; and
- ensuring a project is undertaken according to the Project Management Framework.

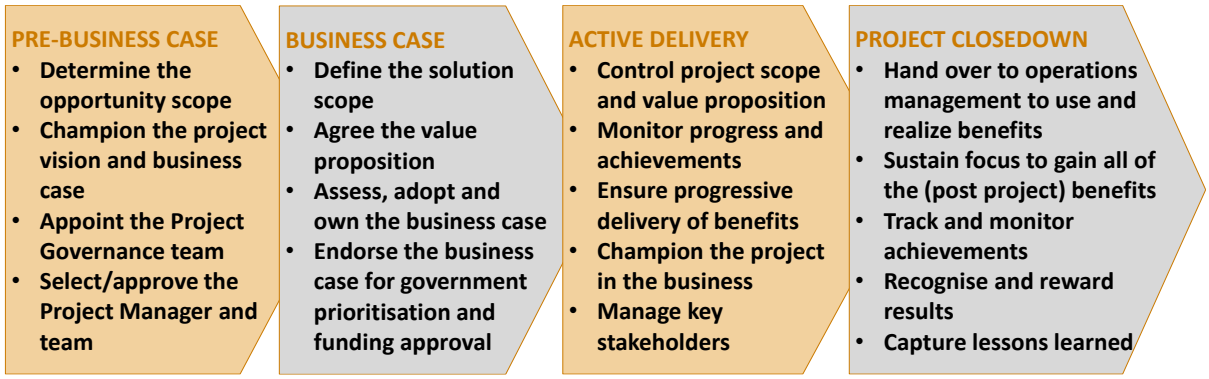


Figure 5 Evolving focus of governance Source: V. Gill, Capability Management.

The project sponsor's role changes over time in line with the evolving focus of governance as described in Figure 5. The project sponsor is responsible and accountable for the project until an investment's outcomes are secured. These outcomes may not be realised until well after a project manager and the associated project team have completed their involvement.

The project sponsor (or SRO) must be identified for all projects, no matter what size, complexity or risk profile.

The project sponsor may also be the operations (asset) manager for the project. The Client Entity and project sponsor may be represented by the same person for some projects.

The Victorian Government requires a project sponsor or SRO to be identified for all projects and that the accountability for the investment - its progress through the project phase and delivery of benefits - is reflected in their annual performance plan.

3.2 Project steering committee

Successful delivery of project outcomes requires that steering committee members understand the business context being addressed by the investment, including the operational and associated whole-of-life impact factors. Their focus needs to extend beyond the project to embrace the broader context as described in Figure 6. They must ensure key stakeholders are informed and committed as the project progresses. The committee also needs to proactively monitor, mentor, challenge and support the project manager and team on the project's progress: asking the right questions, offering alternatives and making timely decisions.

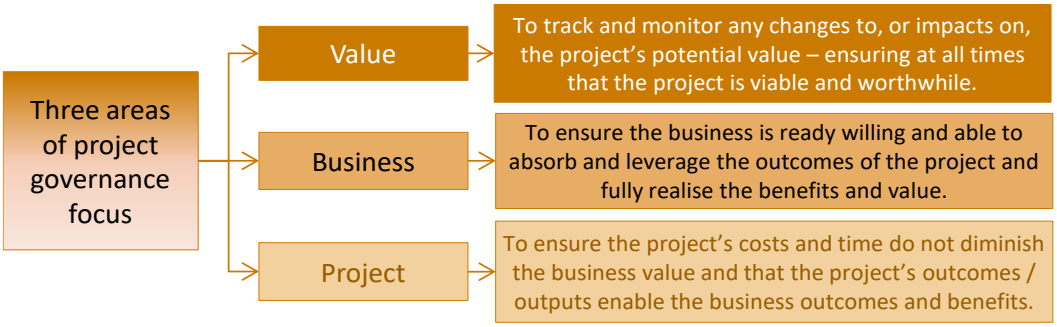


Figure 6 The broader project governance focus Source: J. Simms, Totally Optimized Projects

Note: In governance models the terms project steering committee, project control board or project board are used interchangeably. For more complex investments an overall project control board may be established with subcommittees (project steering committees) that deal with individual project elements.

The important thing is to ensure the roles and responsibilities of the entities are clearly defined, understood and accepted by members.

Opinions on the job of project steering committees

A Project Board (or steering committee) provides the required level of management direction and decision making. It should have clear responsibilities, for directing the project and defining how the project should interface with programmes and other work in the organisation. The chair of the steering committee will (normally) be the project's SRO (sponsor).[a]

The job of the project steering committee (Project Governance Board) is not to merely receive a report on progress from a project manager and record in the minutes it has been noted, but rather it must ensure that the project is still going to achieve its intended outcome. To do this the project steering committee must ask searching questions and be capable of assessing the quality of the answers provided by management. To do this boards need the right people, with the right mix of skill, to understand and perform their duties of directing and controlling projects to ensure that those projects that can succeed are successful, but have the authority to be able to shut down projects that can no longer deliver the intended outcomes.[b]

Sources: a. Office of Government Commerce (2007), Managing Successful Programmes, The Stationery Office, London, UK and b. http://www.russellyardley.com/opinions/2012/04/it-governance/

Six key questions for project steering committees to regularly consider are set out below. It is preferable that wherever possible, decisions are reached through consensus of the project steering committee. The chair should seek to achieve this end. However, the ultimate decision maker is the project sponsor, the individual who is accountable for the successful delivery of the project and the achievement of value to the organisation.

The Six Key Questions for every Governance Team

1. **Are we on track – to plan/schedule?** (Includes both on and off project activities.)

   If not, why not?
   How will any delays impact the plan/schedule/critical path?
   What are you planning to do about it?
   What do we need to do about it?

2. **What decisions need to be made?** (Includes required business decisions and escalation issues.)

   What decisions need to be made/action taken – and why?
   Do we have sufficient information on the options and their implications?
   When do we need to make a final decision?
   What are the downstream impacts if we get this decision wrong?

3. **What issues are there – inside or outside the project?** (Includes required inter-dependency issues, resource issues, proposed scope changes.)

   Are they increasing or decreasing in number?
   How are these changes impacting the project?
   How will they impact the business outcomes/benefits?
   Is the project still under control?

4. **Are we on track – to budget and benefits plans?** (Includes expenditure, financial commitments, AND benefit value driver changes and benefits realized to date.)

   If not, why not?
   How will any shortfalls/overspends impact the budget/benefits/overall net cost?
   What are you planning to do about it?
   What do we need to do about it?

5. **Has the achievability of the project changed?** (Includes project, benefits delivery and business impact risks and critical success factors status.)

   Have any changes improved or endangered the project?
   If endangered, what is the root cause?
   Are the risks' likelihood/criticality assessments appropriate?
   What mitigation action is planned? How will this address/mitigate the risk?
   Are the risks being actively managed?
   What do we need to do about any remaining risks?

6. **Can we still successfully deliver the project AND its business outcomes and benefits?** (Includes resources, funds, skills, risks and time to deliver and benefits value/availability)

   What is threatening our success?
   What is threatening the viability of the project?
   Are any of these factors manageable?
   Has any expected reduction in value be compensated for with reduced costs? If not, why not?
   Would the funds/resources be better allocated to another project?
   Why should we continue?

Source: J. Simms, Totally Optimized Projects

3.2.1 Project steering committee membership

The right people must be involved for project steering committees to work effectively and the size of the committee membership needs to be fit for purpose. Individuals with the necessary leadership and management skills, knowledge and attributes should be selected for project steering committee membership. Members may maintain membership of a project steering committee even if their role within the organisation changes. In some instances it may be appropriate to include specific expertise on the steering committee during particular phases of the project lifecycle, for example, a design expert in the early phases of a project. These parameters are consistent with guidance for general board membership set out below.

Board membership characteristics

For effective board performance, individual members and the board as a group need to have a broad range of skills, expertise and personal attributes. Accountability, strategic thinking, networking and teamwork are core competencies for all types of boards and committees. It may also be desirable to appoint board members with specific expertise in areas such as finance, investment, law, human resources, marketing or public sector administration. A board may include persons with superior knowledge of the particular sector and who may have valuable professional networks (though care should be taken to avoid potential conflicts of interest). Members, however, should not be appointed solely on the basis of functional expertise. Appropriate emphasis should also be placed on the skills and personal attributes required for effective board performance.

Source: The Victorian Department of Premier and Cabinet's: Governance, Appointment and Remuneration Guidelines for Victorian Government Boards, Statutory Bodies and Advisory Committees.

Appendix 3 assists with establishing a steering committee from a process perspective. The project steering committee should take a balanced view of stakeholder requirements, the availability of resources and the need to meet project objectives. Representatives of important stakeholder groups could also be considered for inclusion on the steering committee where they have a significant interest or control a relevant resource.

Principle 3. Separate project decision making from stakeholder management.

A large project steering committee can be a sign that too many stakeholders have been included and the meeting become used as a mechanism for information gathering and stakeholder management. If the steering committee meetings are routinely used by attendees simply to update themselves on the project's progress they risk being distracted from their fundamental role of effective investment decision making.[6]

(Note: Care should be taken to avoid inappropriate distortions that the inclusion of some stakeholders and not others might create, for example where those members represent their vested interest and don't take whole of project decisions. Remember principle 3.)

The opportunity for stakeholder input can be provided through a stakeholder advisory group. To help ensure that the project steering committee takes responsibility for whole-of-government issues members from outside the organisation can be included, for example, independent experts, other relevant departments or agencies such as central agencies.

[6] Garland R, (December 2011) Capital Investment Governance – the integrated governance of projects, programs and portfolios. White paper commissioned by the UK Cabinet Office. http://www.best-management-practice.com/gempdf/Capital_Investment_Governance_White_Paper_Dec11.pdf. © TSO 2011

To enable effective management of projects, continuity of project steering committee membership throughout a project lifecycle is preferred as this maintains the ongoing chain of responsibility and continuity of knowledge. In some instances the need for specific skills may support some changes in membership. Governance arrangements may change once the project is delivered and the investment moves into the operational phase, noting this shift may be to the organisation's overarching governance arrangement.

As noted previously, the HVHR process requires more active DTF/DPC involvement in the project approval and delivery process and more rigorous monitoring of the project. This will generally involve participation in steering committees, determined on a risk assessed basis.

3.2.2 Project steering committee responsibilities

Swatting flies and watching for elephants!

The project steering committee operates within predefined terms of reference specific to the governance needs of a project. These specify membership obligations, regularity of meetings, operational details (e.g. management of conflict of interest), decision-making powers, dealing with issues out of session and the escalation of issues to a higher corporate committee, the Minister or the government if required.

The project steering committee is responsible for high level resourcing decisions that are essential to the delivery of project outputs and the attainment of investment outcomes. It is also responsible for ensuring appropriate management of project components outlined in the project management plan.[7] In particular, the project steering committee is responsible for risk and issue management.

Governments consider the public interest in all investment evaluation decisions and subsequent project procurement decisions. Once a project is approved for delivery the project steering committee needs to assess and maintain oversight of public interest matters. Considering public interest matters such as access, accountability and consumer rights is an important part of the planning and project development. Ongoing monitoring of public interest matters during procurement and implementation will be useful in ensuring that the project continues to be in the public interest.

The tasks of the project steering committee will typically include:

- providing overall strategic guidance for the project and project assurance;
- responsibility for the project's feasibility, business plan and realisation of outcomes/benefits;
- approving the appointment of, and providing advice, support and direction to the project manager/director;
- ensuring probity;
- endorsing the project management plan and major subsidiary documents relating to the project;

[7] The project management plan is the central document by which the project is formally managed: it lists the activities, tasks and resources required to complete the project and realise the benefits outlined in the business case. See the template at Appendix F.

- oversighting the risk management process and management of risk within the project including viable contingency plans or fall back strategies which are regularly updated;
- ensuring that the State has commercial options and flexibility to suspend or terminate failing projects;
  - The ability to suspend or terminate contracts at given points may result in a higher base cost but the ability effectively de-risks the project. Like insurance it is a cost worth paying if you need to call on it.
- ensuring the project is 'fit for market' prior to engaging with suppliers;
- setting the delegation and monitoring of project tolerances for time, quality and cost as well as escalating when necessary;
- authorising any major deviations from the agreed scope, budget and schedule within tolerances including (if appropriate) approval (or recommendation) for expenditure of contingency and risk based budget;
- identifying need for strategic intervention, including termination, where appropriate;
- signing off the completion of each project phase, including the deliverables, and giving approval to start a subsequent phase;
- overseeing the communication of information about the project to stakeholder groups as necessary;
- resolving conflicts between the project team, asset managers and suppliers, or escalating issues that have significant implications for the project;
- closing the project after successful delivery, including lessons learnt and document finalisation;
- endorsing reports on project progress to other people or groups; for example, a client entity or the leadership team; and
- taking responsibility for any whole-of-government issues associated with the project.

3.2.3 Project documentation

The project steering committee is responsible for approving major project documentation and strategies. Specifically, it might approve (or support) documents such as the:

- project mandate (or charter);
- business case;
- tender documents;
- contracts;
- **project management plan including:**
  - delivery brief;
  - budget;
  - project schedule;
  - project risk management plan/framework, risk register and treatment activities;
  - outcomes management plan;
  - outputs or deliverables;
  - schedule and budget constraints;
  - change management plan;

A good contract will ensure there is consensus over scope and goals, and appropriate procedures for ongoing governance and management. This includes forums for discussion and negotiation, reports that offer visibility and insight, analysis that identifies risk and copes with reducing its probability and consequence.

  - stakeholder or community engagement/communication plan (if required);
  - procurement strategy; and
- status reports.

NOTE: Some of these documents may subsequently require approval by government. For example HVHR proposals require the Treasurer's approval of full business cases prior to submission for funding approval. The funding approval by government determines the project budget and may affect the scope, procurement and governance arrangements.

In considering documentation the steering committee needs to do more than confirm that the document exists. It needs to assess whether the document is appropriate/fit for purpose and ascertain whether the document is being used. ***A risk register that gathers dust on a shelf is of limited use.*** Finally there is an ongoing need to determine whether it is effective in meeting its purpose. ***Are the risk register and risk management processes actually effective in managing project risk?*** The steering committee needs to be confident that all of the documentation generated as part of the project delivery process is actually helping, not hindering its delivery.

3.2.4 Approval of changes to the project

The project steering committee is responsible for the oversight of changes to the project within specified tolerances. It should be provided with the following information in support of a proposed change:

- nature and reason for the variation;
- effect of the change;
- revised project management plan, if appropriate; and
- suggested actions/options for the project steering committee to consider.

All changes should be presented to the project steering committee using an approved template and should also be recorded in a project change register or a specified section within the project management plan.

Changes can only be made within approved levels of authority.

The project steering committee may need to escalate certain change requests to a higher authority for example the Treasurer or a Cabinet committee. Change requests should not be sent to the higher authority for a decision without project steering committee endorsement or comment.

3.2.5 Resolution of escalated project risks, issues and conflicts

Project conflicts may arise from issues related to resource allocation, output quality, the level of commitment of project stakeholders and related projects. Conflicts and issues may lead to risk materialisation. The project manager is generally the first reference point for identifying, managing and resolving issues and can solve many internal project problems. Problems arising outside the control of a project manager are referred to the project director or project steering committee for resolution.

Risk and issue escalation, communication and rectification is generally guided by the severity of the risk or issue, project tolerance levels (predefined at the start of the project) and the authority or role hierarchy established for the project.

3.2.6 Responsibility for identifying need for strategic intervention, including termination

The project steering committee is responsible for identifying the potential need for remedial actions and/or strategic intervention, and termination where appropriate, escalating the need as appropriate on a timely basis.

Often when a project is under stress, early and decisive intervention can result in the best value outcome for the government.

3.2.7 Project steering committee meetings

The project steering committee meets regularly throughout the course of a project to keep track of issues and the progress of the project. The project monitoring content may be guided by an overview with specific detail to allow 'a managing by exception basis' to keep the meeting focused. The project manager should attend these meetings to be a source of information for project steering committee members and also, to be kept informed of project steering committee decisions.

A typical agenda for a project steering committee meeting is included in Appendix 4. Some of the decisions made by the project steering committee may require subsequent endorsement by government. For example for HVHR proposals the Treasurer's approval of key decisions surrounding procurement is required prior to actioning the decision.

Project steering committee meetings may also be attended by key stakeholders including suppliers where appropriate to facilitate more effective dialogue on specific issues. Also issues requiring decisions may need to be handled outside of the scheduled meetings.

It is a good idea to periodically (once a year) test the health of the committee in terms of functionality and effectiveness. A model survey is included in Appendix E.

3.3 Client entity

The client entity is the ultimate owner of the new asset. The client entity will operate the asset to deliver the benefits. A client entity may also fund part of a project. In the Victorian context the client entity may be a part of a department or an entity or a Government Business Enterprise linked to a government department. For example a hospital may be the client entity which is linked to the Department of Health.

3.4 Operations manager

An operations (or asset) manager must be identified for all projects, no matter what the size or complexity. (In Prince2 this individual may be referred to as the Senior User.) There may be one or more operations managers at a number of managerial levels, depending on the size of the project. The 'operations manager' need not necessarily be the on-the-ground operations manager, for example it may be the contract manager for the (future) service provider.

An operations manager is a core member of the project steering committee. The operations manager's responsibilities are:

- contributing resources to the project to ensure outputs are developed satisfactorily and sustainably to meet business and operational needs (this involvement is ongoing from the conceptual phase through to accepting and/or testing the output products);
- ensuring the project is planned with the end in mind (to meet the desired outcomes);
- ensuring each output is specified and delivered fit-for-purpose;
- managing project outputs for their operational use;
- securing resources for the ongoing maintenance of the asset;
- being accountable to the project sponsor for the measuring and reporting project outcomes; and
- being responsible for the realisation of benefits from the investment.

3.5 Project director (deliverer)

The project director, acts as the agent of the project sponsor on a day-to-day basis, and is responsible for empowering the project manager to discharge the manager's responsibilities. The project director provides the project manager with the specialist resources and skills necessary to develop and/or deliver a project to an agreed scope, quality, schedule and budget. This is usually the project manager's line manager. The project director is a core member of the project steering committee.

The skills needed by a project director include well-developed project, risk and relationship management skills. Also commercial management skills applicable to developing and negotiating contractual arrangements and knowledge of government processes are important.

For smaller projects the role of project director and project manager may be combined.

Note: The Prince2 methodology identifies a Senior Supplier as the third arm of the Project Board alongside the user and executive interests. Involvement of an external supplier is not common in Victorian project steering committees except in the Alliancing structure (refer Figure 10). Suppliers may have a role in presenting to the steering committee on issues, but should be excluded from discussions of the issues leading to decisions or matters pertaining to their performance.

The other circumstance where a project director may be sourced external to the client organisation is where Major Projects Victoria (MPV) takes on this role. It is vital that the project director understands and aligns with the client department's requirements. Options to achieve this might include a well-defined memorandum of understanding with roles and responsibilities set out in a Schedule of Agreement or outplacement of MPV staff in the client department, reporting through that organisation (not MPV).

3.6 Project manager

The project manager is responsible for structuring project delivery in an appropriate manner. This person is the key manager of the day-to-day aspects of the project, as well as developing and updating the project management plan, also, to resolve planning and implementation issues, manage progress and the budget.

The project manager is the key person around whom a project will ultimately revolve (see Figure 7). The project manager (with the project director) will attend, report to, seek guidance and take direction from the project steering committee. The project manager needs to have appropriate experience and, preferably, accreditation or formal qualifications in project management.

Responsibilities of the project manager include:

- accountability to the project steering committee for delivery of the project; reporting, to the project steering committee at regular intervals;
- ensuring the project is managed in accordance with agreed processes and tolerances;
- dealing with the construction/contractors to ensure project progression;
- maintaining the project risk register and the integration of risk treatments and control activities into project plans and activities;
- approving minor variations to budget, schedule or scope, within agreed tolerances;
- managing and monitoring the project activity through detailed plans and schedules and preparation of reports;
- managing day to day stakeholder relationships and issues;
- managing project sponsor and stakeholder expectations through the formal specification and agreement of goals, objectives, scope, outputs, resources required, budget, schedule, project structure, roles and responsibilities and communication to them on progress; and
- Inspecting project progress and element completion for quality assurance.

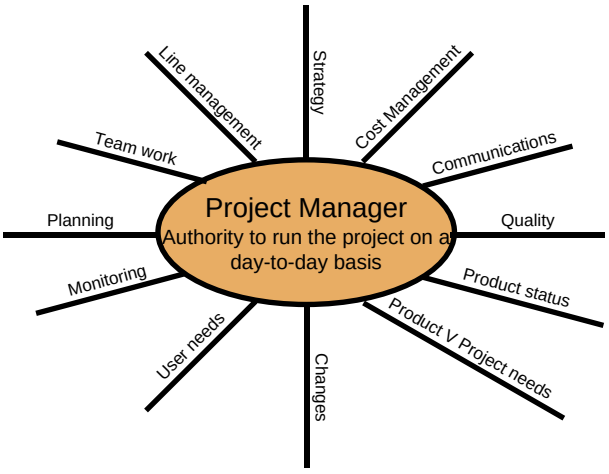


Figure 7 Project manager's role (Source: Prince2 (2009))

3.7 Project team

The quality of project resources is one of the most important factors in the success of the project. Therefore, an appropriate team structure with clear lines of accountability should be in place and quality resources applied. The investment in quality project resources will add significant value to the project, beyond the cost, through more sophisticated and efficient project implementation.

A project team is led by the project manager, and works for the successful delivery of project outputs as outlined in an investment business case and/or project management plan. It is desirable that a project team includes representatives from the business unit(s) affected by the project. The specialist expertise required for the project may include financial, technical, operational, communication, environmental, risk, procurement, contractual and legal skills. The mix of skills and experience will vary by project type.

The composition of the team may change as the project moves through its lifecycle. The assessment and selection of people with the requisite skills for each phase of a project is critical to overall success. The skills should be explicitly identified in the project planning process. The project team is responsible for completing tasks and activities required for delivering project outputs. They may be called on to support the project steering committee by providing reports or information at the discretion of the project manager.

3.8 Project assurance and probity

The project sponsor and the project steering committee have responsibility for project assurance. The project assurance role, if required, is nominated by the project steering committee. This role is to provide the project sponsor and the project steering committee with an independent perspective on the progress of the project and if there are any risks and issues not identified or being effectively managed. The person undertaking the project assurance role also monitors the adherence to standards and the level of quality of documentation that responds to those standards. Project assurance will occasionally support the project steering committee by their attendance or report on activities depending on the requirements of the project.

For HVHR projects Gateway reviews can also contribute to project assurance.

Consistent with government policy a Probity Practitioner (an auditor and/or advisor) should be engaged to ensure a transparent and robust process where appropriate. The Probity Practitioner must be capable of bringing an objective viewpoint to the project and is required to endorse a probity plan and monitor the bid process throughout.

Use of probity practitioners

The appointment of probity services is at the discretion of the department officer responsible for the procurement activity and/or major project. Where the risk and complexity associated with the activity is considered medium to high, the following needs to occur:

- High risk – The project team are required to enlist the services of both a probity auditor and probity advisor.
- Medium risk – The project team are required to enlist the services of a probity auditor and/or probity advisor.

The designated probity auditor and/or probity adviser provide one or more of the following:

a. independent assessment and/or advice throughout the procurement process and/or major project lifecycle as to whether processes are:
    - developed according to relevant government policies (including this policy) and State and Commonwealth legislation;
    - managed according to the procurement process, the procurement conduct plan and or project management methodology; and
    - completed according to the tender requirements.

b. provide ongoing independent advice on probity matters and issues, including:
    - reviewing the proposed documentation applying to the tender from a probity perspective;
    - attending meetings where necessary;
    - providing report(s) as required by the Secretary or their delegate.

c. provide an independent and appropriate signoff on probity requirements, at designated milestones in the process, including whether the processes concluded:
    - actually fulfilled the requirements of the procurement process, the procurement conduct plan and project milestones;
    - acted within the limitations of prescribed tendering and contracting policies, rules and guidelines.
    - to provide report(s) as required by the Secretary or their delegate.

The selection of probity practitioner(s) should be based on the experience and the extent of involvement required for the particular nature of the risks in the procurement process. As a minimum, all public officials or non-government personnel nominated as probity practitioners should have completed government-accredited procurement training or have a level of competency and professional standing acceptable to the responsible departmental officer.

Where the procurement process is very large and/or involves highly complex risks, the responsible departmental officer may consider it necessary to engage more than one probity practitioner to either ensure an adequate breadth of probity experience or to undertake different roles.

Source: VGPB Conduct of Commercial Engagements Policy and
DTF Financial Management Compliance Framework.

3.9 Stakeholder advisory group(s)

These groups provide forums for identified stakeholders to have input into a project. The group may already exist, have an indefinite life span or may continue for the life of the project. Stakeholders may be internal to the agency or external people and organisations. Therefore, the stakeholder advisory groups should be differentiated between users of the project outcome that will have substantial input on user requirements and other internal and external stakeholder groups that need to be informed or have a different level of input into the project. Stakeholder consultation is a key component of communication and consultation in the risk management standard.

Stakeholder advisory groups can provide an important mechanism for stakeholder management and should be established and managed in a way that creates effective engagement. This may require that the meetings are chaired by the Sponsor or the Project Director.

The purpose of this group is to provide advice on stakeholder requirements/issues. This group may be engaged or tasked by either the project steering committee or the project manager during the life of the project. The composition of the stakeholder community for the project and stakeholder management requirements are likely to change as the project moves through its lifecycle: stakeholder reviews will need to be factored into the project's schedule and delivery plan. Stakeholders may be invited to participate but often they will not report to the organisation and cannot be forced to participate. The Stakeholder Advisory Group may occasionally be represented on, or called to support, the steering committee.

3.10 Reference group(s)

Reference groups consist of people with the requisite skills to address particular project issues. One such group might be a general reference group as advised by the Asset Manager or may consist of a collection of people who are Subject Matter Experts to address a particular set of issues. They include:

- information technology specialists who define and manage the technological aspects of the project;
- representatives employed by stakeholders to ensure their interests are represented and managed;
- legal advisers who assist in the development and review of the contractual documentation; and
- auditors who ensure compliance with internal and external requirements.

The reference group is specifically tasked by the project steering committee or the project director/manager. Their responsibilities may include:

- providing specialist input; for example, the appropriate detail for a strategic design, engineering, operational design or procurement advice;
- quality assurance during the project implementation; and
- assurance of the general direction of the project so it meets operational and business objectives during the implementation.

3.11 Working group(s)

Working groups consist of small specialist groups dedicated to producing a well-defined output within a specific timeframe. A working group has no life beyond the delivery of that output. Working groups generally involve one or more members of a project team to support a defined activity and may report to the project steering committee or project manager as required.

4. Variations on governance structures for projects

The governance structure may vary, for example to reflect the procurement methodology or the magnitude of the investment.

4.1 Basic project governance structure

Figure 8 sets out a basic structure for governance of projects. Note the number and type of work stream leaders may differ according to the nature of the project and may report through a project manager to the project director.

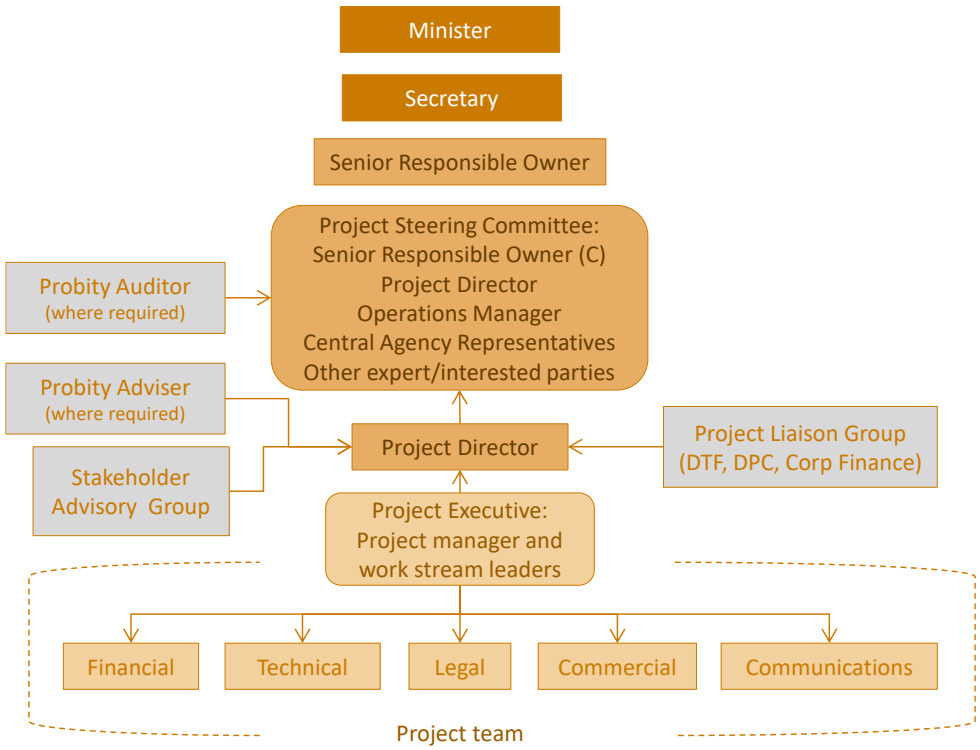


Figure 8: Basic project governance structure[8]

4.2 Separate entity project governance structure

Occasionally the investment may warrant the establishment of a separate entity to manage the project and subsequent operation and ongoing management of the investment (refer Figure 9). For example:

- statutory authority – Linking Melbourne Authority (LMA);
- authorised office – Regional Rail Link Authority; and
- joint venture – Bioscience Research Centre – DPI/Latrobe University.

[8] Interested parties might include significant contributors of resources or key future users.

Under this model the Minister will usually appoint an independent chair for the board. The Board is accountable not only for the delivery of project outputs, but also for the ongoing performance of the investment after the project delivery is completed and the project team disbands.

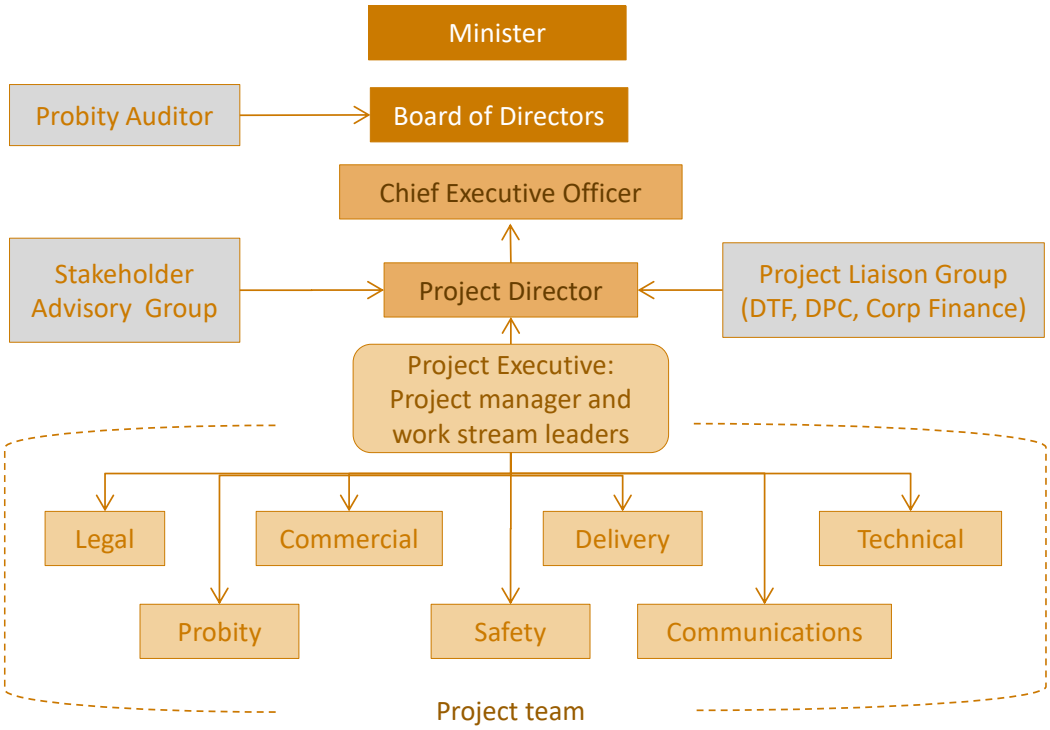


Figure 9 Statutory model

4.3 Alliance project governance structure

The Alliance Practitioner Guide provides a typical alliance structure (Figure 10). The Guide describes three variants on this model (refer to the Guide for further information) reflecting the experience of the owner and the complexity of the project:

- Model 1 can be used where the Owner is well experienced in alliancing contracting or the project is relatively straight forward and can be governed within the owner's existing corporate structures.
- Model 2 involves a Project Control Group (PCG) to provide advice to the owner in particularly complex projects. For example, the PCG may be chaired by the CEO and include members of the Owner's Statutory Board. The PCG may also include public officials external to the Owner corporation – for example, members of the PCG may be drawn from other agencies/Government departments.
- Model 3 would be appropriate for particularly complex and very large projects. The government may establish a separate legal entity to provide the required external project governance, assuming the role of owner. The key advantages of this approach include:
  - allowing the owner to focus on its existing core business without becoming overwhelmed by the project;

- providing the necessary strategic focus of a senior group who are removed from the pressures of day-to-day management; and
- providing the project with the appropriate balance of independence and controls in relation to the speedy decision-making required to facilitate an effective alliance.

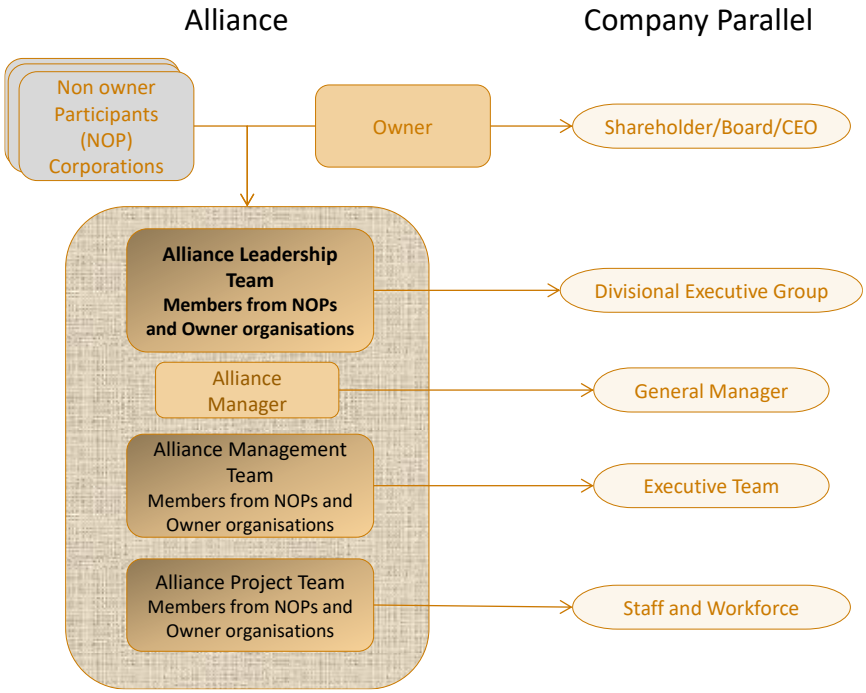


Figure 10: Typical alliance structure

It is important to remember that while the Alliancing Leadership Team is managing and working together to deliver the project, the organisation still needs to have separate governance in place for the investment. This may be through the corporate governance function.

4.4 PPP project governance structure

Public–private partnerships (PPPs) also have a variation for structure, which is described in chapter 8 of the Practitioners' Guide to the National PPP Guidelines. The Practitioners' Guide also provides a description of the specific roles and skills required.

Figure 11 is extracted from the Practitioners' Guide and relates to the procurement phase (project delivery). The governance structure may change during the ongoing operational, contract management phase.

The suggested project management structure for the delivery of a successful PPP project will vary by project type as will the mix of skills and experience required.

The project director is a key resource and is responsible for delivering all critical elements of the project. This is a dedicated role, with overall responsibility for delivery of the project and management of the procurement team, including external advisors and consultants.

The public sector procurement team should reflect the breadth of skills brought to the project by a private sector consortium. Experience and knowledge need to be captured, retained and shared to enhance the likelihood of success of future PPPs.

The project team will require some specialist roles, which may be filled by internal resources or seconded to the team. However, external advisors are likely to be required to provide specialist advice and to supplement the internal team.

The skill sets also differ according to the phase of the project. Different skills are required for the procurement phase, versus the construction management phase, versus the contract management phase during operations. Adequate transition through these roles is key to success of long-term PPP contracts.

It is important that adequate funding be allocated to project delivery and ongoing contractual management of PPP projects.

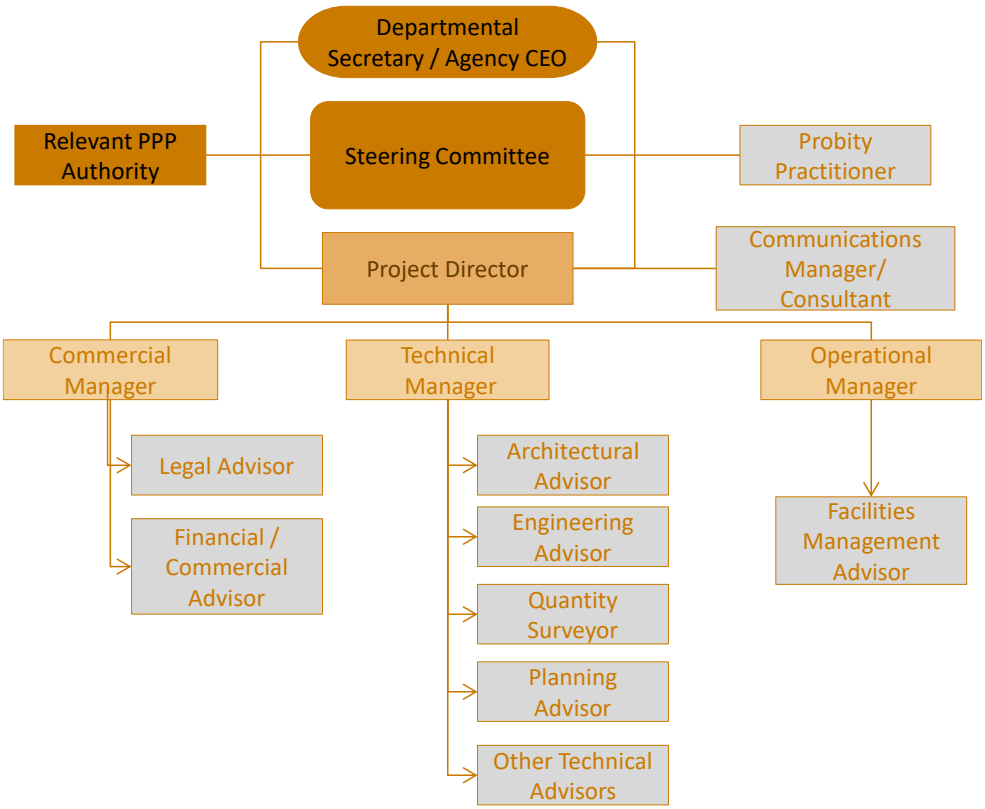


Figure 11: Project governance structure for the procurement phase

5. Project governance processes

5.1 Project status reporting

The project steering committee should be informed of project progress regularly to enable appropriate and timely decisions based on project needs and status. The project should have an agreed system of project reporting. Effective project governance relies on timely and accurate monitoring and reporting of project progress and performance.

The audience, content and frequency of reporting will depend on the needs of the project, issues arising and project cycle phase. The project manager should agree the reporting arrangements with the project sponsor/ project steering committee. The project manager should then establish this reporting as part of the management activities for the project. Table 3 below sets out the nature and scaling of reporting that may be required for projects.

Aspect	Project Team Leaders	Steering Committee	Minister / Treasurer* (*if required)	Government
Frequency	Weekly - fortnightly	4 - 6 weeks	4 - 6 weeks	Quarterly
Project details	Description of current project activities underway and forthcoming. Identify project critical events /continuing viability.	Description of key aspects of current stage and next steps. Test investment logic and continuing value.	Title, brief description of current stage and critical issues	Title, brief description and critical issues
Budget	Individual project team expenditure, variations, emerging pressures and strategies including access to risk and contingency funds. Specific details and reasons for variations for approval or escalation.	Project budget , financial and benefit-cost status including access to risk and contingency funds or need to terminate. Specific reasons for variations for approval or escalation.	Tracking and analysis against progressive budget including explanation of variance. Forecast overall cost. Options and variations for approval or escalation.	Tracking against progressive budget including explanation of variance. Forecast overall cost. Options and variations for approval.
Schedule / Milestones	Progress against schedule and team milestones, analysis of any areas of slippage or gains which could impact progress in other areas and where appropriate strategies to manage. Planning/ strategies for next stage.	Progress against schedule and key milestones . Key areas of slippage or gains which could impact progress in other project areas. Proposed actions/strategies.	Tracking against project schedule and major milestones (achieved, overdue and upcoming) including an explanation of variance and impacts.	Tracking against project schedule and major milestones (achieved, overdue and upcoming) including explanation of variance and impacts.
Risks	Identify and analyse changes to risks/issues (new, increases or decreases) including stakeholder risks and dependencies and proposed strategies.	Latest risk report including recent risk status changes (additions, removals or actions), stakeholder risks and dependencies. Identify proposed strategies.	Details of key emerging risks/issues including stakeholder risks and proposed strategies.	Key emerging risks and issues for decisions.
Scope	Issues arising which may impact on project scope including stakeholder identified concerns. Analysis of scope variations for approval or escalation.	Issues impacting project scope including concerns identified by stakeholders. Scope variations for approval or escalation.	Scope variations outlining impacts for approval.	Scope variations outlining impacts for approval.

Table 3 Project reporting arrangements

The project status report may cover a variety of issues that are relevant to the project but report should contain the answers to these questions:

- What progress has been made on this project since the last status report?
- What is the next stage/task to be done on this project?
- What issues or risks to completion need to be discussed?

Project status reports might include:

- project details and description;
- budget/financial status;
- schedule status;
- milestone status – progress against the schedule for each major milestone, including:
  - detail of milestone;
  - indicator to advise whether the milestone is on track for completion by the due date or delayed/changed;
  - planned completion date;
  - actual and/or forecast completion date;
  - reason for variance;
  - impact of (non) achievement of milestones for the remaining period of the project.
- description of project works/activities completed in the current period and works/activities proposed for the next period;
- budget/expenditure status – progress against the budget with respect to planned expenditure, actual expenditure deficit/surplus, forecast expenditure deficit/surplus and revenue against planned output delivery, if appropriate;
- risk status – specifying any changes to the major risks identified since the previous report, and modification to the strategies put in place to manage them; any new major risks that have arisen since the last report, as identified in the risk register;
- issues status – including areas of concern, specific problems and any action/decision that needs to be taken by the project steering committee or project sponsor/senior manager, as identified in the issues register;
- scope/project variation status – including details of changes to project scope during the project development phase, details of procurement variation and details of project variations during the delivery phase;
- safety issues, incidents;
- stakeholder engagement activities and progress;
- reports of implementation of the communication plan and any attendant information or issues; and
- any other relevant information.

The project manager will attend project steering committee meetings and present the project status report and answer concerns, receive feedback, gain clarification where required and take appropriate action. Project managers should also ensure there is a direct correlation between reporting systems adopted by the project team and the enterprise reporting system. This will ensure that data sets used for reporting at all levels are consistent and accurate.

5.1.1 Reporting to government

In addition to reporting to the project steering committee, reporting and accountability to the government is required. Project sponsors should ensure that:

- client portfolio Ministers are appropriately briefed on the status of projects; and
- government receives timely advice on project status including through the quarterly reporting on projects status. This includes communicating bad news as well as good fully and transparently on a timely basis.

The quarterly Major Projects Performance Report includes the following:

- analysis of performance of projects against time and budget;
- major risks to meeting deadlines, quality or budget and treatment strategies proposed and implemented by the relevant agency to address those risks;
- additional central agency recommendations from their review and analysis; and
- follow up on remedial action plan implementation.

The report includes summary information on individual projects using a traffic light risk rating system with further information on projects with significant delivery and/or budget risk. In addition, the report will include information on project trends and any systemic issues emerging from the delivery of the overall capital program, and any recommended actions arising. This information will be sourced from whole of program analysis, first-hand knowledge from project involvement and the Gateway reviews undertaken throughout the previous six months.

5.1.2 Achieving success

Success for an investment requires awareness and tracking of:

- the agreed value proposition — the desired business outcomes, benefits and value;
- the business' measures of success — how these outcomes are achieved, their lasting impacts;
- the project's measures of success — its outputs, outcomes and deliverables within the agreed constraints (time/budget);
- the impact of the outputs and their implementation on stakeholders; and
- the staff's measures of success — how the outcomes and change process impact them personally.

6. Glossary

Term	Definition
Accountability	In leadership roles, accountability is the acknowledgment and assumption of responsibility for actions, products, decisions, and policies including the administration, governance, and implementation within the scope of the role or employment position and encompassing the obligation to report, explain and be answerable for resulting consequences. Accountability cannot exist without proper accounting practices; in other words, an absence of accounting means an absence of accountability. [2]
Authority	The PMBOK (PMI) states that the PM has the authority to spend approved funds acquire resources and do the necessary activities to ensure the successful delivery of project outcomes. This authority is delegated after the approval of the document that 'formally authorises a project and which documents initial requirements that satisfy the stakeholder's needs and expectations'.
Project governance	Project governance is the system and structure to support the decision-making about a project. The governance framework outlines who has responsibility and authority to make decisions and ensures there is clearly defined accountability for all aspects of a project. It is the link between, and support for, the governance decisions made by Government and the work of the project team to deliver the project and its outcomes.
Project sponsor or senior responsible owner (SRO)	The SRO is the effective link between the organisation's senior executive body and the management of a project. The Sponsor is also a core member of the project steering committee usually the Chair. In addition to being an experienced executive well versed in the details of organisational stakeholder and client requirements and relationships, the sponsor needs to have experience in project management. The SRO is has accountability and responsibility for a project
Responsibility	Responsibilities relate to duty or obligation that an individual (or group) has the ability or authority to act or decide on one's own, without supervision
Tolerances	Tolerances are the limits placed on authority. Tolerance is a permissible deviation from a plan's target which is usually set for time and cost.

Appendices

Appendix A: Case studies of project governance issues

Poor project performance is frequently liked to governance problems. The case studies below outline governance issues identified by Gateway review teams or VAGO.

CASE STUDY 1 HVHR infrastructure project – Gateway review

Project outline: High Risk and complexity via PPM and 4-year $130 million multi-agency delivery. Program of work that addresses short-, medium- and long-term deficiencies. Concept and feasibility phase.

Critical governance issues identified from Gateway report:

'The governance framework for delivery of the program, the business case and all activities that follow is headed by entity X. A number of stakeholders who were interviewed observed that entity X is often diverted into consideration of detailed technical issues, detracting from its policy and governance role.'

'As a matter of urgency the SRO and department should finalise the appointment of a program director who should initially be tasked with establishing a program structure, along with the processes that are required to manage the deployment of the Framework and the delivery of the project.'

'Implementation of the framework needs more explicit policy direction and therefore closer engagement with the governing committee leadership, the project team should explore with the committee ways this can be done.'

Gateway outcome: Red overall rating, defined as:

'Successful delivery of the project to time, cost and quality does not appear achievable.'

CASE STUDY 2 HVHR ICT enabled change project – Gateway review

Project outline: High Value $122 million and High Risk and complexity via PPM and 10 year. Concept and feasibility phase.

Critical governance issues identified from Gateway report:

'Develop a governance structure and human resources strategy for the project.'

'Steering committee should confirm and formally endorse business case.'

'Develop a comprehensive project org chart and governance diagram, and develop specific terms of reference for steering committee; consider including external members on the steering committee.'

Gateway outcome: Red overall rating, defined as:

'Successful delivery of the project to time, cost and quality does not appear achievable.'

CASE STUDY 3 HVHR construction project – Gateway review

Project outline: High Value $130 million and High Risk via PPM and complex procurement model. Implementation phase

Critical governance issues identified from Gateway report:

'Review the governance structure to ensure effective decision-making, accountability and transparency.'

'The decision making process for the project should be reviewed to ensure that changes are adequately assessed, reviewed and signed off.'

'The steering committee develop a process to ensure members of the alliance operate with best practise alliancing characteristics.'

'The steering committee agrees the way forward and contents of the business case as a priority.'

'The steering committee should review the resources and roles committed to the project at this critical stage.'

Gateway outcome: Red overall rating, defined as:

'Successful delivery of the project to time, cost and quality does not appear achievable.'

CASE STUDY 4 Major construction project – VAGO review

The business case, initial governance arrangements and project planning were sound. However, a number of significant changes made during the project adversely affected the achievement of its objectives. These changes included:

- three different project delivery methods involving different parties delivering parts of the project and owning and operating the facility; and
- a significant change in the design after the successful tenderer had been announced.

Transferring administrative responsibility between departments caused some delays in progressing key elements of the project, although the change has seen an improvement in the overall management of the project.

The changes to the project scope and delivery created risks that were not well managed. Specifically:

- the business case, governance arrangements and the project implementation plan were not updated on a timely basis to reflect changes to scope, delivery strategies and the roles of government agencies and private sector organisations;
- the state government assumed responsibility for the provision of additional elements, however the business case and plan for this was still being developed at the time of the audit; and
- detailed project financials were essential to the management of the project, however, at the time of the audit the scope of the works and financial information was still not sufficiently developed to commence negotiations with tenants on leases and assess the financial viability of the project.

Appendix B: Checklist for setting up a project governance framework

Determine the nature of the project and its context	Yes	No
Is the project complex or high value/high risk, if so has this been addressed in the governance structure? (Non-routine projects that involve greater risk are likely to require more support elements in the governance framework e.g. more expert support groups and project team experts, more regular governance checks etc. HVHR projects must include central agencies in the governance framework.)	☐	☐
Has the governance framework compensated for any deficiencies the organisation may have in terms of experience of this type of project?	☐	☐
Is the senior responsible owner (SRO) sufficiently experienced to manage an investment of this level of complexity and size? The SRO needs to have authority to make decisions and sufficient support through the project director and steering committee members to balance the SRO's level of experience.	☐	☐
Does the governance structure adequately address the need for key stakeholder engagement and buy-in to decisions? (Projects can be complicated by the involvement of multiple agencies and/or stakeholders. Judgement needs to be exercised as to the nature and level of involvement of these parties in the governance structure.)	☐	☐
If the project involves multiple agencies have the lead and supporting roles, accountabilities and controls been determined and accepted by all agencies?	☐	☐
Does the organisation have an open culture focused on achieving excellence through meaningful ownership and accountability structures?	☐	☐
Has the SRO approved the roles and responsibilities section in the Terms of Reference and nominated the chair (usually the project sponsor)?	☐	☐
If the project has a close relationship with other projects that require joint consideration of critical dependencies or linkages has this been addressed in the governance arrangements? For example, projects may be part of a program or a stage in a larger investment with consequent dependencies, governance arrangements need to ensure shared understanding of critical issues.	☐	☐
Is the governance structure clear in terms of roles and responsibilities and communication/reporting lines? Within the governance and management arrangements clarity around roles and responsibilities is vital to accountability.	☐	☐
Is the governance structure fit for purpose in terms of scale and support roles and future transitioning as the investment progresses?	☐	☐

Appendix C: Checklist for setting up a project steering committee

Determine the roles and responsibilities, the timing and the membership	Yes	No
Has the project drafted terms of reference (ToR)? (Roles and responsibilities including the chair's role, acting chair arrangements, timing and frequency of meetings, process and timing for agenda items, minutes, meeting papers and reports, proxy and quorum arrangements, decision-making process.)	☐	☐
Is the ToR appropriate for the steering committee given the project complexity? (e.g. for some projects, the senior responsible owner (SRO) may constitute the steering committee. For complex projects, the steering committee roles and responsibilities will need to consider whether other advisory and support committees for the project are appropriate.)	☐	☐
Has the SRO nominated the steering committee members, and is the composition of the committee right for the project?	☐	☐
Have you considered the need to include a review process (to determine steering committee effectiveness) and a process for dispute resolution in the ToR?	☐	☐
Given the project complexity, have you considered how often the committee will meet? (e.g. monthly, or after key milestones including the end of phases?)	☐	☐
Has the SRO approved the roles and responsibilities section in the ToR and nominated the chair (usually the project sponsor)?	☐	☐
Is it clear from the roles and responsibilities and other project governance documents what the steering committee decides or approves, and what the project manager can decide – with or without consultation with the project sponsor?	☐	☐
Has the appropriate person invited the members to join the committee?	☐	☐
The first meeting	**Yes**	**No**
Have members agreed to and signed off the ToR? Are they all clear on their roles and responsibilities, particularly when it comes to their delegation powers and approving project tolerances?	☐	☐
Are the format and content of the agenda, minutes, steering committee pack and standard reports of a high quality?	☐	☐
Does the reporting provide the committee members with clear information so they can see if the project is on track to meet stakeholders' requirements? Are there any risks or issues that threaten the baseline scope, budget, schedule or quality?	☐	☐
Is the information in the steering committee pack provided in a timely way and to the point, or is there too much information?	☐	☐
Are you only including material that needs approval or helps with decision-making (e.g. project baselines, traffic light reports on progress, risk register (main risks), Issues likely to impact scope, project or benefits plan updates, project or phase reviews)?	☐	☐
Is the steering committee clear on the decisions they are being asked to make?	☐	☐

Appendix D: Outline of an agenda for a steering committee meeting

A project steering committee meeting typically has the following agenda:

- apologies;
- probity (opportunity to declare conflicts of interest);
- minutes from last meeting;
- matters arising from minutes;
- project management plan issues – amendments, revisions or any related issues arising;
- project update – including successes, progress reports, performance against cost/time, major risks to the project/outcomes and consultants' reports;
- risk register update and lead indicators or coincident issues that may lead to risk materialisation;
- important issues/actions at the time of the meeting – such as a budget committee submission, proposed tendering arrangements, sign-off of functional requirements, probity matters and related projects;
- review of actions – arising from previous project steering committee meetings – it is essential to keep a formal list of these actions and their owners to track them effectively;
- plans for the period leading up to the next meeting; and
- issues for the next meeting.

As noted previously: Some of these decisions may require subsequent endorsement by Government. For example for HVHR proposals the Treasurer's approval of key decisions surrounding procurement is required prior to actioning the decision.

Appendix E: Self-assessment for evaluating a project steering committee

Please grade Project Steering Committee (PSC) performance by selecting the appropriate response for each statement below:

Statement	Needs Improvement	Meets requirements	High quality	N/A
Provision of Information				
1. The PSC is kept abreast of trends and issues affecting the market in which the project operates.				
2. The PSC is provided with appropriate information to accurately measure, monitor and manage the various projects.				
3. The PSC has appropriate measures of performance in place to monitor areas critical for the project's success				
4. PSC papers contain the correct amount and type of information.				
5. The Project Manager has reliable internal reporting and compliance systems.				
Operation of the Committee				
6. The PSC responds effectively to resolve issues that will impact on the delivery of the project on time, in scope and on budget.				
7. The PSC spends the necessary time reviewing the project's future plans, direction and strategies with project management.				
8. The PSC members ask appropriate questions of project management.				
9. The PSC fosters a climate that encourages serious enquiry and challenging discussion on all appropriate matters and issues.				
10. The PSC discussions enable all views to be heard.				
11. The PSC spends most of its time on important issues.				
12. The PSC has the right mix of skills expertise and backgrounds.				
13. The PSC has a clear understanding of issues important to the completion of the project.				
Role and Organisation of the Committee				
14. The role and responsibilities of the PSC are clearly defined and well understood.				
15. The role of the Chairman is clearly defined and well understood.				
16. The role of the Project Director is clearly defined and well understood.				
17. The goals, expectations and concerns of the PSC are effectively communicated to the Project Management team.				
18. The Project Management team have open and constructive discussion with the PSC.				
19. PSC meetings are run efficiently and effectively.				
20. The format, timing and duration of PSC meetings is appropriate				
Comments:				

Appendix F: Template for project management plan

1. Planning basis

1.1 Project details and scope

Provide a brief description of the project, the objectives and desired outcomes, and the outputs of the projects.

The activities and tasks defined in the project management plan must be undertaken within the scope of the project.

1.2 Project governance

Key personnel need to be outlined

Name	Department/ organisation	Title/role	Responsibilities	Contact details
		Project sponsor	Core member of the steering committee and link between the organisation's senior executives and the management of the project	
		Project director		
		Project manager		

The makeup of the stakeholder advisory group(s), reference group(s) and working group(s) also needs to be listed.

Frequency of meetings with steering committee, working groups etc. has to be agreed.

The tolerances of various roles also need to be agreed.

	Scope	Budget	Timing
Project manager approval			
Project steering committee approval			
Project coordination subcommittee approval			

1.3 Milestones

A milestone is ‘a major event in the project’ and represents the completion of a set of activities. Examples of milestones include:

- feasibility study approved;
- business case approved;
- procurement documentation approved;
- project team appointed; and
- project office established.

List and describe the key project milestones within the following table:

Milestone	Description	Delivery Date	Actual/Forecast date
Business Case Approved	The Business Case has been documented and was approved by the project sponsor.	xx/yy/zz	xx/yy/zz

1.4 Phases

A phase is ‘a set of activities which will be undertaken to deliver a substantial portion of the overall project’. Examples include:

- project initiation;
- project planning;
- project execution; and
- project closure.

List and describe the major project phases within the following table:

Phase	Description	Sequence
Project initiation	Defining the project by developing a business case, feasibility study and Project Charter as well as recruiting the project team and establishing the project office.	Phase #1

1.5 Activities

An activity is ‘a set of tasks which are required to be undertaken to complete the project.’ Examples include:

- develop quality plan;
- formulate supplier contracts; and
- perform project closure.

List and describe the major project activities within the following table.

Phase	Activity	Description	Sequence
Project planning	Develop quality plan	Produce a document describing quality assurance and quality control and process review activities to be undertaken.	After the project plan but before the formulation of supplier contracts

1.6 Tasks

A 'task' is simply an item of work to be completed within the project. List all tasks required to undertake each activity, within the following table:

Phase	Activity	Task	Sequence
Project planning	Develop quality plan	Identify quality targets	1st
		Identify quality assurance techniques	2nd
		Identify quality control techniques	3rd
		Document quality plan	4th

1.7 Effort

For each task listed above, quantify the likely 'effort' required to complete the task.

Task	Effort (days)
Identify quality targets	# days
Identify quality assurance techniques	# days
Identify quality control techniques	# days
Document quality plan	# days

1.8 Resources

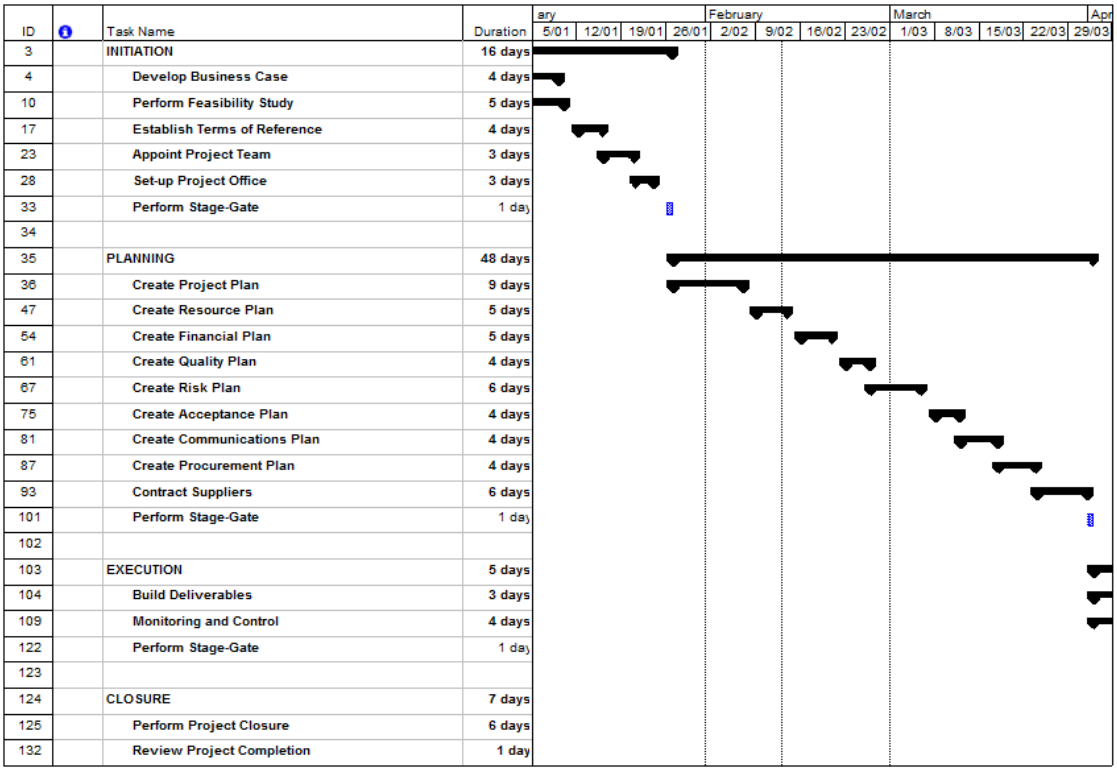
For each task identified, list the resources allocated to complete the task.

Task	Resource
Identify quality targets	Name
Identify quality assurance techniques	Name
Identify quality control techniques	Name
Document quality plan	Name

2.0 Project schedule

2.1 Schedule

Provide a summarised schedule for each of the phases and activities within the project.



ID	Task Name	Duration
3	INITIATION	16 days
4	Develop Business Case	4 days
10	Perform Feasibility Study	5 days
17	Establish Terms of Reference	4 days
23	Appoint Project Team	3 days
28	Set-up Project Office	3 days
33	Perform Stage-Gate	1 day
34		
35	PLANNING	48 days
36	Create Project Plan	9 days
47	Create Resource Plan	5 days
54	Create Financial Plan	5 days
61	Create Quality Plan	4 days
67	Create Risk Plan	6 days
75	Create Acceptance Plan	4 days
81	Create Communications Plan	4 days
87	Create Procurement Plan	4 days
93	Contract Suppliers	6 days
101	Perform Stage-Gate	1 day
102		
103	EXECUTION	5 days
104	Build Deliverables	3 days
109	Monitoring and Control	4 days
122	Perform Stage-Gate	1 day
123		
124	CLOSURE	7 days
125	Perform Project Closure	6 days
132	Review Project Completion	1 day

Note: Refer to the Appendix for a detailed project schedule

2.2 Dependencies

'Dependencies' are logical relationships between phases, activities or tasks which influence the way that the project must be undertaken. Dependencies may be either internal to the project (e.g. between project activities) or external to the project (e.g. a dependency between a project activity and a business activity). There are four types of dependencies:

1. Finish-to-start (the item this activity depends on must finish before this activity can start)

2. Finish-to-finish (the item this activity depends on must finish before this activity can finish)
3. Start-to-start (the item this activity depends on must start before this activity can start)
4. Start-to-finish (the item this activity depends on must start before this activity can finish).

List any key project dependencies identified by completing the following table:

Activity	Depends on	Dependency type
Set-up project office	Appoint project team	Finish-to-start

In the example given above, the activity 'Appoint project team' must finish before activity 'Set-up project office' can start.

2.3 Assumptions

List any planning assumptions made. For example:

It is assumed that:

- The project will not change in scope.
- The resources identified will be available upon request.
- Approved funding will be available upon request.

2.4 Constraints

List any planning constraints identified. For example:

- The project must operate within the funding and resource allocations approved.
- The project team must deliver the software with no requirement for additional hardware.
- Staff must complete the project within normal working hours.

2.5 Risk management

Identify key risks, escalation and communication plans.

3.0 Further documentation

Attach any documentation you believe is relevant to the project plan. For example:

- detailed project schedule (listing all project phases, activities and tasks);
- other documentation (business case, feasibility study, project charter); and
- other relevant information or correspondence.