

Audit Committee 21 June 2012

Internal audit report – Project management

Executive summary and recommendations

Introduction

Mazars has undertaken a review of project management, in accordance with the internal audit plan agreed by the Committee in March 2011. The report is attached as an appendix to this paper.

Decision

The Committee is asked to discuss the report.

Background information

At its meeting in March 2011, the Committee approved the Internal Audit Plan for 2011-12.

Resource implications

None.

Financial implications

None.

Appendices

Internal audit report – Project Management

Date of paper

30 May 2012



Internal Audit Report

**Project Management
(08.11/12)**

June 2012

FINAL REPORT

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Appendix 1 – Definitions of Assurance Levels and Recommendations

AUDIT CONTROL SCHEDULE:

Client contacts	Claire Reed: Project Portfolio Manager Greg Ross- Sampson: Operations Director	Internal Audit Team	Peter Cudlip: Partner Graeme Clarke: Director Peter Williamson: Assistant Manager Chris Wingrove: Auditor
Finish on Site \ Exit Meeting:	23 February 2012	Management responses received:	31 May 2012
Draft report issued:	27 February 2012	Final report issued:	6 June 2012

If you should wish to discuss any aspect of this report, please contact, Graeme Clarke, Director, graeme.clarke@mazars.co.uk

Status of our reports

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1. INTRODUCTION

- 1.1 As part of the Internal Audit Plan for 2011/12, we have undertaken a review of the Health Professions Council's (HPC) arrangements for the management of Projects. This area was included in the Plan due to there being a number of risks associated within this on HPC's Risk Register.
- 1.2 At the request of management, it was agreed that the audit would focus on two of the major projects currently being implemented - introduction of a new Fitness to Practise (FTP) Case Management System and the transfer of the General Social Care Council (GSCC).
- 1.3 We are grateful to the Project Portfolio Manager, the Project Management team and other staff across HPC for the assistance provided to us during the course of the audit.
- 1.4 This report is confidential and for the use of the Audit Committee and senior management of HPC. The report summarises the results of the internal audit work and, therefore, does not include all matters that came to our attention during the audit. Such matters have been discussed with the relevant staff.

2. BACKGROUND

- 2.1 Project management is the way of managing change. It describes the activities that meet specific objectives and can be used to introduce or improve new or existing products and services.
- 2.2 HPC, in maintaining its operations, conducts numerous ongoing projects to ensure it remains a streamlined and efficient organisation. There are two types of projects within the organisation – Major Projects and Departmental Projects. Major projects are managed by the Project Management team and Departmental projects are managed by the owning departments.
- 2.3 The Project Management team reports to the Operations Director and has been in place for about five years. The team currently consists of the Project Portfolio Manager, and two Project managers. The team use Microsoft Project for the ongoing project management of all projects and have adopted PRINCE 2 methodology to define its approach.
- 2.4 All major projects are prioritised on a listing annually by the Executive Management Team (EMT). The two most significant projects at the date of audit relate to the rolling out of the Fitness to Practice (FTP) case management system and the onboarding of Social Workers from the GSCC to HPC.
- 2.5 Each September the Project Portfolio Manager will circulate the five-year major project list to EMT to nominate the projects they wish to propose for the following financial year (both statutory and non-statutory). Once a long-list of projects has been assembled, the Project Portfolio Manager will circulate the Outline Business Case template for completion by the proposed Project Lead for each of the non-statutory projects.
- 2.6 Once the relevant projects have been selected, the Project Portfolio Manager will construct a draft Project Portfolio plan to ensure that the portfolio can be balanced in order that resources will not be over-stretched at any point. Once a balanced portfolio has been achieved, the final list of projects will be compiled by the Project Portfolio Manager, signed off by EMT at an EMT meeting and then circulated to CDT.

- 2.7 Progress reports and management accounts are regularly provided to EMT and the Finance and Resources Committee to help ensure projects are delivered to cost and timescales.

3. SCOPE AND OBJECTIVES OF THE AUDIT

3.1 Our audit considered the following risks relating to the area under review:

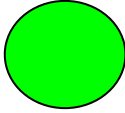
- Failure to deliver a strategic view of FTP Case Management (Risk 8.9, Council Risk Register);
- Failure to successfully open the Social Worker register (8.12, Council Risk Register);
- Major Project Cost Over-runs (15.3, Council Risk Register);
- Staff do not know what they are doing or what they are responsible for leading to a failure to meet HPC's objectives; and
- Poor project management resulting in severe delays in delivery of key projects.

3.2 In reviewing the above risks, our audit considered the following areas:

- Project Planning Framework;
 - Project Management Handbook/Operational Procedures/Guidance covering Project Management key activities;
 - Prioritisation of major projects;
 - Five year major project list;
 - Business Cases;
 - Identification of Project Lead;
 - Assessment of Resource requirements;
 - Project budgets;
 - Project Initiation;
 - Project Documentation;
 - Individual Project Plans;
 - Risk Logs;
 - Investment Appraisals;
 - Highlight Reports/ Action Plans;
 - Impact Assessments;
 - Communications and Quality Plans;
 - Lessons Learnt Log;
 - Benefits realisation; and
 - Monitoring of the operational and financial progress of projects through the EMT/Committee/Council.
-

- 3.3 The objectives of our audit were to evaluate the adequacy and effectiveness of HPC's arrangements for management of Projects, and the extent to which controls have been applied, with a view to providing an opinion on the extent to which risks in this area are managed. In giving this assessment, it should be noted that assurance cannot be absolute. The most an Internal Audit service can provide is reasonable assurance that there are no major weaknesses in the framework of internal control.
- 3.4 We are only able to provide an overall assessment on those aspects of HPC's arrangements for management of Projects that we have tested or reviewed. The responsibility for maintaining internal control rests with management, with internal audit providing a service to management to enable them to achieve this objective. Specifically, we assess the adequacy of the internal control arrangements implemented by management and perform testing on those controls to ensure that they are operating for the period under review. We plan our work in order to ensure that we have a reasonable expectation of detecting significant control weaknesses. However, our procedures alone are not a guarantee that fraud, where existing, will be discovered.

4. AUDIT FINDINGS: ONE PAGE SUMMARY

Assurance on effectiveness of internal controls	
	Substantial Assurance

Recommendations summary	
Priority	No. of recommendations
1 (Fundamental)	None
2 (Significant)	None
3 (Housekeeping)	8
Total	8

Risk management
<p>As referred to in 1.1 and 3.1, HPC's Risk Register contains a specific section of risks associated with Project Management.</p> <p>Testing undertaken as part of this audit has confirmed the mitigating actions in respect of these risks are in place and operating effectively. We have, however, made a number of recommendations which should hope to further strengthen HPC's risk management framework in respect of management of its major projects.</p>

Value for money
<p>The Project Management team has a well developed project management approach in place which adopts the widely recognised PRINCE2 methodology and uses Microsoft Project. With the finite resources available to the Project Management Team, it has been necessary to look at current processes and to rationalise where possible, whilst ensuring that the overall project reporting does not suffer; this was evident in the lack of highlight reports produced.</p> <p>Failures in the successful implementation of projects often occurs at the initial scoping and planning part of the project and especially in ensuring that requirements of the system have been properly thought out with involvement and consultation with the end users of the system. Whilst we are assured that there are adequate planning undertaken when setting out the business cases for major projects, in review of the FTP Case Management project we noted an exception report to EMT outlining the need to introduce changes to reporting due to the proposed solution fro the suppliers being not fit for purpose. Not identifying these issues at the initial planning stage can result in additional costs and delays to the implementation of the project.</p>

5. SUMMARY OF FINDINGS

Overall conclusion on effectiveness and application of internal controls

- 5.1 Taking account of the issues identified in paragraphs 5.2 and 5.3 below, in our opinion the control framework for Project Management, as currently laid down and operated at the time of our review, provides **substantial** assurance that risks material to the achievement of HPC's objectives in respect of this area are adequately managed and controlled.

Areas where controls are operating effectively

- 5.2 The following are examples of controls which we have considered are operating effectively at the time of our review:

- HPC has a detailed project management framework in place which is supported by a comprehensive project management handbook;
- Responsibilities for project roles are clearly defined and documented;
- Detailed business cases are produced for all non- statutory project. A sample check on the FTP Case Management system project confirmed that information contained within the case was supported by documentation held by the project team;
- Project Plans are developed for all major projects which are in the form of a Gantt chart, and review of these noted that all key expected areas had been covered;
- Risk is considered for each of the projects and HPC's register also has a separate risk identified for each major project, which incorporates the appropriate mitigating controls;
- Progress in the delivery of the major projects are regularly monitored by EMT; and
- Finance & Resources Committee receive regular updates on the project costs and any variances to date.

Areas for further improvement

- 5.3 We identified certain areas where there is scope for further improvement in the control environment. The matters arising have been discussed with management, to whom we have made a recommendation. The recommendations have been, or are being, addressed as detailed in the management action plan (Section 6 below).

6. ACTION PLAN

Risk 1: Failure to deliver a strategic view of FTP Case Management (Risk 8.9, Council Risk Register).					
	Observation/Risk	Recommendation	Priority	Management response	Timescale/ responsibility
6.1	<p><i>Observation:</i> The HPC Project Management Handbook stipulates that once each business case is reported back, the Portfolio Manager will undertake research analysis to establish any potential benchmarking or cost benefits.</p> <p>The Project Portfolio Manager, informed us that no such analysis has been carried out due to limited resources in terms of time and staff.</p> <p><i>Risk:</i> Proper due diligence is not taken and projects that are unfeasible are approved, resulting in overspends.</p>	<p>Where possible, the Project Team should consider undertaking an analysis of each project at the post business case stage.</p> <p>Feasibility reports containing cost-benefit or benchmarking analysis may prove a useful tool to EMT when making a decision on project prioritisation.</p>	3	<p>Although a cost benefit analysis is not performed at the initial prioritisation stage, during Initiation of the project a full budgetary analysis is undertaken and this must be approved by EMT before the project can move into 'Build'. At this point, should EMT consider that the project is not worthwhile given the benefits expected; the project would not be approved or would be de-prioritised.</p>	

Risk 1: Failure to deliver a strategic view of FTP Case Management (Risk 8.9, Council Risk Register).					
	Observation/Risk	Recommendation	Priority	Management response	Timescale/ responsibility
6.2	<p><i>Observation:</i> The Project Portfolio Manager will, on an annual basis, circulate a five year list of projects to EMT. To meet the criteria for a major project the project must meet a number of criteria listed in the Project Management Handbook.</p> <p>On review of minutes of EMT and project briefings, it is not explicit as to how the project has been classified major with respect to meeting the criteria outlined per the handbook.</p> <p><i>Risk:</i> It is not clear under what criteria a project is classified major, resulting in potential scrutiny should a project go off course and incorrect allocation of resources.</p>	<p>Consideration be given to explicitly reporting for those projects categorised as 'major' the criteria that have been met within the Project Management handbook.</p>	3	<p>The Outline Business Case template has been amended to include a section that documents which qualification criteria have been met.</p>	Completed

Risk 1: Failure to deliver a strategic view of FTP Case Management (Risk 8.9, Council Risk Register).					
	Observation/Risk	Recommendation	Priority	Management response	Timescale/ responsibility
6.3	<p><i>Observation:</i> Issues logs are regularly produced for the Project Management Team meetings.</p> <p>The log should include the issue, it's priority, the date of completion and whether the issue has been resolved.</p> <p>On inspection of the most recent issues log for the FTP project it was apparent that not all issues had been graded with regard to their significance. Furthermore, it was not immediately clear which issues had been closed.</p> <p><i>Risk:</i> Issues are deemed complete when appropriate action has not been taken, resulting in recurring problems</p>	<p>Issues entered into issue logs are consistently graded by significance with clear reference made to which are the major issues to be included within the exception report.</p>	3	<p>All projects initiated in financial year 2011/12 onwards use a template designed in November 2011 which incorporates this recommendation.</p>	Completed

Risk 2: Failure to successfully open the Social Worker register (8.12, Council Risk Register).					
	Observation/Risk	Recommendation	Priority	Management response	Timescale/ responsibility
6.4	<p><i>Observation:</i> The Social Worker register is classed as a statutory project, and as such is immediately determined as a major project and therefore is not required to have a business case. This is stated in the HPC Projects Listing document.</p> <p>It was noted, however, that this is not mentioned within the Project Management Handbook.</p> <p><i>Risk:</i> New users following the handbook incorrectly classify a statutory project as departmental and not major., resulting in potential non-rolling out of said project.</p>	<p>Point two on the Project listing document cover sheet, outlining what necessitates a major project, should be included in the Project Management Handbook.</p>	3	<p>This has now been included in the Handbook.</p>	Completed

Risk 3: Major Project Cost Over-runs (15.3, Council Risk Register).					
	Observation/Risk	Recommendation	Priority	Management response	Timescale/ responsibility
6.5	<p><i>Observation:</i> Statutory projects such as the GSCC register do not require a Business Case to be prepared; as such we did not find any document outlining: the project background; project definition; project approach; project team; budget risks; quality plan; or communications plan.</p> <p>Whilst we can appreciate not requiring a business case, we feel that the project should contain a Project Brief document which sets out the key elements mentioned above.</p> <p><i>Risk:</i> Planning issues, with staff unsure of responsibilities and unable to reference a document that clearly outlines the project plan</p>	<p>HPC should consider the use of Project Briefs for statutory projects. These should include;</p> <ul style="list-style-type: none"> - project background; - project definition; - project approach; - project team; - budget risks; - quality plan; and - communications plan. 	3	All statutory projects will go through the standard project initiation process and will have a Project Initiation Document compiled – in line with all other projects.	

Risk 3: Major Project Cost Over-runs (15.3, Council Risk Register).					
	Observation/Risk	Recommendation	Priority	Management response	Timescale/ responsibility
6.6	<p><i>Observation:</i> Budgets are set for each project and are outlined in the Project Brief.</p> <p>A Contingency is built into each budget. This tends to be set using historical costs, supplier contingency quotes and experience from previous projects. The budget is agreed by the Project Manager and the relevant department, and approved through EMT and the Finance and Resources Committee.</p> <p>However the contingency is not explicitly separated out or reported on as such.</p> <p><i>Risk:</i> Lack of transparency means EMT could make decisions not knowing the full picture.</p>	<p>Consideration is given to separating out the contingency costs out of the overall budget in each project to provide greater transparency.</p> <p>This would also allow the Project Manager to be more explicit about quantifying the precise amount allocated to contingency.</p>	3	All project budgets will have a specific contingency line included.	

Risk 3: Major Project Cost Over-runs (15.3, Council Risk Register).					
	Observation/Risk	Recommendation	Priority	Management response	Timescale/ responsibility
6.7	<p><i>Observation:</i> On discussion with the Portfolio Manager we noted that HPC does not currently undertake an annual analytical review process that collates all projects together and clearly outlines how many have over/under spent or which have met/not met deadlines among other key data.</p> <p>This was something the Portfolio Project Manager was planning to do, but limited resources has made it difficult to do</p> <p><i>Risk:</i> Major trends in overspending and un-timeliness are overlooked, resulting in recurring problems for future projects.</p>	<p>The Project Management team should endeavour to create an annual end of year overall project summary including key data such as: number of projects overspent/underspent; number of deadlines met/not met; departments where deadlines/budgets are met/not met.</p>	3	<p>All projects undergo a Project End process. This analyses how a project performed against Time, Cost and Quality. At the end of the financial year – if resources permit – a report will be written to collate all project end report findings.</p>	

Risk 3: Major Project Cost Over-runs (15.3, Council Risk Register).					
	Observation/Risk	Recommendation	Priority	Management response	Timescale/ responsibility
6.8	<p><i>Observation:</i> Once a project is closed it is no longer monitored by the Project Management Team. The Head of Business Process Improvement has the responsibility for reporting any benefits realised through the 'Near Miss' report.</p> <p>Whilst the Project Management Team does get some informal feedback on the success of the project, more formal feedback on completed projects would be beneficial to the Project Management team and should be reviewed for learning lessons moving forward on future projects.</p> <p><i>Risk:</i> Useful feedback is not given to the Project Management team resulting in lessons not being learnt and issues repeating themselves in future projects.</p>	<p>The Project Management team should log the findings from the Near Miss reports, and informal departmental feedback on closed projects that relate to the project management process, as best practice for learning lessons for future projects.</p>	3	<p>At the end of each project a full project review is undertaken and the success of the project is measured against Cost, Time and Quality. The findings of this review are summarised by the Project manager in the End Project Report. The report will also assess the effectiveness of the project management processes throughout the life of the project. Therefore all lessons to be learned from the project are captured at this stage and are fed through to future projects.</p> <p>With regards to the ongoing performance of the product created by the project, this is monitored by the EMT on a monthly basis through the management information pack.</p> <p>Near Miss reports relate to issues that arise within the business and would rarely be relevant in feeding back lessons learned to the Project Management team.</p>	

Appendix 1 – Definitions of Assurance Levels and Recommendations

We use the following levels of assurance and recommendations in our audit reports:

Assurance Level	Adequacy of system design	Effectiveness of operating controls
Full Assurance:	There is a sound system of control designed to achieve the system objectives.	All controls operate effectively promoting the achievement of system objectives.
Substantial Assurance:	While a basically sound system of control exists, there is some scope for improvement.	While controls are generally operating effectively, there is some scope for improvement.
Adequate Assurance:	While a generally sound system of control exists, there are weaknesses which put some of the system objectives at risk.	While controls are generally operating effectively, there are weaknesses which put some of the system objectives at risk.
Limited Assurance:	Control is generally weak leaving the system open to significant error or abuse.	Control is generally weak leaving the system open to significant error or abuse.
No Assurance:	No controls are in place	Controls are ineffective or it is not possible to assess their effectiveness.

Recommendation Grading	Definition
Priority 1 (Fundamental)	Recommendations represent fundamental control weaknesses, which expose HPC to a high degree of unnecessary risk.
Priority 2 (Significant)	Recommendations represent significant control weaknesses which expose HPC to a moderate degree of unnecessary risk.
Priority 3 (Housekeeping)	Recommendations show areas where we have highlighted opportunities to implement a good or better practice, to improve efficiency or further reduce exposure to risk.