

Audit Committee, 4 September 2018

Internal audit report - Strategic and Operational Planning

Executive summary and recommendations

Introduction

As part of the Internal Audit Plan for 2018-19, Grant Thornton have undertaken a review of the Strategic and Operational Planning process at HCPC, which was originally scheduled to be performed in 2017/18, but was deferred due to the transformation activity taking place.

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 - Strategic and Operational Planning

Date of paper

22 August 2018



Health and Care Professions Council

Strategic and Operational Planning - Internal Audit Review

Internal Audit Year: 2018/19

22 August 2018

Distribution list

For action: Jacqueline Ladds, Director of Policy and Communication Executive Management Team

For information: Audit Committee

Audit Team

Name Paul Rao Amit Patel Bhavin Patel

Title Engagement Lead Engagement Manager Executive

Paul.Rao@uk.gt.com





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It is the responsibility solely of the Health and Care Professions Council's management to ensure that there are adequate arrangements in place in relation to risk management, governance and control.

1 Executive Summary

1.1 Background

The Health and Care Professions Council (HCPC) has experienced significant operational transformation over the past several years, including an increase in the number of registrants (from 90,000 to 350,000), income increasing from $\pounds 2.7m$ to $\pounds 33m$, and an increase in headcount from c.40 to c.250. The level of strategic change will also continue in 2018/19 with the expected transition of HCPC's social workers' regulatory responsibilities to a new regulator, and a range of business transformation programmes and projects being progressed within HCPC. This context presents a specific challenge to HCPC in terms of how it sets long term strategic priorities, which in turn inform shorter term operational plans. This is also particularly relevant as HCPC is currently delivering an internal restructure of its Senior Management Team.

As a result of this context, it was agreed with the Audit Committee that the 2018/19 Internal Audit Plan would include a review of the Strategic and Operational Planning process at HCPC, which was originally scheduled to be performed in 2017/18, but was deferred due to the transformation activity taking place.

Strategic Intent

HCPC's 2016-2020 Strategic Intent document, which outlines the organisation's strategic objectives was approved by the Council on 5 December 2015. However, during the February 2018 Council meeting,

the Council discussed potentially replacing the Strategic Intent with a corporate strategy and annual business plans.

HCPC's Corporate Plan outlines four strategic priorities, which were agreed by the Council in the March 2018 Council meeting. The strategic priorities are

- Strategic Priority 1: Improve our performance to achieve the Professional Standards Authority's Standards of Good Regulation
- Strategic Priority 2: Ensure our communication and engagement activities are proactive, effective and informed by the views and expectations of our stakeholders
- Strategic Priority 3: Ensure the organisation is fit for the future and is agile in anticipating and adapting to changes in the external environment
- Strategic Priority 4: Make better use of data, intelligence and research evidence to drive improvement and engagement.

Departmental strategies and KPIs

Each departmental strategy is produced by the Executive Director responsible for the department, and all departmental strategies are then approved by the Council.

All departments produce operational work plans, which are aligned to the content of the Strategic Intent document and Corporate Plan. For the support departments within HCPC, work plans are designed to be aligned with their departmental strategies. The Work Plans are discussed by the Executive Management Team (EMT) and approved by the Chief Executive. The Council determined in 2015 that given the operational nature of the Work Plans, the Council would note the Work Plans, as opposed to approving them.

The Work Plans are publically available documents, published on the HCPC's external website. The resource implications in Work Plans form the basis of planning and budgeting for the financial year. The Work Plans set out how the Directorates will actively support the core work of the Council and the principles and priorities set out in the Strategic Intent 2016–20 document. The Work Plans are supported by other tools, including workforce planning tools in the Fitness to Practise, Registration and Education Departments. These set out specific outcomes and timelines and are used by the Department to support their planning. The Council is presented with work-plans from each Directorate on an annual basis, which includes a progress report detailing progress made against the Work Plans.

1.2 Objective and risk areas

The objective of this internal audit review was to review the robustness of the strategic and operational planning process at HCPC. The key risk areas considered include:

- The strategic direction of HCPC and its priorities are ambiguous.
- Strategic and operational planning processes are not supported by underlying plans
- Change management processes regarding strategic and operational planning may not be in place.
- The Council does not have a sufficient involvement in the strategic and operational planning process nor is there sufficient

scrutiny and challenge in advance of approval of the strategy, via the Corporate Plan.

- Information used for strategic decision-making may be inaccurate, resulting in inappropriate decisions being made, regarding strategic and operational decisions. This area of the scope was limited to a review of the Strategic Risk Register and output material from the recent Strategic Risk Workshop.
- The departmental strategies and work plans are not aligned to the Strategic Intent document and Corporate Plan.
- The Strategic Intent, and progress made in its delivery, is not effectively communicated throughout the organisation.

1.3 Approach

Our approach to the review was as follows:

- Understand how HCPC's Strategic Intent 2016-2020 document was produced. This involved understanding how the content was developed and in particular what information was considered in its development.
- Review the involvement of the Council in the strategic planning process to understand the level of input in helping to initially set the priorities for HCPC, but also the Council's involvement providing challenge and scrutiny before approving the strategy which is incorporated in the Corporate Plan.
- Review a sample of departmental strategies and work plans to assess how they are aligned to the Strategic Intent and operational priorities, including how key risks are considered as part of the process, and how departments consider availability of resources.
- Meet with members of the Council to gain their insight into the strategic and operational planning processes and areas where they

consider that the approach is working well, as well as areas requiring further improvement.

- Meet with HCPC personnel responsible for articulating the Council's vision into a strategic document (Corporate Plan and Strategic Intent).
- Understand how the Strategic Intent 2016-20, departmental strategies and work plans are effectively communicated to the wider organisation.
- Review the arrangements in place for the on-going monitoring of the Strategic Intent and Corporate Plan by the Council, including taking into account how new information from government and key health bodies since the approval of the strategy is considered by the Executive team and the Council.

1.4 Overall assessment

HCPC has recently performed an internal restructure, with significant changes to the existing Executive Management Team (EMT). Through our discussions with the CEO, Audit Committee and Council, we understand that the EMT will consist of three individuals and collectively they will be referred to as the Senior Management Team (SMT) going forward.

HCPC's Strategic Intent document and Corporate Plan is reviewed annually during the organisation's strategic away day (held in November). The strategic away day includes input from SMT, the CEO and Council, which thereafter leads to the creation of strategic priorities.

Once the strategic priorities have been agreed by the key stakeholders, Council will sign-off the Corporate Plan (including strategic priorities), and the Strategic Intent, during the February Council Meeting in the following year. The CEO will then hold meetings with HCPC staff, where the strategic priorities are communicated. The strategic priorities are thereafter translated into operational work plans by the accountable SMT members and cascaded out to the relevant teams, such as the Fitness to Practice, Communications and IT teams.

New information which may impact the organisation's strategic priorities is communicated to the CEO during SMT meetings and reported to Council through the CEO's Quarterly update report.

As part of this review, we identified good practice regarding the level of detail captured in the draft iterations of work plans tested during our fieldwork, which included the Communications, IT and Fitness to Practice departments. Clear alignment to HCPC's strategic priorities was also observed.

Additionally, HCPC's strategic planning process is considered to be collaborative and involves input from key stakeholders such as SMT, Audit Committee, CEO and Council. HCPC' strategic away day is also used as a mechanism to determine key strategic priorities and areas of strategic focus for the coming years.

Notwithstanding the areas of good practice noted, our review identified areas where the current control framework requires strengthening.

The review identified the need to formally document the strategic and operating planning processes, including documented roles and responsibilities and the change management process, after council signoff.

Whilst not directly related to the strategic and operational planning process, we noted opportunities for the Communications Team to develop a stakeholder prioritisation map/matrix, which categorises stakeholders into quadrants such as 'key players', 'keep informed', 'keep satisfied' and 'minimal effort', based on their level of interest and impact. This is in line with Strategic Priority 2 – "Ensure our communication and engagement activities are proactive, effective and informed by the views and expectations of our stakeholders", within HCPC's Corporate Plan.

1.5 Key findings

| Area | High | Medium | Low | Info | |
|----------------------------------|------------------------------------|--------|-----|------|--|
| Strategic and Operational Planni | Strategic and Operational Planning | | | | |
| No formal process | | | | | |
| documentation for strategic and | - | 1 | - | - | |
| operational planning | | | | | |
| Stakeholder prioritisation | - | 1 | - | - | |
| SWOT Analysis | - | - | 1 | - | |
| Communication to External | | | 1 | | |
| Stakeholders | - | - | 1 | - | |
| Standard Templates for Work | | | | 1 | |
| Plans | - | - | - | 1 | |
| Total | - | 2 | 2 | 1 | |

We identified **two** medium rated findings during our review, which are detailed below:

- There is no formal process documentation in place which details HCPC's approach to strategic and operational planning.
- Although stakeholders are clearly identified (employees, education providers, government, general public and Professional Standard Agency (PSA), there is no approach or methodology in place for prioritising stakeholder groups. By way of an example, HCPC's various stakeholder groups are not prioritised within a grid/matrix, based on their level of interest and impact to the organisation, and tailored plans prepared.

1.6 Acknowledgment

We would like to take this opportunity to thank the individuals involved for their co-operation during this internal audit. Their details can be found at Appendix A.

2 Detailed Findings

| 1. | Medium | No formal documented policy/proc | cedure for strategic and operational | planning |
|---|--|--|---|--|
| Find | ling and Implicat | ion | Proposed action(s) | Agreed action (Date / Ownership) |
| Strate docum plann ensur stake The c respo- includ Comm In lin which an or could goven | mented and detail the ing process and how the that there is a com- holders involved in documentation show onsibilities for key st ding the Council, the mittees or individual the with good practic the details the process ganisation's strategy l be due to changes rument or internal re- document should be | ld include clearly defined roles and akeholders involved in the process, e Audit Committee and any other | R1: Management should formally document the strategic and operational planning process. Once completed, the document should be subject to regular review and update. The document should provide sufficient detail regarding the end-to-end process for strategic and operational planning, including key processes such as the strategic away day and completion of work plans. Management should create a formalised change management process and implement appropriate controls to ensure that changes to the organisations' strategy are captured and updated within the relevant documentation. | A1: The strategic and operational planning process has evolved over a number of years and is now embedded in the organisation. With the introduction of new strategic priorities and the development of a new Corporate Strategy and annual corporate plan, we will take the opportunity to document the process we follow and will als refresh the process map we have in the Quality Management System. Owner: Jacqueline Ladds Agreed date of implementation: End of Q3 2018-19 |

| Finding Through our interviews performed with the SMT, Business Process Improvement Team and Council, we identified that HCPC | |
|---|--|
| does not have a formally documented procedure in place in relation to the strategic and operational planning process, which should include areas such as: key objectives, clearly defined roles and responsibilities, clear guidance on the planning and sign off process, amongst other areas. | |
| Whilst we observe that there is discussion, no formal policy (or other form of guidance) exists which details the change process in relation to changes to HCPC's Strategic Intent and Corporate Plan. | |
| <u>Implication</u> Without a formal documentation in place, there is a risk of an inconsistent approach to strategy setting, resulting in key strategic risks and opportunities not being captured. | |
| Without clearly defined roles and responsibilities, there may be ambiguity regarding the ownership and accountability of the strategic and operational planning processes in place. | |
| Without appropriate change management controls in place relating to strategic and operational planning, errors may be made, or amendments not accurately captured. | |

| 2. | Medium | Stakeholder Prioritisation | | |
|---|--|---|---|--|
| Find | ling and Implica | tion | Proposed action | Agreed action (Date / Ownership) |
| Stake and in mana orgar docu <u>Findi</u> Effect HCP docu ident genen place grid/ interc to ma <u>Impli</u> Stake | mpact to the organ agement and priorit hisation's Commun mentation) and rev ing ctive stakeholder m C. Our review of the mentation identifie ified (e.g. employed ral public and PSA) for prioritising sta matrix is not used est and impact to the anage their expecta ication cholders may not be | anagement is a key strategic area for ne Communications Strategy and wider d that whilst stakeholders are clearly es, education providers, government, , there is no approach or methodology in keholder groups. For example, a to facilitate discussion on their level of ne organisation, with targeted plans in place | R2: Management should introduce a stakeholder map/grid, which identifies and places stakeholders in different quadrants based on their level of interest and impact to HCPC. For example, each quadrant could be classified as 'key players', 'keep informed', 'keep satisfied' and 'minimum effort', in line with practice we have observed in other organisations and sectors. | A2: For some time, we have used a stakeholder matrix to support our engagement and communications work. This sets out who all our stakeholders are, by type and organisation as well as their interests and who in the organisation is responsible for leading the engagement. For specific projects or pieces of work, we also identify key stakeholder groups we need to engage with and tailor our communications accordingly. With the development of a new stakeholder engagement and communications plan, we have taken the opportunity to further refine the stakeholder matrix in line with the good practice identified here. This was discussed with Council in their May meeting and the wor is currently underway Owner: Jacqueline Ladds |
| the stakeholders in order to ensure maximum effectiveness of activities. | | | | Agreed date of implementation End of Q3 2018-19 |

| | Risk: The strategic and operational strategies do not take into account relevant information during the conception phase to ensure that all pertinent information has been considered. | | | | |
|--|--|--|--|--|--|
| 3. | Low | Lack of a SWOT Analysis | | | |
| Find | ling and Implicati | on | Proposed action | Agreed action (Date / Ownership) | |
| ensure that all pertinent information has been considered 3. Low Lack of a SWOT Analysis Finding and Implication Good Practice Implication A 'SWOT' (Strengths, Weaknesses, Opportunities and Threats) Implication analysis (or equivalent) should be performed during the strategic Implication | | ould be performed during the strategic process, in order to ensure that the g on its strengths and opportunities, yes to address weaknesses and potential operational planning process, HCPC does OT analysis, which may help the Council ic and operational areas which may not sidered. Ideas have not yet been fully ocumented in the strategic away day viewed. during the strategic and operational alt in key areas being missed, weakening | R3: Management should perform a SWOT analysis (or equivalent) during the next strategic and operational planning process. | A3: This is something we have done in the past at Strategic Away days. However, we agree it would be useful to repeat and document this exercise following changes to the Strategic Intent and with the development of strategic priorities as well as an ever changing external environment. We will take this forward as part of Council and SMT's strategic away day. Owner: Jacqueline Ladds Agreed date of implementation: End of Q3 2018-19 | |

| Ris | Risk: The Organisation's Corporate Plan may not be communicated to key stakeholders. | | | | |
|--|--|--|---|--|--|
| 4. | Low | Communication of Plans to Extern | nal Stakeholders | | |
| Finc | ding and Implica | ition | Proposed action | Agreed action <i>(Date / Ownership)</i> | |
| A cle Plan stake direc <u>Find</u> Base supp SMT its C Gove | and strategic priori cholders in order to ction. ing ad on our review of ported through discu c, we identified that orporate Plan and s ernment and Profes | be in place detailing how the Corporate ties are communicated to relevant keep them informed of HCPC's strategic the Communication Strategy and assions with the Communication Team and the method in which HCPC communicates trategic priorities to key stakeholders (e.g. assional Standards Authority (PSA)) is not tently across the organisation. | R4: The Communications Team should ensure that HCPC's Corporate Plan is consistently communicated to relevant stakeholders, for example through the organisation's intranet, newsletters, CEO communication and/or holding local events/seminars. R5: The Communications Team should create Personal Communication Plans for SMT members and relevant Heads of Department with objectives over the next six to twelve months being documented and progress reviewed. | A4: The organisation's Strategic Intent is a public document and available on our website. Following Council's decision in March to replace this document with a revised Corporate Strategy and corporate plan, we will be undertaking this work in Q3 and will build in communications to relevant stakeholders once this work is completed. Owner: Jacqueline Ladds Agreed date of implementation: End of Q4 2018-19 | |
| by the commentation of the | ne Director of Regu mitment in ensuring ortance. In contrast municated to gover abers of parliament) also noted opportun Communications Te munication to man | rate Plan has been discussed with the PSA lations to highlight the organisation's g that PSA standards are of strategic , the Corporate Plan has not been nment representatives (e.g. assemblies and and education providers (e.g., universities). hities for enhanced collaboration between eam and SMT in terms of tailoring age stakeholder expectations, for example Personal Communication Plans (PCPs). | | A5: In May 2018, the Council discussed a new approach to stakeholder communications and engagement. Part of this was the development of personal communications plans. With the restructuring of the EMT, we recognised this would be a good opportunity to do this and work is currently underway. Collaboration with communications continues, particularly in the development of | |

At present, through discussion with members of Management, it was identified that SMT members are typically communicating with stakeholders through individual silos. By way of an example, one Director currently communicates with the PSA and government representatives directly and does not typically request guidance or support from the Communications Team.

Implication

Without agreed communication protocols in relation to HCPC's Corporate Plan and strategic priorities, stakeholders such as the PSA, government and education providers may not be aware of the organisation's strategic priorities for the future.

A lack of involvement from the Communications Team when communicating to external stakeholders may result in stakeholder needs not being satisfied, or known best practice not being consistently applied across the organisation. agendas and briefing notes for stakeholder meetings as well daily alerts to external issues.

Owner: Jacqueline Ladds

Agreed date of implementation: Ongoing



| Ris | Risk: The departmental strategies and work plans are not aligned to the Strategic Intent. | | | | |
|---|--|---|--|---|--|
| 5. | Improvement | Standard Templates for Work Plan | าร | | |
| Fin | ding and Implicat | ion | Proposed action | Agreed action (Date / Ownership) | |
| Strat tran deta <u>Finc</u> Our Fitn plan the 0 We capt apprinch How worf info CEC and | slated into detailed we iling how the relevan <u>ling</u> testing of the draft we ess to Practice (FTP) is were created in line Corporate Plan. identified good practi- tured within the work roach in ensuring that uded in the Corporate vever, we identified the k plan, an inconsisten rmation and no stand D and Council are able | bured from the Corporate Plan and ork plans, with guidelines in place t strategic priorities will be achieved. Work plans for the Communications, and IT departments indicated that work with the strategic priorities, as included in fice in regards to the level of detail plans reviewed and managements' t they are aligned to the strategic priorities e Plan. hat for the Communication's departmental at approach was being used to capture lard templates were in place so that the le to easily compare the appropriateness rmation being presented, prior to | R6 : The SMT should discuss the current process for creating work plans and ensure that, where possible, there are standard methodologies and templates in place across the organisation. | A6: There are consistent elements across all of the departmental work plans, for example reference to risks and their mitigations. However, with the restructure of the EMT and the development of three directorates, we will revisit how we can consolidate the work plans to ensure consistency. Owner: EMT Agreed date of implementation: End of Q3 2018-19 | |
| With | <u>lication</u> hout standard templat rmation may be omit | tes in place for creating work plans, key ted. | | | |



| Opportunities to recognise synergies through the organisation may not be captured in the work plans, resulting in departments | |
|--|--|
| working in silos. | |

A Internal Audit Approach

Approach

Our outline approach to this internal audit review was as follows:

- Meeting with key staff to gain an understanding of the arrangements in place, building upon the information we have already gained through our audit planning process;
- Reviewing key documents that support the processes in place and confirming that the risk management activities and controls perform as discussed;
- Where appropriate and relevant, carry out testing to confirm the on-going operation of the risk management activities and controls identified; and
- Comparing existing arrangements with established best practice.

Additional information

Client staff

The following staff were consulted as part of this review:

- Guy Gaskins, Director of IT and Operations
- Andy Gillies, Director of Finance
- Marc Seale, Chief Executive Officer
- Jacqueline Ladds, Director of Policy and Communication
- John Barwick, Director of Regulations
- Elaine Buckley, Chair of the Council
- Stephen Cohen, Chair of the Audit Committee

Documents received / examined

The following documents were received or looked at during the course of this audit:

- Corporate Plan 2018-19
- Strategic Intent 2016-2020
- Council Meeting Minutes
- Draft work-plans for the Communication, Fitness to Practice and IT Department
- Strategic and operational risk register
- Strategic Risk Workshop
- Strategic planning process flows
- Communications Strategy documentation
- IT Strategy documentation
- Fitness to Practice strategy documentation
- Stakeholder engagement plan 2018-19
- Stakeholder management documentation

Locations

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

• Health and Care Professions Council Park House, 184 Kennington Park Road London SE11 4BU.

B Definition of audit issue ratings

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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