



## Manchester City Council

Audit of Accounts 2009/10  
Review of IT Governance

April 2010

**Review of IT Governance**

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## Review of IT Governance

# 1 Executive Summary

## 1.1 Introduction

This report highlights the key issues arising from our audit of the Council's arrangements over IT governance, carried out in accordance with the 2009-10 audit plan agreed with management.

This review informed our 2009/10 Use of Resources assessment, specifically in relation to:

*KLOE 2.1 - Does the organisation commission and procure quality services and supplies, tailored to local needs, to deliver sustainable outcomes and value for money? and*

*KLOE 2.3 - Does the organisation promote and demonstrate the principles and values of good governance?*

## 1.2 Scope of the review

The scope and objective of the review was to assess the following areas:

- Leadership and Responsibility
- Strategic Alignment
- Value Delivery
- Risk Management
- Performance Measurement
- Regulatory Compliance

## 1.3 Background

Historically, the ICT Service has been decentralised to a great extent and individual Directorates have procured their own IT systems and personnel. This has resulted in a fragmented service across the Council and also had an effect on the consistency of governance and security controls. As such, the Council now has a task to implement governance and security policies across the Council to manage and mitigate future inefficiencies and risks.

This has been recognised by the Council and various steps have been taken to centralise ICT procurement and services. The overall responsibility for the ICT Service was reassigned from the City Treasurer's department to the Directorate of Transformation in early 2009 and the ICT Service has been restructured and improved through the appointments of a Chief Information Officer (CIO) in addition to supporting roles. Also, the ICT service has engaged the services of Ernst and Young in January 2010 to work with the Council as a strategic partner for two years to assist in the development of ICT plans and operational policies.

## 1.4 Conclusions

We recognise that the Council, assisted by Ernst and Young, is in the process of establishing and implementing a number of initiatives that represent good practice in the area of IT governance. Examples noted include:

- **ICT Portfolio Governance Structure** - a high level governance process has been formally established and agreed by ICT management in March 2010. This includes

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processes for individual project governance, management and delivery. They are based on best practice and the Manchester Method, the Council's project management methodology based on PRINCE2; and

- **Project Portfolio** - all ICT projects have been consolidated into a centralised list. This is an improvement on historical practice of managing IT initiatives at the local level without Council-wide oversight of budgets and dependencies.

### 1.5 Key areas for improvement

Our work has identified that progress since our previous review in November 2009 has been limited. This is primarily due to the operational management vacancies in the new ICT structure, with the post of Head of Strategy and Change also becoming vacant in early March 2010 after an appointment in November 2009. Although the recent recruitment round has filled some of these key management positions, approximately a quarter of the management posts - level 8 and above - remain vacant.

As a result, we have established that a number of areas require further effort to improve the existing controls. Key issues include:

- **ICT and Business Portfolio Board** - Historically, the Council has not used a formal IT Steering Committee to oversee ICT projects and plans and ensure that they are evaluated, prioritised and monitored to enable delivery that is in line with corporate objectives. In March 2010, an ICT and Business Portfolio Board was created to accomplish this function at the Council.

The Portfolio Board is still in the early stages and its first informal meeting was held in early March 2010. The Portfolio Board does not yet have documented terms of reference or a formal membership listing with representatives from the Directorates. We understand the CIO plans to hold informal Portfolio Board meetings weekly for approximately four to five weeks in order to formalise the workings of the Board prior to inviting representatives from the Directorates to join.

Management should continue with plans to formalise the Portfolio Board. While it is sensible to hold the meetings informally initially, management should identify a firm date for the first formal Portfolio Board with representatives from the Directorates involved. Documented terms of reference, formal membership listing, responsibilities of the members and documented meeting minutes should be in place as a matter of priority.

- **ICT Strategy** - The ICT Strategy was developed approximately eighteen months ago, before the outbreak and impact of the Conficker virus, and the reorganisation of the ICT department. There has been a significant amount of change in the ICT department since the strategy was documented, including the appointment of a new CIO.

We understand the next business planning round begins this year and the CIO plans to update the ICT strategy during the planning round to ensure it is appropriately aligned with the ICT business plan which will primarily be informed by AIM (Analyse and Improve Manchester).

Management should continue with plans to ensure the ICT strategy is appropriately updated and aligned with the Council's corporate strategy. Once the ICT strategy has been formally documented and approved by the Council, management should develop

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tactical plans to achieve the goals and objectives of the ICT strategy. ICT Management should also review the portfolio of projects to ensure the portfolio supports the overall ICT strategy and the requirements of the Council.

- **ICT Consolidation** - Historically, the Directorates have been able to procure ICT related services, including personnel. This practice has resulted in a disjointed ICT environment with devices and applications outside of the control and governance of ICT.

To deal with this issue a project has been initiated to consolidate the ICT personnel and services currently sitting outside central ICT in the Directorates. This project has been delayed and is now scheduled to start in April 2010. We recommend management consider developing a formal ICT policy to communicate the requirement for all ICT services and purchases to be routed through the ICT governance process. The policy should be formally approved by the Council and communicated to the Directorates as part of the strategy to consolidate.

Management should also continue with the project to consolidate ICT services and personnel.

- **ICT Governance Structure and Recruitment** - A new ICT governance structure was defined in 2009 that created the position of a CIO with two direct reports - the Head of Operations and the Head of Strategy and Change. There were a number of other management posts created and recruited against during a recent recruitment round. While a number of these positions have been filled, there were approximately thirteen vacancies out of fifty five management positions (grade 8 and above) at the time of review which accounts for approximately a quarter of the management positions within the new ICT structure.

In addition, the Head of Strategy and Change left the post in March 2010. We understand management plan to backfill this post with assistance from Ernst and Young in the short term while the structure of the department is reviewed again and finalised. There is still a degree of change expected in the ICT structure. Without a formal defined structure and management in key functions, there is a risk it will take much longer than anticipated and hoped to embed the planned governance and security processes.

We recommend that management formalise the ICT structure as a matter of priority. The amount of change required will take time to embed. This will, in turn, have an effect on the adequacy of the required governance functions.

Management should also work with Human Resources to determine whether alternative avenues for advertising the open positions can be pursued to attract quality ICT staff to support the ICT structure.

- **Communication within the Council** - New roles to support communication between ICT and the Directorates have been established. There is a Business Lead for each Directorate and the goal is to build up the relationship over time in order to support the consolidation strategy and provide one point of contact into ICT.

However, the roles of Business Leads have not yet been formally communicated to the Directorates. ICT Management plan to hold workshops with each of the Directorates to introduce the new ICT governance processes and their assigned Business Lead.

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The Internal Audit recommendations to perform an annual customer survey and development of and reporting on Key Performance Indicators (KPIs) are still outstanding.

- **Risk Management** - The ICT department started to develop its operational risk register in December 2009. The operational risk register is discussed at the weekly ICT management meetings and added to as appropriate. This risk register is for internal ICT use and does not link into the higher level Council risk management process.

Historically, ICT risks have been added to the Council's risk register through audit findings and recommendations. It is understood the Council is in the process of developing its risk management process and plans to conduct risk workshops within ICT in the next few months. The output of this process should be a formally documented ICT risk register that is maintained by ICT and feeds into the Council's risk management process.

Management should also consider linking the high level ICT risk register, which feeds into the overall Council risk register, to the operational risk register, both of which should be reviewed on a regular basis.

- **Performance Monitoring and Reporting** - The CIO attends various meetings across the Council that include the SMT, the Transformation Board, the Oversight and Scrutiny and the Town Hall Programme Board, to represent and report on ICT matters.

The ICT department does not have any formally defined KPIs with which to monitor and report ICT performance to management.

We understand that an Incident and Problem Support Manager has been recently recruited, (in post approximately 4 weeks as at the beginning of March 2010), who has been charged with developing a set of KPIs. We also understand management plan to implement a monitoring tool, Microsoft Systems Centre, to assist with the monitoring and reporting of KPIs.

We recommend ICT management continue with plans to develop a formal set of KPIs to be monitored and reported to the Council. Once identified, the KPIs should be presented to the Council with reporting frequencies and performance targets to be formally approved.

### 1.6 Responsibility of IT Management

This report has been discussed with the Chief Information Officer.

Our work did not encompass detailed testing of operational arrangements in place, and cannot be relied upon necessarily to disclose all weaknesses or to include all possible improvements in internal control that a more extensive special examination might develop.

### 1.7 The way forward

We have made a number of recommendations which are set out in the attached action plan alongside the detailed findings.

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**1.8 Acknowledgements**

We would like to record our appreciation for the positive co-operation and assistance provided to us by the ICT department and other staff at the Council during the course of our review.

**Grant Thornton UK LLP**  
**April 2010**

## 2 Detailed Findings and Action Plan

In the following section, **high** priority recommendations correspond to fundamental control risks; and **medium** priority recommendations apply to control risks that exist and require attention. Recommendations with **low** priority are concerned with improvement in procedures that require attention in a medium to long term timescale.

Matter arising	Recommendation	Priority	Management Response	Officer Responsible and Implementation Date
<p><b>1 ICT and Business Portfolio Board</b></p> <p>Historically, there has not been a formal 'IT Steering Committee' where ICT projects and plans are evaluated, prioritised and monitored by the Council. In March 2010, an ICT and Business Portfolio Board ('Portfolio Board') was created to accomplish this function at the Council.</p> <p>Management plan for the Portfolio Board to manage the ICT portfolio of projects, including commissioning decisions, budget allocation, benefits tracking and exception management.</p> <p>However, the Portfolio Board is still in the early stages and its first informal meeting was held on 3rd March 2010. The Portfolio Board does not yet have documented terms of reference or a formal membership listing with representatives from the Directorates.</p>	<p>We recommend ICT management:</p> <ul style="list-style-type: none"> <li>Continues with plans to formalise the Portfolio Board. While it is sensible to hold the meetings informally initially, management should identify a firm date for the first formal Portfolio Board with representatives from the Directorates involved; and</li> <li>Ensures the Portfolio Board is appropriately documented. This should include documented terms of reference, formal membership listing, responsibilities of the members and documented meeting minutes.</li> </ul>	<p><b>Medium</b></p>	<p>Agreed</p> <p>The Portfolio Board is now formalised and documented and an Information Board that is represents all directorates and specialist areas will be established in May 2010. It is expected that the Information Board will report direct to the Council's SMT.</p>	<p>Steve Park, CIO</p> <p>May 31 2010</p>

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Matter arising	Recommendation	Priority	Management Response	Officer Responsible and Implementation Date
<p>We understand the CIO plans to hold informal Portfolio Board meetings weekly for approximately four to five weeks in order to formalise the workings of the Board prior to inviting representatives from the Directorates to join.</p>				
<p><b>2 ICT Strategy</b> The current ICT Strategy was developed approximately eighteen months ago before the outbreak of the virus and reorganisation of the ICT department. There has been a significant amount of change in the ICT department since the strategy was initially documented, including a new CIO.</p> <p>We understand the next business planning round begins this year and the CIO plans to update the ICT strategy during the planning round to ensure it is appropriately aligned with the ICT business plan which will primarily be informed by AIM (Analyse and Improve Manchester).</p>	<p>We recommend ICT management:</p> <ul style="list-style-type: none"> <li>Continues with plans to ensure the ICT strategy is appropriately updated and aligned with the business plan;</li> <li>Develops tactical plans to achieve the goals and objectives of the ICT strategy, once it has been formally documented and approved by the Council Management; and</li> <li>Reviews the ICT portfolio of projects to ensure the portfolio supports the overall ICT strategy and the requirements of the Council.</li> </ul>	<p><b>Medium</b></p>	<p>Agreed</p> <p>As per the recommendation, the IT Strategy will be reviewed in line with business planning in 2010. The new Portfolio Board and Information Board will ensure that the change portfolio continues to support the requirements of the Council.</p>	<p>Steve Park, CIO</p> <p>Ongoing</p>
<p><b>3 ICT Consolidation</b> Historically, the Directorates have been able to procure ICT related services outside of the management and responsibility of ICT. In addition to the procurement of services outside the remit of ICT, the Directorates also procured individuals to support these services outside of ICT.</p>	<p>We recommend ICT management:</p> <ul style="list-style-type: none"> <li>Develops a formal ICT policy to communicate the requirement for all ICT services and purchases to be routed through the ICT governance process. The policy should be formally approved by</li> </ul>	<p><b>Medium</b></p>	<p>Agreed</p> <p>This policy of ICT requirements and purchases to be routed through the ICT Service will be agreed as a priority by the new Information Board.</p> <p>The project to consolidate ICT</p>	<p>Steve Park, CIO</p> <p>May 31 2010</p>

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Matter arising	Recommendation	Priority	Management Response	Officer Responsible and Implementation Date
<p>This historical practice has led to a fragmented ICT environment with devices and applications outside of the control and governance of ICT.</p> <p>There is a project in the ICT program portfolio to consolidate the ICT personnel and services currently sitting outside of ICT governance in the Directorates. This project is scheduled to start April 2010.</p>	<p>the Council and communicated to the Directorates as part of the strategy to consolidate; and</p> <ul style="list-style-type: none"> <li>Continues with the project to consolidate ICT services and personnel.</li> </ul>		<p>across the Council will continue throughout 2010.</p>	
<p><b>4 ICT Governance Structure and Recruitment</b></p> <p>A new ICT governance structure was defined in 2009 which created the position of CIO with two direct reports, the Head of Operations and the Head of Strategy and Change. There were a number of other management posts created and recruited against during a recent recruitment round. While a number of these positions have been filled, there were approximately thirteen vacancies out of fifty five management positions (grade 8 and above) at the time of review which accounts for twenty four percent of the management positions.</p> <p>In addition, the Head of Strategy and Change left the post in February 2010. We understand management plan to backfill this post with assistance from Ernst and Young in the short term while the structure of the department is considered. There is still a degree of change expected in the ICT structure, for example, a high level plan might split the Strategy and Change function and reorganise the current structure of teams under Operations.</p>	<p>We recommend ICT management:</p> <ul style="list-style-type: none"> <li>Formalises the ICT structure and communicate it to the ICT department. The amount of change required, for example, reorganisation of teams under Operations, will take time to embed and may be necessary before governance processes to function adequately as intended.</li> <li>Works with HR to determine which other avenues for advertising the open positions might be possible to attract quality ICT management to support the ICT structure.</li> </ul>	<p><b>Medium</b></p>	<p>Agreed</p> <p>The ICT management structure has been recently reviewed and a proposal for improvement is being sent to the Director of Transformation for approval.</p> <p>A review of recruitment practice for specific roles will be included in this proposal to the Director of Transformation.</p>	<p>Steve Park, CIO</p> <p>April 2010</p>

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Matter arising	Recommendation	Priority	Management Response	Officer Responsible and Implementation Date
<p>We understand the restructuring that is still to be performed will not create any new posts, with the exception of a possible split of the Head of Strategy and Change, but may change the way individuals work as teams. For example, the current ICT structure has forty technical analysts under Operations. These technical analysts may be organised in certain teams in order to perform certain functions more efficiently.</p> <p>Without a formal structure defined and management in key functions, there is a risk it will take longer to embed the planned governance and security processes.</p>				
<p><b>5 Communication with the Council</b> The role of 'Business Leads' has been established in the ICT department to be the communication point between ICT and the Directorates. A Business Lead for each Directorate will be assigned and the goal is to build up the relationship over time in order to support the consolidation strategy and provide one point of contact into ICT.</p> <p>However, the role of Business Leads has not yet been formally communicated to the Directorates. ICT management plan to hold workshops with each of the Directorates to introduce the new ICT governance processes and Business Leads.</p>	<p>We recommend ICT management continue with plans to formally introduce the Business Leads to the Directorates to establish the lines of communication into ICT and begin building relationships with the Directorates to support the consolidation strategy. Firm completion dates should be assigned to this process.</p>	<p><b>Medium</b></p>	<p>Agreed</p> <p>All business leads have now been recruited, with the exception of the Operations Manager, are in post and have been introduced to Directorates.</p> <p>Operations Manager- Business has been recruited but did not take up post. Re-advertised and candidate selected declined interview. Currently going to re-advert.</p>	<p>Steve Park, CIO</p> <p>July 31 2010</p>
<p><b>6 Risk Management</b> The ICT department started to develop the operational risk register in December 2009. The operational risk register is discussed at the weekly ICT management</p>	<p>We recommend ICT management:</p> <ul style="list-style-type: none"> <li>Continues with plans to hold the risk management workshops with the Council. The output of this</li> </ul>	<p><b>Medium</b></p>	<p>Agreed</p> <p>ICT still plan to undertake risk management workshops with the</p>	<p>Steve Park, CIO</p> <p>Ongoing</p>

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Matter arising	Recommendation	Priority	Management Response	Officer Responsible and Implementation Date
<p>meetings and added to as appropriate. Currently, this risk register is for internal ICT use and does not link into the higher level Council risk management process.</p> <p>Historically, ICT risks have been added to the Council's risk register through audit findings and recommendations. It is understood the Council is in the process of developing its risk management process and plans to conduct risk workshops within ICT in the next few months.</p>	<p>process should be a formally documented ICT risk register which is maintained by ICT and feeds into the Council's risk management process; and</p> <ul style="list-style-type: none"> <li>Links the high level ICT risk register, which feeds into the overall Council risk register, to the operational risk register, both of which should be reviewed on a regular basis.</li> </ul>		<p>Corporate Risk Team that will result in ICT risks being fed into corporate registers.</p>	
<p><b>7 Performance Monitoring and Reporting</b></p> <p>The CIO attends various meetings across the Council, for example, the SMT, the Transformation Board, the Oversight and Scrutiny and the Town Hall Programme Board, to represent and report on ICT.</p> <p>However, the ICT department does not have any formally defined key performance indicators (KPIs) with which to monitor and report ICT performance to management.</p> <p>We understand an Incident and Problem Support Manager has been recently recruited (in post approximately four weeks as at the beginning of March 2010) who has been charged with developing a set of KPIs. We also understand management plan to implement a monitoring tool (Microsoft Systems Centre) to assist with the monitoring and reporting of KPIs.</p>	<p>We recommend ICT management:</p> <ul style="list-style-type: none"> <li>Continues with plans to develop a formal set of KPIs to be monitored and reported to the Council. Once identified, the KPIs should be presented to the Council with reporting frequencies and performance targets to be formally approved; and</li> <li>Monitors the approved KPIs regularly with results reported to the Council in the agreed timeframes.</li> </ul>	<p><b>Medium</b></p>	<p>Agree</p> <p>Plans remain in place to have formal KPIs established and monitored via the Incident &amp; Problem Manager through to ICT Management and then to the Director of Transformation.</p>	<p>Steve Park, CIO</p> <p>July 31 2010</p>



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