Risk Based Approach to Project Approval in the Federal Government

Presented By: Catherine Ella, P Eng., PMP, MBA, Tiree
Today’s Presentation:

- Drivers for Policy Reform
- Project Approval Policy Frameworks – Old and New
- Impact of Risk Based Approach
- Observations
Drivers for Project Approval Policy Reform

- Policy Renewal Initiative – TBS

- Project challenges:
  - Information Technology Projects (Firearms Registry – JUSR, Global Case Management – CIC, National Land and Water Information Service – AgCanada)

- Observations and Recommendations
  - International Experience – UK, Australia
Departmental project approvals were determined by a financial limit and 2 gates.

<table>
<thead>
<tr>
<th>Dept/Agency</th>
<th>Real Property</th>
<th>Real Property</th>
<th>IT</th>
<th>IT</th>
<th>All Other</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>General</td>
<td>Special</td>
<td>New</td>
<td>Replacement</td>
<td></td>
</tr>
<tr>
<td>PWGSC</td>
<td>$5M</td>
<td>$30M</td>
<td>$2M</td>
<td>$5M</td>
<td>$1M</td>
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<tr>
<td>DFAIT</td>
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<td>$3 - $30M</td>
<td>$2M</td>
<td>$5M</td>
<td>$1M</td>
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<tr>
<td>DND</td>
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<td>$30M</td>
<td>$30M</td>
<td>$30M</td>
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<td>20 OGD’s</td>
<td>Various limits</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>All Others</td>
<td>$1M</td>
<td>n/a</td>
<td>$1M</td>
<td>$3M</td>
<td>$1M</td>
</tr>
</tbody>
</table>
Links to Capital/Investment Planning

- Old Policy on Long-term Capital Plan – applied to 18 departments
- New Investment Planning Policy applies to all departments and agencies
- Provides Ministers with an overview of all departmental investments (assets, acquired services and projects) over a 3 year planning horizon
- Provides context for project approvals
**New Project Approval Limits and Gates**

- Now Project Approvals are determined by a combination of the Department’s Organizational Project Management Capacity and the individual Project Complexity and Risk Assessment.
- Spending Authority is based on the quality of the cost estimate.

<table>
<thead>
<tr>
<th>Organizational Capacity</th>
<th>Description</th>
<th>Project Complexity and Risk</th>
</tr>
</thead>
<tbody>
<tr>
<td>Level 4 - Transformational</td>
<td>Optimal project management processes and controls fully integrated across the organization</td>
<td>All projects (Levels 1 – 4)</td>
</tr>
<tr>
<td>Level 3 - Evolutionary</td>
<td>Very mature organizational capacity</td>
<td>Projects at levels 3/2/1</td>
</tr>
<tr>
<td>Level 2 - Tactical</td>
<td>Strategic processes and coordinated controls in place</td>
<td>Projects at levels 2/1</td>
</tr>
<tr>
<td>Level 1 - Sustaining</td>
<td>Basic project management capabilities applied to projects</td>
<td>Projects at level 1</td>
</tr>
<tr>
<td>Not assessed</td>
<td></td>
<td>Projects at $1M</td>
</tr>
</tbody>
</table>
Organizational Capacity and Project Complexity and Risk

- **Organizational Capacity**
  - Low
  - High

- **Project Complexity and Risk**
  - Low
  - High

**Within Departmental Authority Limit**
- Minimal Treasury Board Oversight
- Exceeds Departmental Authority Limit
- Significant Treasury Board Oversight

- **Project A**
- **Project B**
### Organizational Project Management Capacity

- OPMCA limits are reviewed once every 3 years
- The OPMCA tool includes 98 assessment criteria for 3 capabilities

#### Organizational Project Management Knowledge Areas

<table>
<thead>
<tr>
<th>Organizational Integration</th>
<th>Investment Portfolio Management</th>
<th>Investment Program Management</th>
<th>Organizational Support Structures</th>
<th>Project Management Standards</th>
</tr>
</thead>
<tbody>
<tr>
<td>Core Project Management</td>
<td>Project Integration Management</td>
<td>Project Scope Management</td>
<td>Project Time Management</td>
<td>Project Cost Management</td>
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<td></td>
<td></td>
<td>Project Communications Management</td>
<td></td>
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</tbody>
</table>

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Generally - all projects that exceed $1M must be assessed

The PCRA tool includes 63 assessment criteria organized into 7 categories:

- Project Characteristics
- Strategic Management Risks
- Human Resources Risks
- Business Risks
- Project Management Integration Risks
- Project Requirements Risks
Challenges

- Implementing risk based policies in a increasingly risk averse political and bureaucratic culture
  - Policy introduction coincided with the introduction of the Federal Accountability Act
  - Creation of additional oversight offices
- Implementing change in a time of fiscal restraint
  - Competition for scarce resources (no additional staff to implement policies)
  - Business cases need to demonstrate cost containment, options for spending deferrals and short term cost savings
Impact on Departments

- Oversight on all projects now – not just the ones targeted for Treasury Board (more work for limited gain)

- Creation of internal oversight organizations and accompanying approval processes – ie Project Management Offices, Risk Management Offices, CFO Attestation

- Significant increase in demand for detailed information for projects that require Treasury Board approval
Observations

- Balancing project risk and complexity with organizational capacity makes sense.
- When implementing a new policy regime - beware of the unintended consequences.
- Don’t overburden the process with unnecessary layers and rules.
  - Focus on the front-line service providers.
  - Strike the right balance.