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Study Report – Capital Project Oversight and Accountability: The Functioning of Senior Review Boards

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SYNOPSIS

This paper presents the results of a brief study performed by the Chief of Review Services (CRS). The study, which concentrates on the functioning of Senior Review Boards (SRBs), was undertaken at the request of the Director General Strategic Planning (DGSP). The study is intended to provide helpful input to the way ahead and is not intended as a definitive piece.

Many managers and leaders within the DND/CF are aware of issues pertaining to, or have directly questioned, the workability of SRBs in their current role and functioning. Key issues pertain to the frequency of meetings and the corresponding demands on the time of senior people, as well as the consequent tendency for Boards to sometimes function more in form than substance.

Stressing the requirement for clear performance parameters, and a front-end risk analysis covering the life of individual acquisition projects, the study team concludes that SRBs should be scheduled to coincide with major risk/opportunity milestones and events – this would include project handovers between key personnel. The objective would be to adjust the frequency and timing of SRBs to coincide with project decision points and transitions that warrant the attention of senior people. Board meetings would thus be better timed to maximize the SRB's capacity to influence progress, tradeoffs and risk mitigation. Routinely scheduled SRBs increase the demands on senior people and dilute the overall effectiveness of oversight. At the same time, the study team has also suggested that lower-risk projects should be reviewed by a standing SRB that would monitor the overall progress of a portfolio of such projects.

A further longstanding concern is that SRBs are often dependant on the quality of information and analysis provided by the acquisition project team. This diminishes the potential for active challenge. Accordingly, the importance of reporting standards, if not analytical support to SRBs, is put forward. Other suggestions address chairing and membership.

Recommendations are presented at page 7 of the report, and a table reflecting management feedback is set out at Annex A.

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INTRODUCTION

Background

1. Within the last several years, certain Capital Acquisition projects have experienced difficulties pertaining to cost, schedule and/or deliverables. These would include, but not be limited to, the Reserve Integrated Information Project, the Regional Sector Air Operations Centre, EST Challenger, the Very Long Range Communications System and the M113 Tracked Vehicle Life Extension. Such difficulties act to the detriment of the user and the DND/CF as a whole. Of major concern, in this respect, has been the role and functioning of Senior Review Boards (SRBs) and the matter of whether they could or should have, intervened to more positively influence events.

2. A few years ago, the Vice Chief of the Defence Staff (VCDS) issued a memorandum, in which it was noted that SRBs were not providing the rigorous examination of projects called for and were not well attended. Inherent in the content of the memorandum was that the SRBs were not providing an effective challenge function. Similar concerns have been expressed in various CRS reports. More recently, The Report to the Minister of National Defence by the Advisory Committee on Administrative Efficiency, dated 21 August 2003, recommended that project leaders use SRBs to provide a more rigorous review of projects and that attendance be at more senior levels and by officials that could offer sound recommendations and advice.

Objective

3. In response to a request from DGSP, CRS undertook a study of the functioning and contribution of SRBs. The work is intended to situate SRBs relative to the resource allocation and management process, and to propose recommendations for a way ahead.

Scope

4. This study focuses on the Senior Review Board and the guidance provided in the Defence Management System (DMS) Manual. The methodology has included review of the relevant documentation, interviews with key stakeholders as well as discussion with foreign government agencies for comparative purposes. The resulting report is intended to provide input for consideration by management – it is intended to be helpful, but not definitive.

Roles and Responsibilities

5. Resource allocation in DND is affected by three principal departmental committees: the Joint Capabilities Requirement Board (JCRB); Program Management Board (PMB) and Senior Review Boards (SRB). In simplistic terms, their responsibilities are outlined as follows:

Requirements Generation System

Committee	Functions
JCRB	Broad Needs, Performance Objectives, Requirements

Planning Programming and Budgeting System

Committee	Functions
PMB	Costs, Resource Requirements, Affordability Constraints

Acquisition Management System

Committee	Functions
SRB	Status of Project Execution Cost Schedule and Performance Trade-offs Risk Assessment – Off Ramps

6. Within this structure, SRBs are an integral component. Essentially, SRBs are project management oversight committees, which, while remaining cognisant of and addressing corporate or program issues, must apply themselves to management of the particular project. SRBs are intended to:

a. provide an opportunity for those senior managers who have an interest in or concern about a project to provide input/advice to the Project Leader;

b. provide a review of major decisions and approval documentation;

c. provide senior management with sufficient project background and information to permit an informed review of decision documents; and

d. provide direction and advice to the project manager regarding specific project management issues.

ISSUES

SRB Mandate

7. Through interviews, it has become clear that different perceptions exist as to whether the mandate of the SRB is to provide oversight, an advisory function, or both.

8. The DMS clearly supports both functions. For example, Chapter 6 states that, "Corporate and individual project oversight is retained by the Program Management Board (PMB) and is executed primarily through project Senior Review Boards". In a later statement, it notes that corporate oversight is vested in the SRB. The implication is that the SRB exercises a corporate challenge function on behalf of PMB. In addition, Chapter 9 states that the SRB is to provide "a rigorous departmental examination and certification that all project issues had been resolved prior to consideration by the approval authority." In addition, the provision of advice is confirmed in Chapter 9 wherein the accountability of SRB members is discussed. It states that members provide advice to the Project Leader and are then accountable to their respective ECS/Group Principals for the advice given.

9. However, the oversight function is inhibited by the current structure of the SRB and the resulting responsibility of the members. For example, a distinction is made in the DMS between Core and Associate Members. With the exception of DGSP, core members are those supervising the immediate project staff and consist of representatives from the sponsor and the implementer. Associate members reflect the balance of the Department. Their primary role is to provide advice from the perspective of their functional area of expertise.

10. It is the view of the study team that, with respect to providing rigorous examination of the issues, core members (comprised of project staff supervisors) are in a potential conflict of interest situation. Further, associate members have, by definition and perception, a diminished role to play. By default, this substantially shifts the role of corporate scrutiny to DGSP.

11. Typically, as CRS reviews and others have shown, projects will not normally run into trouble as a result of functional issues, such as training or impact on MOC structure. These are issues that can be dealt with outside of the SRB with the responsible groups and project management staff. Projects do, however, run into difficulty because areas of risk in cost, schedule and performance have not been identified, tracked and/or adequately managed. Specifically, areas of risk including the statement of requirement, options analysis, changes in scope, schedule slippage, requests for increased funds, considerations of continued project relevance, off-ramps, possible termination and others, need to be addressed from a corporate perspective. The study team believes that SRBs can be better structured to facilitate project challenge/oversight function.

Chair

12. SRBs are normally created early in the project planning phase and are chaired initially by the sponsoring group with an eventual changeover once the project enters into implementation. In this regard, there are options available to improve the objectivity of project scrutiny. These include the following:

a. Leave the sponsor as the chair throughout the life of the project. This would provide continuity and scrutiny/challenge as the sponsor would work to ensure that what was delivered met the requirements.

b. Allow for co-chairs between sponsor and implementer as a means of providing more open discussion. This is often the case now at least 'de facto', when SRBs are chaired at the most senior levels.

c. Make the VCDS or his representative the chair to provide more corporate level input and objective assessment. This approach would address any concerns that objective scrutiny was questionable, given that the current chair is the supervisor of the Project Director and Project Manager and controls the agenda.

The study team believes that the most practical approach is to make the sponsor and implementer co-chairs. This would provide a more balanced and workable review board.

Membership

13. As it now stands, SRB membership mirrors representation at PMB and allows for Group Principal involvement in project decisions. However, as noted above, this has resulted in less than satisfactory attendance. The study team believes membership should be rolled back to consist of those who can bring corporate oversight to the management of particular projects.

14. Those best positioned to deal with project management related issues, apart from ADM(Mat) staff, should be DGSP, the 3 ECSs and ADM(Fin CS). Membership should rest with these 6 organizations, and any outside this small group can be considered observers. [Note: For IM managed projects, ADM(IM) will fill the role of ADM(Mat).] This will not only make the SRB meetings more manageable, but will help focus challenge on the key issues of project management. If advice on functional areas, such as implications on training or force structure, is required, it can be solicited in real time, outside the framework of the SRB meetings.

Rank/Level

15. The Defence Management System manual notes that the rank of representation in SRBs must be in accord with the cost and risk of the project. Too often, this has not been the case. As well, dramatic differences in rank and level can inhibit challenge. The study team notes that SRB attendance by Level 1s and Level 2s significantly raises the profile of the meeting to allow for discussion and resolution of fundamental issues. Membership must be at a level sufficient to provide a corporate overview and to make accountable decisions on project management. The study team believes that standardization of rank levels would encourage discussion and provide more effective management.

16. If membership were set at no less than one rank lower than the Chair, it would guarantee senior membership for the high-dollar-value projects generally chaired by Level 1s. It would also help reduce any inhibiting factor connected to rank disparity.

Frequency/Number of Meetings

17. The DMS indicates that SRBs should be held at least once a year or more often if required. In fact, SRBs tend to be held more frequently, particularly for projects over $100M. Our view is that the frequency and schedule of meetings should be tailored to address the high-risk, high-opportunity milestones/events over the course of a project's life cycle. This is contingent on having a good front-end risk analysis for the life of the project. Key milestones, which would trigger the meeting of an SRB, could include, for example: before Synopsis Sheet (Identification) (SS (ID)), Preliminary Project Approval (PPA), Project Profile and Risk Assessment (PPRA), Effective Project Approval (EPA), Program Management Board (PMB), Contract Award, Critical Design Review, Contract Milestones, Contract Amendment, Planned Delivery, Initial Operational Capability (IOC) and Full Operational Capability (FOC). SRBs should also meet to oversee the handover between project managers – this will greatly assist accountability.

18. While the above list of milestones may seem long, the time span between milestones can be greater than one year, in which case an annual SRB should be held. As well, if a milestone slips by a specified amount, such as ten per cent, an SRB may be called by any member. The Capability Investment Database (CID) could be used to track milestone achievements.

19. The study team was advised that there were too many SRBs for detailed scrutiny and analysis. In some instances, the project leader may have more than 40 SRBs annually. Accordingly, the team proposes that SRB meetings for projects under $30M (departmental approval authority) take place less frequently and could be overseen by a standing SRB(s) which meets twice per year to consider the progress for a large number/portfolio of smaller, lower-risk projects. We recognize that a $ value is only a first step in isolating those projects having lower-risk attributes.

Standard Agenda/Reporting

20. With a smaller core of members and a mandate for challenge, the agenda for SRBs should, as a minimum, focus on an update on the project risk analysis and mitigation strategies and the status of key performance parameters affecting cost, schedule and performance. Members would want to be apprised of: project achievements, upcoming risk-related events, those risks which have passed, risk mitigation strategies which have been successful, as well as any key changes in requirements, project personnel etc. SRBs will also want to be briefed on the consumption of resources (including contingency) relative to delivery milestones (burn rate) and any trade-offs between time, cost, scope and performance.

21. The process of preparing for this type of meeting could have as great an impact as the meeting itself. The latter would in fact be a formalization of the discussion that would necessarily take place prior to the meeting. Recently, an SRB checklist was promulgated from which a standard agenda could perhaps be derived. The goal though would be to foster discussion rather than provide a tool for quick check-off.

Secretariat

22. Previous reviews (1986 and 1992) have recommended the establishment of an SRB secretariat. However, this issue has not been addressed, largely because of the lack of available personnel. This study team notes that this administrative/analytical support is currently being met by selected PY commitments in other areas. If these PY resources were coordinated, a restructured SRB could be assisted by a standing secretariat, which would help provide support and continuity on issues. The secretariat could be expanded to provide technical and specialist input if that were deemed a requirement in the future. The secretariat would be involved in the entire project life cycle and accessible to both PD and PM. If a professional secretariat with analytical support were to be created, additional personnel and training in project management would be required.

23. As a first step, the study team recommends the creation of a departmental secretariat for administrative support to SRBs.

Accountability

24. The Project Leader should remain accountable to the Deputy Minister for project delivery. Members of the SRBs will be accountable to their Group Principals for the advice given and for decisions taken.

Governance

25. There are a number of co-ordination issues that impact on the Departmental committee structure, especially JCRB, PMB, and SRB. Although membership in these committees often overlaps, there appears to be some dysfunction in relating to their respective responsibilities. The division of responsibilities between force planning, program and budgeting and acquisition management appear to have become blurred. The study team believes that there is sufficient overlap and omissions in the responsibilities and structure of these committees that the issue of Departmental governance should be studied in detail, with the objective of ensuring co-ordination and avoidance of duplication of decision-making.

CONCLUSION

26. In conclusion, the study team believes that SRBs were created to provide advice and challenge to the management of projects. The current structure, though, inhibits the oversight function. SRBs should therefore be restructured and strengthened in terms of membership, chairing, rank, frequency of meetings as well as the provision of secretariate support.

RECOMMENDATIONS

27. The following recommendations are proposed:

1. SRBs should be held at key milestone and risk points, as opposed to annually. Thresholds on milestone slippage and cost escalation should influence meeting frequency.

2. Individual SRBs should only be held for projects above $30M, and for other projects fitting a higher-risk profile, with the remainder carried out through a standing SRB(s).

3. SRBs should be co-chaired by sponsor and implementer.

4. Except in unusual circumstances, SRBs should be comprised of members of equal rank, with a minimum no lower than 1 rank below the chair.

5. The distinction between core and associate members should be eliminated. Membership should be limited to those who can provide corporate oversight of particular projects, i.e., members from ADM(Mat), VCDS, ECS's, ADM(Fin CS).

6. SRBs agendas should cover pre-defined topics, supported by reporting. They should focus on risks, mitigation strategies and key indicators (e.g., burn rate) pertaining to time, cost and performance objectives as well as pertinent tradeoffs.

7. Consideration should be given to establishing a Departmental Secretariat to provide analytical support to SRBs.

A table summarizing the nature of management responses to the above recommendations is found at Annex A.

ANNEX A – MANAGEMENT RESPONSE

Presented below, in tabular format, is an indication of the management reaction to the recommendations found on the previous page (7) of this paper. The table is organized according to the overall level of management agreement, with recommendations receiving the highest consensus of management agreement listed first.

Management Response To CRS Recommendations

Rec. #	DGSP	ADM (Mat)	ADM (Fin CS)	ADM (IM)	ADM (IE)	DCDS	CAS	CMS	Overall Level of Agreement
1									
6									
5									
3									
4									
7									
2									

Legend

Agree with Recommendation	Partial Agreement with Recommendation	Disagree with Recommendation