

Risk Based Approach to Project Approval in the Federal Government



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Outline

▶ 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
 - ▶ Auditor General Reports – 1995, 1996, 1997, 2002, 2006, 2007, 2010, 2011

Old Approval Limits and Gates

- ▶ Departmental project approvals were determined by a financial limit and 2 gates.

Dept/ Agency	Real Property	Real Property	IT	IT	All Other
	General	Special	New	Replacement	
PWGSC	\$5M	\$30M	\$2M	\$5M	\$1M
TC	\$15M	n/a	\$15M	\$15M	\$15M
NRCan	\$5M	n/a	\$5M	\$10M	\$5M
DFAIT	\$1M	\$3 - \$30M	\$2M	\$5M	\$1M
DND	\$1M	\$60M	\$30M	\$30M	\$30M
20 OGD's	Various limits				
All Others	\$1M	n/a	\$1M	\$3M	\$1M

Links to Capital/Investment Planning

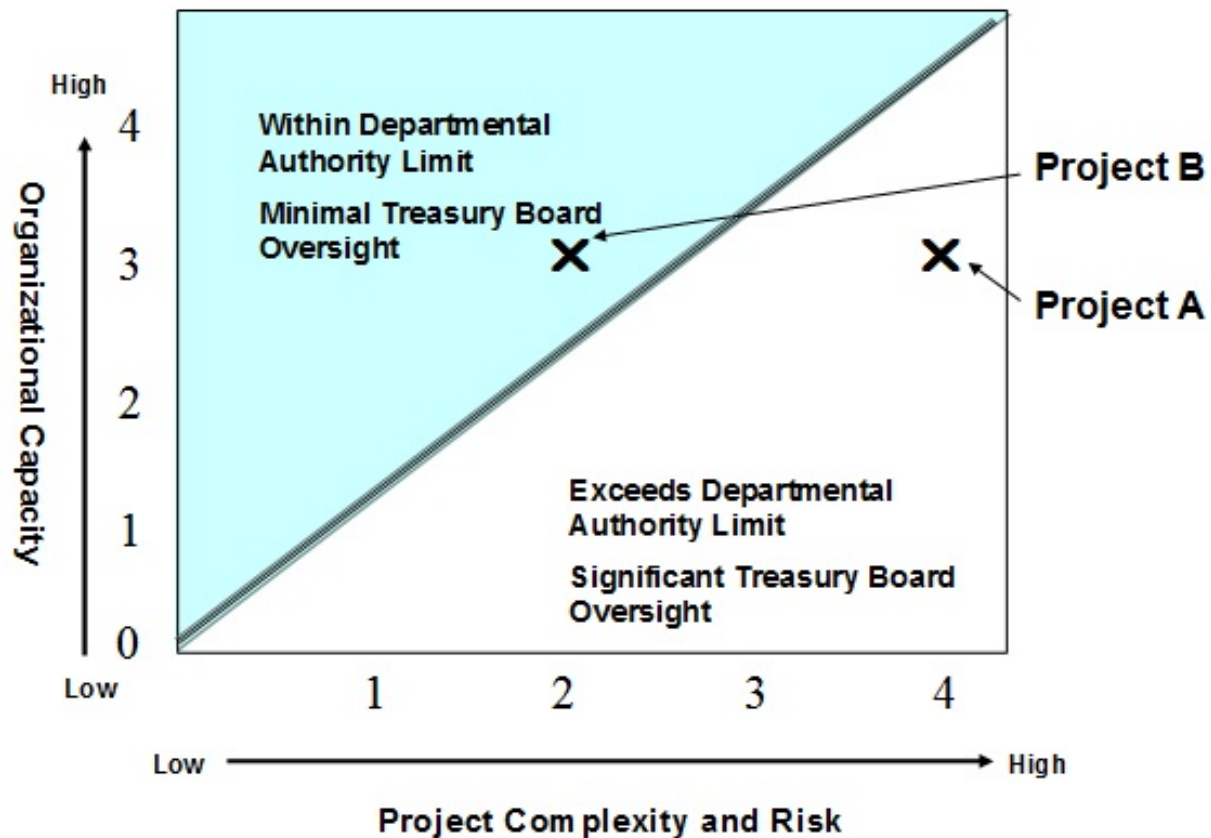
- ▶ Old Policy on Long-term Capital Plan – applied to 18 departments
- ▶ New Investment Planning Policy applies to all departments and agencies
- ▶ Provides Ministers with an overview of all departmental investments (assets, acquired services and projects) over a 3 year planning horizon
- ▶ Provides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

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

Organizational Capacity and Project Complexity and Risk



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

Organizational Integration	Investment Portfolio Management				
	Investment Program Management				
	Organizational Support Structures				
	Project Management Standards				
Core Project Management	Project Integration Management	Project Scope Management	Project Time Management	Project Cost Management	Project Risk Management
Supporting Project Management	Project Quality Management				
	Project Procurement Management				
	Project Human Resources Management				
	Project Communications Management				

Project Risk and Complexity

- ▶ 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