

Appendix D: Project Governance and Risk Management Framework

Dr. Gregg Li and his associates have created a project governance framework for NGOs and projects that have been studied at the World Bank and applied in NGOs in Hong Kong. We shall be used for the Academy. **Project governance** describes the processes that need to exist for a successful project. Project governance provides the framework to ensure proper evaluation, planning and execution of the project; defines the decision-making flow and authority; ensures appropriate review of issues and management of risks throughout the project life cycle; and ensure proper flow of information to report progress and address issues. Project Governance extends the principle of Corporate Governance into governance of project management. The framework is replicated in brief here. *For detail, please refer to that guide produced in 2011 for Aon Global.*

The objective of a governance process is to focus an organization's investments and resourced on areas of the greatest benefit to the organization — and then ensure this value is fully realized.

A system that is governed well:

- Sets clear goals and measurements of the goals;
- Has transparent and accountable leadership;
- Defines authority and decision-making hierarchy;
- Has clearly defined roles and processes;
- Provides sufficient information to enable proper supervision;
- Ensures that all critical activities are under control;
- Enforces internal control points to ensure conformance;
- Identifies residual risks and takes measures to avoid them;
- Deals with problems efficiently and effectively when they arise;
- Operates efficiently; and
- Empowers the team to perform.

The same principles apply to governance of projects which often involved major investments from the organization. In addition, effective project governance requires:

1. Clear accountability for the success of the project (with the project sponsor or project director)
2. Project ownership belonging to the one who ultimately delivers the products / services to end users
3. Cushion to take on those unexpected events
4. Separation of stakeholder management and project decision making
5. Separation of project governance and organizational governance structure (for larger projects).

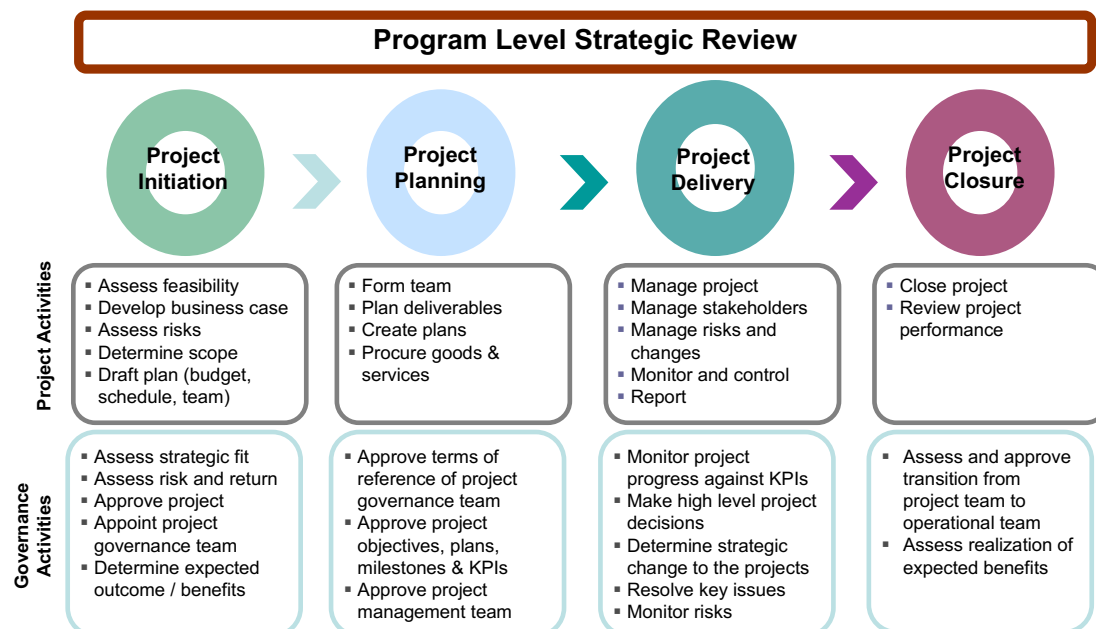
Project governance refers to the practices of governing projects to ensure risks of projects undertaken are properly managed and the projects will deliver the intended

outcome. What are the specific measures of success of project governance? They encompass:

- **Timely and clear Communication.** Frequent and clear updates are a must for any project. If this is going to be an issue, don't start.
- **Leadership.** Senior executives who understand the roles of project sponsor in steering and directing a project to delivery of the outcomes and values promised. You have to have commitment.
- **Strategic Alignment.** Mechanisms and methodology to allow thorough examination of project ideas in terms of costs and benefits and alignment with the organisation's vision and strategic objectives.
- **Risk Management.** Processes to assess risks associated with the project, financial and otherwise and that risks are properly managed throughout the project cycle, and that residual risks can be treated.
- **Monitoring.** Monitor and review mechanism to assess project progress and continual viability against expected benefits.
- **Change Control.** Change process to assess the effects of project variations on overall expected outcomes.
- **Change Management.** Translation of project outcomes to changed business processes. Managing expectations of all key stakeholders (as in public consultation) if not properly managed, have known to delay a project by up to 10 years.
- **Program Management.** Program management capability to monitor and review multiple projects against overall benefits to the organisation.
- **Knowledge Management.** Repository of project experiences and lessons learnt that future projects can make reference to. Don't under-estimate the power of a project review.

Project Governance Framework - Project Life Cycle

Every project goes through a life cycle. In running a project, the guide divides the project life cycle into four stages and provides checklists and templates for leadership to carry out governance activities at each stage.



Key project delivery checkpoints along the project life cycle are:

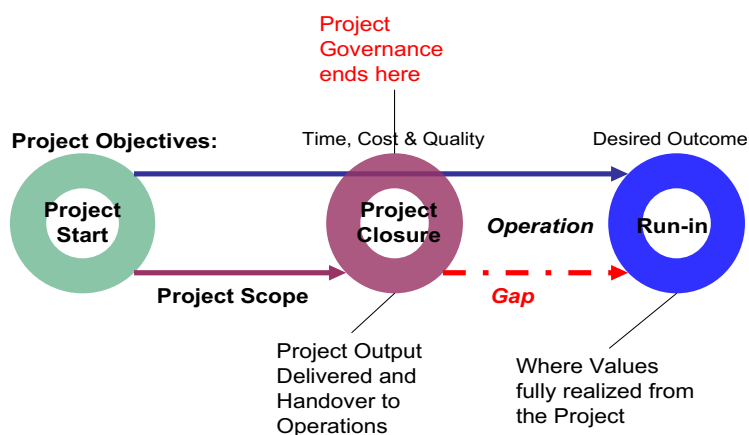
No	Checkpoint	Purpose
0	Strategic Assessment	Periodic program level review to examine the strategy, direction, planning and intended benefits of the program and its constituent projects.
1	Business Case	Project level review to examine the business case of a project in terms of its benefits to the organisation, its strategic fit (to the program and thus to the organisation's overall strategic objectives), its objectives and the cost-benefit trade-off and risks.
2	Delivery Strategy	Project level review of the delivery strategy.
3	Investment Decision	Final review of the business case to make the investment decision to approve and commence the project.
4	Readiness for Service	Project level review to determine the readiness of the project to transition from the project environment to the operational environment.
5	Post-implementation Review and Benefits Realization	Periodic review post-project completion to confirm that the intended benefits are realised and the goods and services are meeting the ultimate users' expectations.

Source: Adopted from the UK Government Gateway Project for Project Delivery

Project, Program and Portfolio

A **project** is defined as a temporary endeavor, having a defined beginning and end (usually constrained by date, but can be by funding or deliverables¹, undertaken to meet particular goals and objectives², usually to bring about beneficial change or added value. The project's objectives should align with the organisation's goals in order to support the overall goals. However, Project Manager responsible for a project may not always see the connection as he/she is separated from the organisation's decision makers by layers of functions and structures. Projects may be grouped together to form a **programme** as sometimes it will take several projects to achieve the organisation's goals. For example, building a road may only divert the congested traffic from one place to another while building a transport network of roads, bridges and traffic management system will. A **portfolio** will in turn make up of a number of programmes.

How to define project success or failure? When does a project closes?



A narrow definition of project success is when all required deliverables (be it a building, a system, or a service) are made within budget, on time, and at the right level of quality. A project which meets this narrow definition may still deem failed if it fails to generate the desired benefits or values. When a project is complete and handed over to user departments, benefits of the project are often not fully realized until they are used and fully assimilated into day-to-day operations after several months. Where the project ends and where the benefits are fully realized is the Gap which is often overlooked. Many project sponsors would sign off the project at completion without further input to ensure that the final benefits will be realized.

¹ A short course in project management. Chatfield, Carl.

² The Definitive Guide to Project Management. Nokes, Sebastian. 2nd Ed.n. London (Financial Times / Prentice Hall): 2007