Audit Committee, 4 September 2018

Internal audit report – Phase 1 Registration Project – Governance and Project Management Review

Executive summary and recommendations

Introduction

As part of the Internal Audit Plan for 2018-19, Grant Thornton have undertaken a review of the project management and approach for Phase 1 of the Registration Transformation and Improvement Project

The review assessed the project management and governance arrangements of Phase 1 of the Project and the organisation's readiness for Phase 2 procurement and development.

Decision

The Committee is asked to review and discuss the report.

Background information

See Grant Thornton's report, attached

Resource implications

None

Financial implications

Grant Thornton's agreed fees for 2019-20 are £47k including VAT.

Appendices

Internal Audit Report – Phase 1 Registration Project – Governance and Project Management Review

Date of paper

24 August 2018

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Health and Care Professions Council

Phase 1 Registration Project – Governance and Project Management Review

Internal Audit Year: 2018/19 **Final Report**
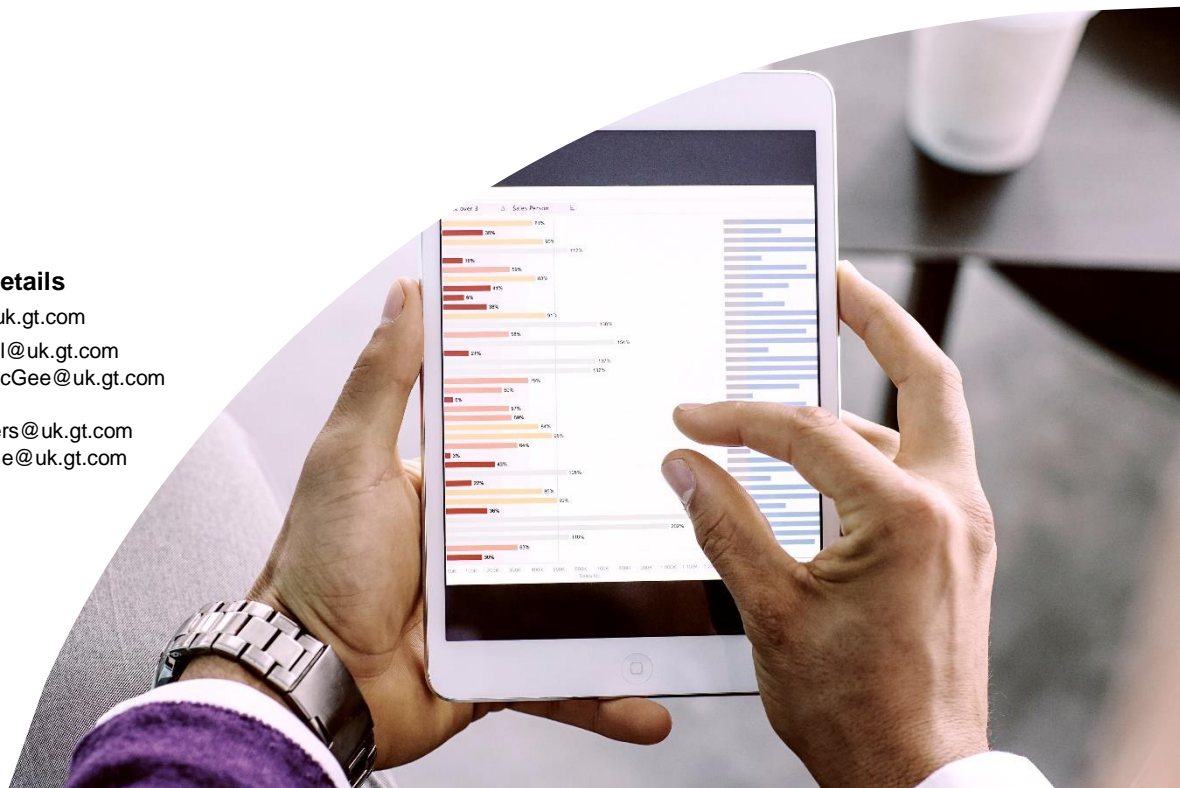
Distribution list

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Paul Cooper - Head of Projects

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Contents

Glossary

BAU – Business as usual

SMT – Senior Management Team

EMT – Executive Management Team

CPD – Continuing professional development

UAT – User acceptance testing

Net Regulate – HCPC's existing registration system

G-Cloud – Government framework for pre-approved suppliers

1 Executive Summary

Phase 1 Registration Project – Governance and Project Management Review		Imp.	Low	Med.	High
	Findings raised	2	3	2	-

Phase 1 of the Registration Transformation and Improvement Project for the Health and Care Professions Council (HCPC) is approaching completion, and preparations for phase 2 are underway including establishing the appropriate procurement process for services required to support development and implementation during that phase. The purpose of the project is to replace a legacy registration system (Net Regulate), first introduced in 2003, that better supports the requirements, processes and practices that have developed within the registration department. Phase 1 is the implementation of the core of the system and the proof of concept for an automated CPD service; phase 2 is concerned with replacement of both Net Regulate and on-line renewals.

The focus of this internal audit review was to provide assurance that governance arrangements and controls applied in phase 1 were robust, and to establish the project's readiness to commence phase 2.

Overall, we observed that the governance and project management framework for phase 1 were in the main robust. However, we have raised three low risk findings that are forward looking and therefore require attention in future phases. These relate to:

- **Resource planning** – a formal resource plan outlining specific skill and capabilities required for project delivery is required.
- **Communications plan** – the plan to be updated to reflect changes to project scope, cost or time to ensure that stakeholder engagement is up to date
- **Benefits realisation tracking** – a procedure is required to establish how benefits will be tracked by the business post project go live.

In respect of phase 2 readiness, we observed that robust controls are being applied to planning and to procurement in particular. In considering potential barriers to using the most effective approach to procurement and delivery of phase 2, we have identified two medium risk findings, rated as medium primarily because there is a time imperative for Management action given the planned start to phase 2:

- **Project management methodology** – options should be assessed for applicability/effectiveness, and a recommendation made to SMT for approval
- **Procurement** – the current procurement process should be evaluated to ensure that it will not preclude selection of the most effective solution/supplier, such as, in this instance, a supplier who is not on the G-Cloud framework.

We have also observed a number of instances of good practice, which include:

- A Technical Design Authority has been established that includes an independent subject matter expert (SME) to review technical documentation provided by suppliers to the project. Independence has been ensured by specifically excluding the SME from any procurement proposal process.
- Recommendations from the previous internal audit (September 2017) have been actioned, particularly in consideration of the approach to phase 2.
- Lessons identified internally have been actioned in a timely manner.
- The project sponsor and team have recognised that the project is not only technology related and identified the need to manage significant change.

Below we have included an assessment of each risk area assessed as part of this audit and a summary of the key actions emerging from the audit.

Risk area	Finding ref.	Rating	Overview of required action	Action owner	Completion date
Most appropriate project delivery approach (methodology) may not be adopted	1	Medium	Management to assess the relative advantages and disadvantages of various project management approaches. The most effective methodology will be presented to Council for their decision.	Project Board	28 August 2018
Procurement process may not be the most appropriate to the particular service/product required	2	Medium	Management should review the procurement process for Phase 2 of the Registrations Project to establish whether suppliers who are on the G-Cloud can provide the particular expertise required and do so at an acceptable cost.	Project Board	1 November 2018
Resource planning does not include details of specific skills and experience required	3	Low	A formal resource plan to be developed for Phase 2 of the Registrations Project, outlining the specific skill and capabilities required for the delivery of the project.	Paul Cooper	1 November 2018
Communications plan not updated in line with significant changes in the project.	4	Low	Communications plan to be amended to account for changes such as the delay to go live. Update of plan to be a standard step whenever a significant change occurs in the project.	Paul Cooper	25 September 2018
Benefits realisation tracking procedure post go live not established.	5	Low	Management to develop a procedure by which responsibility for tracking benefits realisation is transferred to the business post-delivery of the Project.	Paul Cooper	25 September 2018
Gateway review process for multiple phase/stage projects not established.	6	Improvement	Management to develop a formal gateway review process.	Project Board	1 November 2018
Decision-making process may cause unnecessary delays	7	Improvement	Management to work with EMT/SMT to agree a more flexible approach to obtaining approval that does not depend on the schedule of formal EMT/SMT meetings.	SMT	28 August 2018

1.1 Background

It was agreed with the Audit Committee and Management that Internal Audit would perform a review of the project management and approach for Phase 1 of the Registration Transformation and Improvement Project for the Health and Care Professions Council (HCPC).

HCPC has historically used a legacy registration system which was first introduced in 2003. Over the years, the system became outdated as the requirements, processes and practices within the registration department developed. The full business case for the Registration Transformation and Improvement Project ('the Project') was approved by Council in September 2015, with approval for a three phase project at the cost of £3.9 million. Phase 1 of the engagement is nearing completion and has been significantly delayed, and is forecast to be delivered at 10% over budget. Phase 2 is currently being considered by the Executive Team ('Executive'), with a paper to be presented to the Council in September 2018. Grant Thornton has previously issued two reports related to this Project: the first evaluated the Executive's business case for Phase 1 (issued August 2015) and second analysed the root causes of significant delays that occurred (issued September 2017).

1.2 Scope

This internal audit review has assessed the project management and governance arrangements of Phase 1 of the Project and the organisation's readiness for Phase 2 procurement and development.

The scope areas for this review were as follows:

1. **Project governance:** Appropriate governance allows HCPC leadership to understand key risks and progress of the project. Poor governance may result in significant delays and lack of coordination across the organisation during the project. We assessed the processes through which strategy and project approach were determined, project risks have been identified and how it is planned they will be managed during Phase 2.
2. **Project management approach:** HCPC uses a hybrid project management approach. We evaluated whether this approach is fit for purpose and aligns with the organisation's overall ways of working.

3. **Procurement approach:** A procurement approach that is not fit for purpose may result in a compromise in cost, quality or timeliness of product delivery. We assessed how HCPC procured and managed its contractor during Phase 1. We evaluated if the Service Level Agreement and contractual incentives appeared fit for purpose.
4. **Resourcing:** We assessed whether the approach to obtaining and managing resource was appropriate to meet the Project's needs. We assessed whether the approach that HCPC has undertaken helped to ensure required skills were established.
5. **Stakeholder management:** We assessed whether management's approach to engaging with affected departments and stakeholders during the project lifecycle was sufficient and appropriate.
6. **Benefits tracking:** We assessed how management identified expected benefits to be realised as a result of the project and how benefits are continuously tracked throughout the life of the project, and when the application is deployed to end user. This included understanding whether the original estimates of benefits and costs, and timeline followed a sensible approach and reached a sensible conclusion.
7. **Phase 2 readiness:** We determined if management has established appropriate governance and decision making processes to manage project risks. We assessed adjusted process designs to understand if previous internal audit findings have been addressed and if management-identified lessons learned have been addressed. Additionally, we understood how management plans to adjust the development procurement process to respond to lessons learned.

1.3 Objectives and risk areas

The objectives of the review were to provide assurance that:
- Appropriate processes and controls are in place to manage and control the development and implementation of phase 1 of the Registration system
- The overall approach/methodology applied to the project is appropriate
- The project is ready to commence the procurement for phase 2 of the project.

1.4 Acknowledgement

We would like to take this opportunity to thank the staff involved for their co-operation during this internal audit.

2 Detailed findings

PROJECT MANAGEMENT METHODOLOGY

RISK: Governance			
Ref	**Audit finding and potential risk**	**Issue rating**	**Agreed management actions**
1.	**Good practice** Most project management methodologies fall into one of two broad categories: traditional or waterfall style, such as PRINCE2 and agile of which there are a number of varieties. The most appropriate project management approach for a project depends on a number of factors including the nature of the product(s) being delivered, the degree to which the scope may be flexible and the capacity of the organisation to adopt a given approach. It is often the case that a hybrid of waterfall and agile is the most suitable approach. It is good practice to establish the most appropriate methodology by assessment of the features of the particular project. **Finding** Phase 1 was described as employing a hybrid approach but overall management, as shown by progress reporting and project plans, was largely waterfall in nature. According to those interviewed in this audit, HCPC as an organisation is not familiar with elements of the agile approach to project delivery. Historically the HCPC Council has favoured the traditional approach based on PRINCE2 whereby the scope of what is to be delivered is, in effect, established and fixed at the outset of the project. There has not been the opportunity to explore different methodology approaches to project delivery at HCPC. **Implication** Features of a particular methodology or approach to project delivery may make it more effective than another for aspects of a specific project. Where the use of different approaches is not fully considered in terms of their individual applicability, there is a risk that an opportunity to optimise the outcome of a project may be missed.	Medium	The Project Board will assess the relative advantages and disadvantages of various project management approaches. If it is determined that the most effective methodology is likely to be different from the traditional approach favoured historically by HCPC, the project team will present a justified case for using the methodology to SMT for decision, and to Council for discussion. **Date Effective**: 28 August 2018 **Owner:** Project Board

PROCUREMENT

	RISK: Procurement		
Ref	**Audit finding and potential risk**	**Issue rating**	**Agreed management actions**
2.	**Good practice** Organisations should have a standard agreed procurement process and, where that is in place, it is accepted good practice to follow the procedure whenever practical. It is important, however, when procuring goods or services to meet unusual requirements, to recognise that the standard process may preclude the selection of the most appropriate product or service and in this case it is good practice to assess whether the standard procurement procedure might hamper the selection, to ensure there is no compromise in cost, quality or timeliness of product delivery. **Finding** The G-Cloud framework is a procurement method that involves engaging suppliers that have already been vetted and approved by the Government. It provides a secure procurement channel for public sector organisations and its use is strongly recommended both by the Government and by HCPC's own internal policies and procedures. Nevertheless, use of G-Cloud restricts HCPC in terms of the development partners it is able to select leading to the exploration of certain options being precluded from the selection process. **Implication** The Registration Project has a number of business and technical requirements that are not immediately available by a solution "out of the box" or with little configuration which either may not be met by one of the pre-approved suppliers or may cost significantly more than would be the case if an equivalent supplier that is not registered on the framework could be used. There is a risk, therefore, that using the G-Cloud framework may lead to higher costs or to the requirement to remove certain functionality from scope in order to fit the available budget or supplier experience.	Medium	The project must operate within HCPC's Procurement Policy and Procedure: for large value procurement government procurement frameworks or an OJEU tender are the options available; for lower value procurement we can follow internal tender processes for any service provider. Based on the current requirement set, there is no impediment from available suppliers on the G Cloud framework agreement. We will ensure we have an appropriately varied G Cloud longlist and shortlist and engage other vendors for lower value services where necessary. If an appropriately varied G Cloud longlist and shortlist cannot be compiled, we will consider seeking permission to procure using another method. **Date Effective**: 1 November 2018 **Owner:** Project Board

RESOURCE PLANNING

RISK: Project management			
Ref	**Audit finding and potential risk**	**Issue rating**	**Agreed management actions**
3.	**Good practice** As part of good practice, we would expect a detailed assessment should be performed in the project initiation stage to determine the skills and capabilities required for the project delivery stage. **Finding** Although resources are defined in the Business Case, this is only in monetary terms. There is no formal plan outlining the specific skills or capabilities required to deliver the Registrations Project. During interviews we observed that the team has identified particular resources such as subject matter experts within the business but this has not been formally documented. There is no evidence that such a lack of detailed resource planning actually gave rise to any significant issue in phase 1, however it should be considered as HCPC approached Phase 2. **Implication** In the absence of a detailed resource plan, there is a risk that appropriate resources may not be secured in advance for the time they are required leading to delays or additional cost to the project.	**Low**	Currently resource forecasting is captured within the project plan and Gantt chart, with resources labelled during initiation as functions rather than as named individuals. Functional areas are then informed in advance which type of resource will be required and when. Each functional area is then engaged with closer to the time a resource is required in order to get a named individual allocated to the Project. This process will still be followed, however with a separate Resource Plan document. This document will outline the specific skills and capabilities required for the delivery of the project. **Date Effective**: 1 November 2018 **Owner:** Paul Cooper

STAKEHOLDER ENGAGEMENT

	RISK: Project management		
Ref	**Audit finding and potential risk**	**Issue rating**	**Agreed management actions**
4.	**Good practice** Stakeholder engagement is important to the success of the majority of projects. It is good practice to identify the stakeholder community early in the life of a project and to categorise them based on the type and level of engagement required such as in terms of training and providing input to the "design" process. In order to ensure that stakeholders both within the project team and in the wider context buy into the project aims, it is important to communicate at the appropriate level and timing. **Finding** The current communications plan for Phase 1 of the Registrations Project is out of date. The plan specifies a planned December 2017 launch of the CPD portal but this deadline has been missed. A number of key stakeholders have now changed and the plan has not been updated to reflect this. Phase 1 requires an updated communications plan in order to ensure that all stakeholders are aware of the CPD portal going live. **Implication** A communications plan is the principle document used to manage the involvement of key stakeholders in the project. Where the communications plan is not kept up to date, there is a risk that key stakeholders will not be aware of significant changes and how they may be affected and they may not be available when required to provide input to the project.	**Low**	The communications plan should be amended to account for the delay of the launch of the CPD portal and any changes to the list of key internal stakeholders since the creation of the original communications plan. A standard step should be introduced to review the communications plan whenever a significant change occurs in the project will be added to the HCPC Project Management Methodology. **Date Effective**: 25 September 2018 **Owner:** Paul Cooper

BENEFITS REALISATION TRACKING

RISK: Governance			
Ref	**Audit finding and potential risk**	**Issue rating**	**Agreed management actions**
5.	**Good practice** For the majority of projects, benefits are predominantly realised post go live, often over a period of many years. A process and procedure should be established to ensure that tracking of benefits realisation is started during the project's lifetime and continues into the post-delivery stages. Post-delivery responsibility should be handed to either business as usual or to the business owners of the specific project deliverables. **Finding** Management has a defined benefits tracking approach, where benefits are identified, and estimated using a standard methodology. There is currently no process in place to hand over the monitoring of the Registration Project benefits to the business post-delivery of the Project. **Implication** The principal justification for a project is that benefits will exceed the costs. Where benefits are not appropriately tracked, there is a risk that not all benefits will be realised as expected and that the opportunity to obtain additional benefits will be missed.	**Low**	Standard steps to be added to the HCPC Project Management Methodology, to ensure tracking of benefit realisation is transitioned to the business post-delivery of the Project. Senior users on the Project Board will be engaged during the project initiation to ensure they acknowledge ownership of the project benefits. The project benefits tracker will be handed over at the end of the project, including details of each expected benefit, how they will be monitored and to whom they will be reported. **Date Effective**: 25 September 2018 **Owner:** Paul Cooper

PHASE 2 READINESS – GATEWAY REVIEW PROCESS

	RISK: Project management		
Ref	**Audit finding and potential risk**	**Issue rating**	**Agreed management actions**
6.	**Good practice** Where a project's delivery is divided into a number of significant phases or stages, it is good practice to perform a formal review of the project's readiness to move through the gateway between phases. Essentially, there will be a set of steps that should be completed both before the project is permitted to exit a given phase and before it can enter the next. In effect the phases form a set of linked subprojects. The final gateway is generally termed project closure. **Finding** HCPC has not yet introduced a formal Gateway review process to determine the conditions through which a project may transition to its next phase. In effect, such a review has been performed by the project team on an informal basis. **Implication** In the absence of a formal gateway review process for major projects, there is a risk that actions will not have been completed that could significantly affect the chances of success in future phases of the project.	Improvement	Management should develop a formal gateway review process, with clearly defined entry and exit criteria, to ensure consistency in project governance practices and that the project is fit for delivery. Specifically, to ensure that the project is ready to transition to phase 2, there will be a set of actions/tasks to be completed in phase 1 and a number of actions concerned with set-up for phase 2. **Date Effective**: 1 November 2018 **Owner:** Project Board

PHASE 2 READINESS – DECISION-MAKING PROCESS

Ref	Audit finding and potential risk	Issue rating	Agreed management actions
RISK: Governance			
7.	**Good practice** The process of authorisation of decisions for a project should be approached according to the risk of the activity. To ensure that the decision making process does itself introduce unnecessary delays, appropriate procedures to speed the process should be in place. **Finding** Currently, any significant approval/authorisation with regard to project delivery is made by HCPC's Council which generally meets on only a few occasions each year. If an item requiring approval is not presented in time for a meeting of the Council, it must wait till the next formal meeting which is generally a number of months later which as a consequence introduces delay to the project. In particular, delays by Microsoft in providing appropriate licence keys, have caused delays in testing that may as a consequence delay submissions to the Council for approval. We have witnessed similar delays in projects in other organisations. **Implication** Where the decision making process for the execution of a project relies on the schedule of formal meetings of a decision making body which occur only infrequently, there is a risk that substantial delay may be introduced to the project unnecessarily. This may also increase costs through resources not being fully utilised in the interim period and will delay the realisation of benefits.	**Improvement**	As per the HCPC Project Management Process, SMT are the decision-making authority for the Project. As of September 2018, meetings during which papers can be presented for decisions will be held fortnightly instead of monthly. If required, delegation of decision making to an individual or smaller group will be considered. **Date Effective**: 28 August 2018 **Owner:** SMT

A Approach and responsibilities

Approach

Our outline approach to the audit was as follows:

- Reviewing key project documentation
- Interviewing key project team members and stakeholders
- Referencing our experience of similar projects and accepted best practice
- Highlighting areas of good practice within the project and areas for further development

Client staff

The following staff were consulted as part of this review:

- John Barwick, Executive Director of Regulation
- Martha Chillingworth, Senior Project Manager
- Paul Cooper, Interim Head of Projects Richard Houghton   Head of Registration

Documents received

The following documents were received and reviewed during the course of this audit:

- 1. Creating a contact in CRM.docx
- 2. Activating a portal account.docx
- 20180627 MP85 Registration Transformation and Improvement Project Issue Log v1.xlsx
- 20180627 Registrations Transformation and Improvement Risk Log.xlsx
- 3. Submitting a CPD profile.docx
- Benefit Tracking benefit 1 v1.1.docx
- Benefits catalogue COMPLETE v1.0.docx
- Change Requests 20161124.xlsx
- CPD Portal launch comms plan - updated.docx
- HCPC project management guide v1.9.docx
- IBM HCPC_Portal_design_v1_0.pdf
- IBM NetReg Integration Design.pdf

- IBM SharePoint Integration Design.pdf
- IBM_HCPC_B2C_design_2.0s.pdf
- Op 1 business case calcs curr prop option v3.0 inc IBM quote model 2.xlsx
- Op 1 business case calcs curr prop option v3.0.xlsx
- Op 1 business case plan calcs v3.0.xlsx
- Op 2 business case calcs accelerated option inc IBM model 3 quote.xlsx
- Op 2 business case calcs accelerated option.xlsx
- Op 3 In house team 2018 calcs.xlsx
- Optevia HCPC G-Cloud 6 Framework and Call-Off Contract completed v4 FINAL SIGNED.pdf
- PRIVATE Registration Transformation and Improvement Project Full Business Case v8.0.pdf
- Procurement manual - Finance.pdf
- Project NPV template v2.0.xlsx
- Registration Transformation and Improvement Project go no-go criteria v1.0.docx
- Registration Transformation and Improvement Project Lessons Learned Report 1.0 consolidated.xlsx
- Registration Transformation and Improvement Project Overview 11 April 2018.pptx
- Registration Transformation and Improvement Project Overview 14 May 2018.pptx
- Registration Transformation and Improvement Project Overview 2 July 2018.pptx
- Registration Transformation and Improvement Project Overview 21 May 2018.pptx
- Registration Transformation and Improvement Project Overview 25 April 2018.pptx
- Registrations project board meeting notes 02JUL18.docx
- Registrations project board meeting notes 11APR18.docx
- Registrations project board meeting notes 14MAY18.docx
- Registrations project board meeting notes 21MAY18.docx
- Registrations project board meeting notes 25APR18.docx

- Registrations Transformation and Improvement Project Initiation Pack v3.0.pdf
- Registrations Transformation and Improvement Project PHASE ONE plan v0.92 20180702.mpp
- Revised benefits.xlsx
- September Council Document template v5 1 AG.docx
- Solution Architecture and Infrastructure Document SAID v2.6.pdf
- SOWs signed.pdf
- Status Report-YYYYMMDD-Project Code-Project Name.pdf
- Terms of Reference TDA v1.2.docx Comparative Costs - Chrome River and Concur.xlsx

Locations

The following location was visited during the course of this review:

Park House, 184-186 Kennington Park Road, London SE11 4BU

B   Audit Issue Rating

Audit issue rating

Within each report, every audit issue is given a rating. This is summarised in the table below.

Rating	Description	Features
High	Findings that are fundamental to the management of risk in the business area, representing a weakness in control that requires the immediate attention of management	• Key control not designed or operating effectively • Potential for fraud identified • Non-compliance with key procedures / standards • Non-compliance with regulation
Medium	Important findings that are to be resolved by line management.	• Impact is contained within the department and compensating controls would detect errors • Possibility for fraud exists • Control failures identified but not in key controls • Non-compliance with procedures / standards (but not resulting in key control failure)
Low	Findings that identify non-compliance with established procedures.	• Minor control weakness • Minor non-compliance with procedures / standards
Improvement	Items requiring no action but which may be of interest to management or best practice advice	• Information for department management • Control operating but not necessarily in accordance with best practice

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