Audit Committee, 13 March 2013

Internal Audit Report – Project Management

Executive summary and recommendations

Introduction

Mazars has undertaken a review of the arrangements for project management in accordance with the internal audit plan agreed by the Committee in March 2012. The audit considered the following risks:

- Poor and/or unrealistic project initiation, specification and objectives leading to failure to deliver project objectives and HCPC requirements.
- Major Project Cost Over-runs.
- Poor project management and monitoring resulting in delays in delivery of projects.
- Ineffective post-project review and evaluation resulting potential improvements for future projects not being identified and acted on.

The report is attached as an appendix to this paper.

Decision

The Committee is asked to discuss and approve the report

Background information

At its meeting in March 2012 the Committee approved the Internal Audit Plan for 2012/13

Resource implications

None

Financial implications

None

Appendices

Internal Audit Report – Project Management

Date of paper

1 March 2013
Internal Audit Report

Project Management
(09.12/13)

February 2013

FINAL REPORT
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Appendix 1 – Definitions of Assurance Levels and Recommendations

AUDIT CONTROL SCHEDULE:

<table>
<thead>
<tr>
<th>Client contacts</th>
<th>Greg Ross-Sampson: Director of Operations</th>
<th>Internal Audit Team</th>
<th>Peter Cudlip: Partner</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Rob Silverman: Project Portfolio Manager</td>
<td></td>
<td>Graeme Clarke: Director</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>James Sherrett: Assistant Manager</td>
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<td></td>
<td></td>
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<td>Matt Brookland: Auditor</td>
</tr>
</tbody>
</table>

Finish on Site \ Exit Meeting:
Observation of ‘Lessons Learned’ meeting: 13 December 2012
21 January 2013

Management responses received: 25 February 2013

Draft report issued: 11 February 2013
Final report issued: 25 February 2013

In the event of any questions arising from this report please contact Graeme Clarke, Director, Mazars LLP graeme.clarke@mazars.co.uk

Status of our reports

This report has been prepared for the sole use of the Health and Care Professions Council.

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1. INTRODUCTION

1.1 As part of the Internal Audit Plan for 2012/13, we have undertaken a review of the Health and Care Professions Council’s (HCPC) arrangements for project management. Within our Internal Audit Strategy, we have provided resources for consideration of project management / individual projects on annual basis due to there being a number of risks associated with projects on HCPC's Corporate Risk Register.

1.2 Our review of project management in 2011/12 led us to provide ‘Substantial’ assurance with eight Priority 3 recommendations made. Progress on the implementation of these recommendations was reviewed as part this audit.

1.3 We are grateful to the Project Portfolio Manager, Project Managers and other members of staff for their assistance during the course of the audit.

1.4 This report is for the use of the Audit Committee and senior management of HCPC. 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 HCPC, in maintaining its operations, conducts numerous 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 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 PRINCE2 methodology to define its approach.

2.4 In September of each year the Project Portfolio Manager invites the Directors to produce Business Cases for projects they would like to initiate in the next financial year. All Business Cases for major projects are collated by the Project Portfolio Manager and presented to the Executive Management Team (EMT) at an away day designed to decide which major projects to initiate and to prioritise them. Each Business Case is presented by the relevant Project Sponsor and EMT considers the available budget and resources for the following financial year to inform their decision of which projects should go ahead. After EMT has agreed the projects to be included in the portfolio, the project start dates are reviewed so that a staggered effect is created to avoid over-stretching resources or peaks of activity at a particular point. A Project Portfolio Work-plan is presented to EMT by the Project Portfolio Manager for sign-off. The signed-off Work-plan is then presented for approval by the Finance and Resources Committee. Subject to the approval of the Finance and Resources Committee, the Work-plan is then presented to Council for noting.
2.5 Progress and budget reports are regularly provided to EMT to help ensure projects are delivered to cost and timescales. A new project finance template has been developed recently which is designed to enable easier monitoring of the financial position of projects.

2.6 A Project Management Update is provided as part of the Operations Report to each Finance and Resources Committee meeting. In addition, reports on individual projects are also presented to the Committee where this is appropriate.

3. SCOPE AND OBJECTIVES OF THE AUDIT

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

- Poor and / or unrealistic project initiation, specification and objectives leading to failure to deliver project objectives and HCPC requirements;
- Major Project Cost Over-runs *(Risk Ref 15.3, HCPC Risk Register, September 2012)*;
- Poor project management and monitoring resulting in delays in delivery of projects; and
- Ineffective post-project review and evaluation resulting potential improvements for future projects not being identified and acted on.

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

- Project management framework including Project Management Handbook, procedures / templates and guidance covering project management activities;
- Identification and prioritisation of Major Projects;
- Business cases;
- Identification of project sponsor, project lead and project team and other staffing requirements;
- Assessment of resource requirements and project budgeting;
- Project initiation and approval / sign-off;
- Risk identification, mitigation and risk logs;
- Impact assessments;
- Project plans and communication;
- Project change control and management;
- Monitoring of the operational and financial progress of projects by project team / EMT / Committee / Council;
- Post-project reviews / evaluations, benefits realisation and lessons learned logs / meetings; and
- Follow up of recommendations from 2011/12 Project Management audit.
3.3 The objectives of our audit were to evaluate the adequacy of controls and processes for project management, 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 the controls and processes for project management 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**

<table>
<thead>
<tr>
<th></th>
<th>Substantial Assurance</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>4. AUDIT FINDINGS: ONE PAGE SUMMARY</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Recommendations summary</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Priority</strong></td>
<td><strong>No. of recommendations</strong></td>
</tr>
<tr>
<td>1 (Fundamental)</td>
<td>None</td>
</tr>
<tr>
<td>2 (Significant)</td>
<td>None</td>
</tr>
<tr>
<td>3 (Housekeeping)</td>
<td>3</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>3</td>
</tr>
</tbody>
</table>

**Risk management**

As referred to in 1.1 and 3.1 above, HCPC’s Risk Register contains a specific section of risks associated with Project Management. 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 three Priority 3 recommendations which should strengthen further HCPC’s risk management framework in respect of its major projects.

It should also be noted that risks are also considered as part of the Business Case and Project Initiation Documents for each project. Risk and issues logs are maintained during the life of a project. These logs are used as part of end-of-project reviews and ‘Lessons Learned’ meetings to try to ensure that, if appropriate mitigating controls are built-in to future projects.

**Value for money**

The Project Management team has a well developed project management approach which adopts the widely recognised PRINCE2 methodology and uses Microsoft Project. Project management processes are therefore streamlined whilst being appropriately robust.
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 to 5.4 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 HCPC’s objectives are adequately managed and controlled.

5.2 All except one of the recommendations made as part of our review in 2011/12 were considered as implemented. The one exception relates to the creation of an annual end of year overall project summary for all projects. However it is felt that this recommendation has been superseded as there are end of project reports produced for each project and it is felt by management that resources would not currently permit collating all required information into a summary document.

Areas where controls are operating effectively

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

- HCPC has a detailed project management framework in place which is supported by a comprehensive project management handbook. Up-to-date templates have been produced and are used for project documentation;
- The inter-relatedness of projects and the impact on resources is considered as part of the project prioritisation and Project Portfolio planning processes;
- Detailed business cases are produced for all non-statutory projects;
- Project Plans are developed for all major projects which are in the form of a Gantt chart. Review of these for a sample of project indicated that key expected areas had been covered;
- Risk is considered for each of the projects including through the use of risk and issues logs;
- Progress in the delivery of the major projects is regularly monitored by EMT;
- Any significant issues which impact on the timeliness of delivery and/or budget for project are reported to EMT through the use of exception reports, with project extensions and/or revised budgets being approved;
- As part of our audit fieldwork we observed the ‘Lessons Learned’ meeting for the Education System and Process Review – Phase 1 project. The meeting was conducted in an open manner with an appropriate degree of ‘self-reflection’ with areas for improvement being identified and captured for future projects. The meeting was also attended by the Director of HR as it was felt this would be useful to inform the recently initiated HR and Partners project;
- A revised budget monitoring tool has been developed to assist improved monitoring of the financial position of projects; and
- An update on projects, including the risks associated with them, is provided to the Finance and Resources Committee as part of the Operations Report. Additionally, reports on individual projects are also presented to the Committee where this is appropriate. For example, the Project End Report for the ‘On-
boarding of Social Workers’ project presented to the January 2013 meeting of the Committee.

Areas for further improvement

5.4 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 number of recommendations. The recommendations have been, or are being, addressed as detailed in the management action plan (Section 6 below).
## 6. ACTION PLAN

<table>
<thead>
<tr>
<th>Observation/Risk</th>
<th>Recommendation</th>
<th>Priority</th>
<th>Management response</th>
<th>Timescale/ responsibility</th>
</tr>
</thead>
</table>
| **6.1** Observation: In review of a sample of project business cases we noted that they often included estimated costs and / or that project costs were not fully completed. Quotations / costs from potential suppliers were not included.  
*Risk:* Project budgeting and financial planning is hindered. Unforeseen costs arise after project approval.  
Poor decision making. | The costs section of business cases should be completed in full and where possible be supported by actual quotations of costs from potential suppliers. | 3 | The Project Portfolio Manager will communicate this requirement to EMT  
Additionally, when the next project prioritisation process begins in approx. September 2013, the Project Portfolio Manager will remind EMT that Business Cases should contain quotes. | February 2013 - PPM |
| **6.2** Observation: Review of the staffing of project boards and project teams indicated that there are often the same key individuals involved in several projects. This reflects the importance of having staff experienced in project management being involved in projects.  
*Risk:* Over-reliance on a small number of key staff in several projects jeopardises the ‘business-as-usual’ operations. | Consideration should be given to exposing more staff within HCPC to involvement in projects. This could be through training provided by the project management team and / or those staff not usually involved in projects ‘shadowing’ members of the project management team. | 3 | The Project Portfolio Manager will highlight this risk to EMT for their consideration. | February 2013 - PPM |
### 6.3 Observation/Risk

**Observation:** The project management team are not involved in Departmental projects and, while Departments are advised to follow the processes set out in the Project Management Guide, there is no requirement to use this formal methodology.

**Risk:** Departmental projects do not achieve the desired objectives in a timely and cost effective manner.

### Recommendation

Consideration should be given to devising an agreed ‘light’ version of the project methodology for use in Departmental projects. Alternatively, members of the project management team could be used in an advisory or consultancy-type role on Departmental projects.

### Priority

3

### Management response

One purpose of the existing Project Management Handbook is to provide guidance to project managers of departmental projects. This has been communicated to the whole organisation. Departmental projects are of a sufficiently low risk that they do not need to follow a formal HCPC process.

Members of the projects department should make themselves available to departmental project managers if any advice is required. This will be communicated to the organisation.

### Timescale/responsibility

February 2013 - PPM
Appendix 1 – Definitions of Assurance Levels and Recommendations

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

<table>
<thead>
<tr>
<th>Assurance Level</th>
<th>Adequacy of system design</th>
<th>Effectiveness of operating controls</th>
</tr>
</thead>
<tbody>
<tr>
<td>Substantial Assurance:</td>
<td>While a basically sound system of control exists, there is some scope for improvement.</td>
<td>While controls are generally operating effectively, there is some scope for improvement.</td>
</tr>
<tr>
<td>Adequate Assurance:</td>
<td>While a generally sound system of control exists, there are weaknesses which put some of the system objectives at risk.</td>
<td>While controls are generally operating effectively, there are weaknesses which put some of the system objectives at risk.</td>
</tr>
<tr>
<td>Limited Assurance:</td>
<td>Control is generally weak leaving the system open to significant error or abuse.</td>
<td>Control is generally weak leaving the system open to significant error or abuse.</td>
</tr>
</tbody>
</table>

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