Audit Committee, 20 March 2014

Internal Audit Report – Stakeholder Communications

Executive summary and recommendations

Introduction

As part of the Internal Audit Plan for 2013-14 Mazars have undertaken a review of the HCPC's control and processes for managing stakeholder communications.

Decision

The Committee is asked to discuss the report

Resource implications

None

Financial implications

This audit was undertaken as part of the internal audit plan for 2013-14. Mazars' annual fee is £27,000.

Appendices

Internal Audit Report – Stakeholder Communications

Date of paper

10 March 2014

Internal Audit Report

Stakeholder Communications (04.13/14)

January 2014

FINAL REPORT

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Appendix 1 – Definitions of Assurance Levels and Recommendations
AUDIT CONTROL SCHEDULE:

Client contacts	Jacqueline Ladds: Director of Communications Greg Sutherland: Stakeholder Communications Officer	Internal Audit Team	Peter Cudlip: Partner Graeme Clarke: Director James Sherrett: Assistant Manager David Kershaw: Auditor
Finish on Site \ Exit Meeting:	15 November 2013/ 12 December 2013	**Management responses received:**	6 January 2014
Draft report issued:	17 December 2013	**Final report issued:**	7 January 2014

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

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1. INTRODUCTION

1.1 As part of the Internal Audit Plan for 2013/14, we have undertaken a review of the Health and Care Professions Council's (HCPC) control and processes for managing stakeholder communications. This area was included in the Plan due to the significance of a risk related to this area in HCPC's Risk Register.

1.2 The last internal audit review of this area was undertaken in 2010/11, with a 'Sound to date' opinion provided.

1.3 We are grateful to the Director of Communications, Stakeholder Communications Officer 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 Approaches to, and methods of, communicating with stakeholders depend on the aims of an organisation and the nature of those stakeholders. Stakeholders can support, challenge or oppose decisions or actions; however, it is vital that they are communicated with on an on-going basis and that awareness is maintained. The means and frequency of communicating with stakeholders is also a function of the influence or power of stakeholders and the level of interest from those stakeholders.

2.2 HCPC sets out its approach to stakeholder communications via its Strategic Objectives which are underpinned by a Communications Strategy and annual Communications Department Work Plan. This details plans for working towards achievement of objectives, departmental priorities, and addresses resourcing. In addition, Work Plans for other departments such as Fitness to Practise, Education and Registrations also cover elements of stakeholder engagement and communications.

2.3 Within HCPC, stakeholder communications are managed by the Communications Department. Overall responsibility for the Department lies with the Director of Communications supported by the Stakeholder Communications Officer. The Department currently has a total team of 12 members of staff covering activities including events, media and PR, publishing, web and digital, and stakeholder communications. The previous Stakeholder Communications Manager left HCPC in May 2013; this post was vacant at the time of our visit.

2.4 The Communications department has an annual budget of approximately £1.1m. This covers staffing costs and supports operational activities. For 2013/14, as at the end of Period 7, there is a minor adverse variance against budgeted expenditure of approximately £8k.

2.5 The main functions of the Communications department's stakeholder work can be broadly separated into the following:

o Parliamentary work, including monitoring, responding to and disseminating parliamentary activities, attending political party conferences, providing briefings on relevant legislation and regulation;
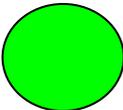
o Stakeholder work with Northern Ireland, Scotland and Wales involving attendance at relevant conferences, meetings and events, undertaking parliamentary activities such as monitoring, and meetings with government officials;

o Engagement with employers, attending relevant events and conferences, mailings and disseminating information to employers, and organising HCPC events; and

o Liaison with professional bodies including campaigns on registration renewals, attending annual conferences and meetings.

2.6   The Communications department has recently commenced a stakeholder mapping exercise. This process will involve support from an external agency and include phases including identification of stakeholders, prioritising these in terms of their levels of interest and involvement and determining the most appropriate forms and means of engagement with them. Initial findings are anticipated in January/ February 2014. The outcome is intended to inform and help shape the department's Work Plan and future activities. It is also planned that a database of stakeholders will be compiled.

2.7   As part of the governance restructuring within HCPC, the Communications Committee no longer sits and Committee responsibilities are now covered directly by the Council. This has raised the profile of the Communications department and led to greater interest and scrutiny from the Council.

2.8   The programme of audits carried out by BSI includes coverage of Communications. The last audit of this area was in April 2012.

3.   SCOPE AND OBJECTIVES OF THE AUDIT

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

- Loss of support from Key Stakeholders including professional bodies, employers or government (*Risk 3.2, HCPC Risk Register, September 2013*); and

- Resources are not utilised and allocated effectively and efficiently resulting in the failure to communicate and engage with stakeholders in the most effective manner.

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

- Communications Strategy and relevant policies and procedures, specifically those in relation to stakeholder communications;

- Communications department Work Plan and team work plans covering stakeholder communication and engagement;

- Monitoring of progress against work plan activities and achievement of agreed outcomes;

- Processes for identifying key stakeholders and prioritising these in terms of their levels of interest and involvement;

- Means and methods of communicating with stakeholders;

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- Means of assessing the effectiveness and impact of methods of communication and engagement activities and the implications for resource usage and allocation; and

- Reporting of communications and stakeholder engagement activities to EMT and Council.

3.3   The objectives of our audit were to evaluate the adequacy of controls and processes for stakeholder communications, 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 stakeholder communications 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.

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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)	1
3 (Housekeeping)	1
Total	**2**

Risk management
As referred to in 1.1 and 3.1 above, HCPC's Risk Register contains a specific risk relating to stakeholder communications. Mitigating controls identified under this risk include "Delivery of communications strategy, supporting the HCPC strategy", and "Delivery of aspects of communications work plan, specifically stakeholder activities".
Testing undertaken as part of our review has confirmed these controls are in place and operating effectively. However, given the nature of this activity, there is a need to ensure communications continues to be subject to regular review, so that any future issues are quickly identified and addressed, as investment in communication and engagement does not guarantee stakeholder satisfaction and risks may quickly arise.

Value for money
Detailed planning and management of the Communications team is vital in ensuring it works efficiently, particularly as there are a number of different roles within the team to deal with each aspect of communications work including media, PR, and events. Systems are in place to manage tasks; however, there is not currently any specific Customer Relationship Management (CRM) software. Such systems can reduce the pressures on staff dealing with stakeholders. The work on stakeholder mapping is likely to improve effectiveness of the department; when the outcome of this work is embedded there may be further opportunities to enhance achievement of value for money.
Senior management time is a limited and valuable resource; with the Communications Committee no longer operating and the Communications Department reporting directly to the Council, this should contribute towards increasing efficiency and ensuring time can be focused on areas most in need of attention. However, there is a need to ensure that an appropriate balance is struck with the nature of reporting direct to Council, given their many other responsibilities, and to ensure focus on key issues for HCPC.

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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 stakeholder communications, 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.

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:

- HCPC's Strategic Intent 2012-15 is HCPC's high level strategy document. It is designed to put HCPC in a strong position for the future. Objective 3 is specific to communication and objective 6 is "Engagement in the four countries";

- A Communications Strategy is in place for 2013, to support achievement of the organisational Strategic Intent;

- The Communications Work Plan 2013-14 covers objectives, priorities, issues, resources and risks. There is also an action plan style table used to set out what the department will achieve, how this will be done, and timescales. Work Plans are subject to Council approval and progress against them is monitored internally within the Communications department and also through reports to the Council;

- Regular Communications Reports are presented to meetings of the Council although we have made a Priority 3 recommendation regarding the current nature of these reports. Discussion at meetings is recorded in minutes of those meetings;

- The Communications department use an internal planner to map out events, consultations and other engagement activities with stakeholders including employers, professional bodies and parliament-related bodies. This is informed by weekly and monthly team meetings which are evidenced by notes and minutes;

- There is a range of monitoring taking place on an on-going basis. Examples of this are media coverage monitoring, social media monitoring, and website tracking;

- The Director of Communications, along with other Managers is regularly provided with detail of the departmental budgets. There is evidence of regular review of the financial position of the Communications department; and

- Stakeholder communications and engagement are recognised as wide-ranging activities and not solely the reserve of the Communications department. Other departments, such as Fitness to Practise, Education and Registrations, regular communicate and engage with stakeholders and this is reflected in their annual Work Plans.

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

5.4 We are aware of the stakeholder analysis and mapping exercise which has recently commenced with the assistance of external consultancy advice. We have not therefore made any specific recommendations in respect of this. When stakeholder identification, prioritisation and analysis are complete this should help identify where effort should be focused. The exercise is also an opportunity to ensure that the activities of all relevant departments across HCPC, which interact with stakeholders, are appropriately aligned and to ensure that resources are allocated appropriately and matched to the most effective communication method for particular stakeholder groups.

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6. ACTION PLAN

	Observation/Risk	Recommendation	Priority	Management response	Timescale/ responsibility
6.1	*Observation:* The Communications Department produces regular reports which are presented to Council meetings. The reports highlight the activities undertaken by the department and provide a range of information and statistics. We found the reports to be detailed and lengthy. We are aware that from early 2014 the department is intending restructuring reports to provide an executive summary followed by statistical information with commentary. *Risk:* Potential inefficient use of Council meeting time. Failure to retain focus on key issues or concerns.	As planned, the Communications department should seek to reduce the length and detail contained within Communications Reports provided to the Council. Consideration could also be given to restructuring the reporting cycle so as to provide a much briefer report to each meeting and complimented by a detailed annual report on activity.	3	This is in hand. The style and format of the report has already been reviewed and adjustments will be implemented for the next Council meeting which takes place in February 2014.	February 2014 Director of Communications

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	Observation/Risk	Recommendation	Priority	Management response	Timescale/ responsibility
6.2	*Observation:* As is typical across the communications functions of many organisations, there is difficulty in establishing definite measurement and quantification of the effectiveness and impact of communication with stakeholders. Responses to traditional questionnaires generally tend to achieve a low response rate. There may be an opportunity to develop the processes for measurement of effectiveness following completion of the stakeholder analysis work noted earlier in this report. *Risk:* Weaknesses in knowledge of which communication methods are most effective can lead to the allocation of resource not achieving maximum efficiency.	Following on from the work currently underway regarding stakeholder analysis, the outcome should be used to confirm the most effective methods of measuring success of the various methods of engagement with stakeholders. In turn this information can be used to inform future resource planning based on any information held regarding the priorities and methods of engagement.	2	We will be commissioning our regular stakeholder analysis and polling in 2014-15 and this will be used to measure methods of engagement. We will also use the stakeholder analysis and mapping to inform this.	By end 2014 / Director of Communications

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
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.

Recommendation Grading	Definition
Priority 1 (Fundamental)	Recommendations represent fundamental control weaknesses, which expose, HCPC to a high degree of unnecessary risk.
Priority 2 (Significant)	Recommendations represent significant control weaknesses which expose, HCPC 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.

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