

The **vision** to succeed

Integrated assurance - the 3 lines of P3M defence
Rod Sowden - P3M3® & MSP® Lead Author

Aspire Europe were part of the UK National Audit Office (NAO) assurance team in 2009 and 2010 when much of the focus was on scoping the reviews to avoid duplication and overload of a very complex programme. The solution that emerged was “Integrated Assurance”, the principle being that programmes and projects should plan to manage their assurance rather than undergo random interventions. They should make it clear where, when and how the assurance will be undertaken to optimise effectiveness.



There are various definitions of what integrated assurance means, but this one from Beyond Boundaries (Kubitscheck, Gower) seems to encapsulate the key points: “Integrated assurance refers to a structured approach for gaining a holistic picture of the principal risks and the level of residual exposure an organisation is required to manage. It involves aligning and optimising the organisation’s assurance over the management of those risks and core business activities in line with the board’s risk appetite and exists to support the board’s risk oversight and risk taking”. Assurance gives confidence to the key stakeholders that plans and objectives are achievable.

The 2011 version of Managing Successful Programme was the first guidance to incorporate the need to have an integrated assurance strategy in place from the outset of the programme to ensure that opportunities to improve the chances of success are identified as early as possible.

It is worth bearing in mind, the generally accepted key principles of effective assurance when you are developing your integrated strategy, these are:

1. Independent of the controlling organisation
2. Integrated with other levels and delivered in a timely fashion
3. Risk based to ensure the right level of focus in the right areas, so the higher the level of risk the more focus there should be on risk.
4. Focused around key decision points in the schedule; the earlier assurance is deployed the better as the journey to failure or success is often set very early.
5. Action based to ensure recommendations are considered and have implementation ownership.

The main value of assurance is providing independent insight into what could go wrong and taking actions to avert failure rather than recover from it

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One of the models that has gained some resonance is [‘the three lines of defence’](#) which has been defined as:

- The business operations – risk and control in the business
- The oversight functions – internal governance, policies and procedures
- Independent assurance – internal audit and external providers

Since 2009, Aspire Europe has been involved with the assessments of well over 100 companies and 6 years on from the emergence of the concept it should be well established. As with so many things that come under the label of “best practice”, in our experience examples are rare. This suggests that even though it makes sense to everyone, organisations aren’t putting it into practice for some reason.

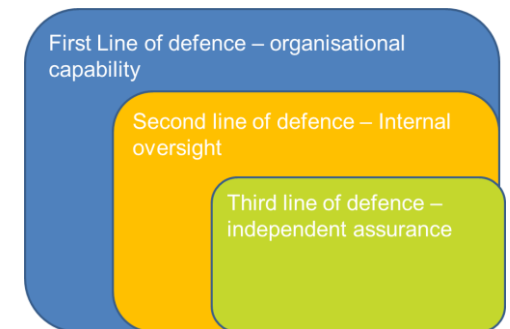
The UK Infrastructure Projects Authority (formerly the MPA) have mandated that UK government departments have an [Integrated Assurance Strategy](#), but our research has only uncovered documents with well-meaning words in them but little in the way of practical application, this aligns with our experiences on P3M3 assessments of organisations.

Applying the 3 lines of defence to P3M

The 3 lines of defence that has been widely accepted by the financial services industry and we

believe that there is a clear parallel that can be used in the portfolio, programme and project world.

- **First line of defence – effective business operations through robust procedures and processes** – the focus is on assessing the organisational capability to achieve the strategic objectives. This requires a model that can take a holistic view of the capability of the people, processes, tools and techniques and management information on which delivery is being managed. There are a variety of maturity models and capability assessments that can be used to understand the core capability that the business needs.
- **Second line of defence is oversight functions - internal governance, polices and controls** – the focus is on the use of internal gate controls and performance analysis to ensure the delivery of specific capabilities and most importantly, making stop or go decisions. At this level there may also be very detailed assurance with the need for subject matter expertise on some aspect, for example technology, engineering, markets or technology.



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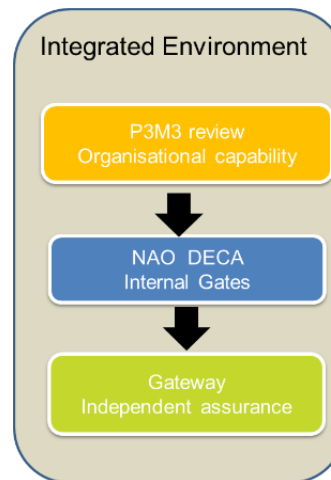
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- **Third line of defence is independent assurance** – the focus is on independence, assessing the likelihood of success that is initiative orientated. It is important that it is not conflicted by vested interests and that objectivity is the key characteristic.

There are a number of well established and respected products that have been developed in the UK. These can be effectively aligned with the 3 lines of defence as follows:

- **First line of defence – The P3M3® maturity model** - assesses the organisation's overarching capability and maturity. This provides insight into the organisation's systemic strengths and weaknesses which will ultimately dictate the likelihood of success.
- **Second line of defence – UK National Audit Office DECA assessment** - analyses the environment in which a programme or project is running and assesses the initial and ongoing likelihood of success. This provides a really solid foundation for internal decision gates and reviews at the 'stop/go' points. These are not advisory, they have teeth and bite because this is where the justification for continuing with the investments are made and where accountability sits. These reviews may need more technical expertise to assess the specific



viability of the approach and their ability to meet the business requirements.

- **Third line of defence – Independent reviews using the IPA Gateway** - use either internal peer groups or external experience to take an independent view of programme or project. These are normally advisory insofar as they can judge the likelihood of success. As they are independent they are not part of the delivery regime so must provide an independent objective view on the business viability of achieving the outcomes and the process for achieving them.

Integrating assurance and knowledge

A critical element of integrating assurance is the flow of information. There are plenty of organisations that conduct these assessments independently but do not cross reference the information. The key point of integrated assurance is that knowledge is being considered from a number of sources and duplication is being avoided by the different levels of assurance.

Recent research by the IPA into trends in Gateway reports shows that the systemic issues that P3M3 identifies are being manifested in Gateway reports trends

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With this cascade of knowledge integrated assurance can be achieved. Aspire Europe have noticed that organisations tend to focus the assurance at topics that are their strengths as those are the areas they believe are important.

If the organisation has a systemic strength in risk management, the subsequent tiered assurance reviews should have greater confidence when reviewing an initiative around this topic and put more effort into analysing the weaker areas. What actually happens is that risk management will draw the attention of reviewers as it is within their comfort zone, which is the opposite of what is needed.

If an organisation has a systemic weakness identified by P3M3® such as resource management or planning, this should be given higher priority at Internal Gate or Assurance Reviews, but as it is outside the comfort zone of the organisation, it is likely to be lower on the list of questions.

“It is a mystery to me why we have projects failing for the same reasons, we can’t seem to learn from our mistakes”
Head of Assurance at large UK Government department.

This is why the First line of defence based on P3M3® is really important as it highlights your systemic strengths and weaknesses, so it forecasts where your

problems will occur. As most organisations are weak at knowledge management, they aren’t able to exploit lessons learned and they continue to fail for the same reasons at all levels.

By building the integrated approach to assurance around the 3 lines of defence it will enable a balance in your organisation’s approach. Obviously each organisation has unique priorities, strengths and weaknesses but this is a good starting point.

There are useful case studies of organisations that have sought to integrate the tiers to gain efficiency for themselves, here are some examples:

- The Australian federal government mandated P3M3® assessments for their departments to help them understand their strengths and weaknesses. Bids for funds in business cases were required to show a mitigation plan to address any systemic weaknesses in their departments. This is a great use of assurance and has now been adopted by the New Zealand government as well.

To achieve success the organisation must decide if it sees assurance as a bureaucratic pain that you have to suffer as a result of external governance or embrace it as an opportunity to improve the chance of success.

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- A pan European programme involving 3 partners in the music licensing industry commissioned an independent assurance review of the programme. Whilst the individual projects were operating reasonably effectively, the assurance review showed that the divisional (programme in this case) layer integrity was not effective which significantly helped the 3 partners to manage their expectations. Third line assurance highlighted the areas that neither first line nor second line could have picked up.



- The Nuclear Decommissioning Agency instigated P3M3® assessments of Sellafield Ltd as part of the assurance regime. They provided incentives to move up the maturity ladder on the basis that they could spend less time on individual projects if the programme governance and controls were better. A good use of First Line assurance to drive down the cost of second and third line assurance.
- Network Rail are seeking to adopt the full three layer approach, with P3M3® being used to assess divisional capability, peer reviews to provide the independent insight and stage gate reviews making the 'stop/go' decisions. Information from the different levels will create

a robust fully integrated approach to assurance, the first Aspire Europe have come across.

Too often organisations operate the layers independently or have too much focus in one area. Integrated assurance is about balance, prioritisation and achieving success efficiently, not repetition of bureaucratic analysis.

This is not limited to P3M as there are numerous maturity models that can help with greater integration in other disciplines; for example, asset management, change management, health and safety management. All can enrich the understanding and increase the likelihood of success for the organisation.

Simply focusing on one of the lines of defence will not work as the same issues will recur and not be addressed. The whole system must function properly for an integrated assurance strategy to work.

If you are looking to develop an integrated approach to your assurance, a combination of maturity assessment, independent review and internal assessment will provide you with a robust and integrated assurance regime.

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