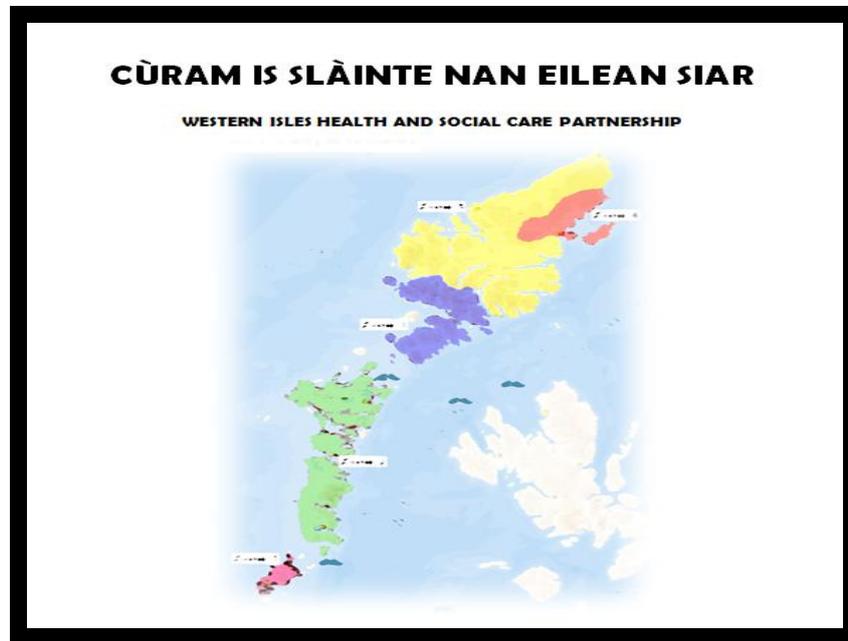


Integration Joint Board



Co-bhòrd an Amalachaidh

Internal Audit Review

Risk Management

Final Report – 2017/18- IJB1-3

27th September 2017

**INTEGRATION JOINT BOARD
INTERNAL AUDIT REPORT
RISK MANAGEMENT**

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Issued to:	
Chief Officer	Ron Culley
Chief Financial Officer	Debbie Bozkurt
External Audit – Audit Scotland	David Jamieson

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SECTION 1: EXECUTIVE SUMMARY

Introduction

- 1.1 This report has been prepared following an internal audit review of the Integration Joint Board (IJB) risk management processes and as part of the operational annual internal audit plan for 2017/18. The purpose of this report is to provide an overview of the IJB's arrangements for risk management in terms of the objectives noted below.

Background information

- 1.2 The IJB has produced a Risk Management Strategy and Policy which has been prepared in line with the international standard for risk management ISO 31000. The IJB is also required to maintain a risk register, reflecting its strategic activities and taking cognisance of both significant issues from each partner's own risk register and also emerging risks.
- 1.3 The primary objectives of the Risk Management Strategy and Policy is to promote awareness of risk and define responsibility for managing risk within the IJB; establish communication and sharing of risk information through all areas of the IJB; initiate measures to reduce the IJB's exposure to risk and establish standards and principles for the efficient management of risk, including regular monitoring, reporting and review.
- 1.4 Members of the IJB are responsible for oversight of the risk management arrangements; receipt and review of reports on strategic risks and key operational risks that require to be brought to the attention of the IJB. The Chief Officer has overall accountability for the IJB risk management framework, ensuring that suitable and effective arrangements are in place to manage the risks relating to the functions within the scope of the IJB. The Chief Officer will keep the Chief Executive's of the IJB's partner bodies informed of any significant existing or emerging risks that could seriously impact the IJB's ability to deliver the outcomes of the Strategic Plan or the reputation of the IJB.

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SECTION 1: EXECUTIVE SUMMARY (CONTINUED)

Internal audit objective

1.5 In accordance with the remit outlined within the operational annual internal audit plan for 2017/18 and further documented within the agreed terms of reference, our internal audit work was designed to obtain assurance that the IJB's arrangements with regard to risk management were appropriate and operating as expected. In practice, we assessed whether the overall objective was being achieved by confirming that:-

- The organisation demonstrates VFM in all the services provided/supported and evidences that alternatives have been adequately considered, where available and appropriate; (Mandatory)
- The IJB has in place a Risk Management Strategy, Risk Management Policy and Strategic Risk Register all approved by the IJB;
- Governance and Risk Management arrangements together with adequate insurance provision is in place, and the following governance matters considered on a regular basis;
- The IJB has established a Senior Risk Management group who meet regularly to discuss risk management issues and strategy implementation across the Comhairle;
- The IJB promotes a supportive culture within the organisation to deal with risk;
- The IJB has measured its level of risk maturity and there is evidence that risk management processes continue to be embedded within the IJB to promote continuous improvement;
- The IJB promotes a supportive culture within the organisation to deal with risk;
- The IJB has measured its level of risk maturity and there is evidence that risk management processes continue to be embedded within the IJB to promote continuous improvement;
- Partner organisations have confirmed to the IJB that risk is managed effectively within each service area and that they adhere to and comply with their own Risk Management Strategies and the Risk Management Policies;
- Emerging risks are identified and evaluated and the process for this is embedded into partner organisations;
- New developments impacting and occurring with the IJB environment are considered and assessed in relation to their likely impact and risk to the IJB;

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SECTION 1: EXECUTIVE SUMMARY (CONTINUED)

- Early warning indicators and proper review cycles are in place as part of the risk management process;
- Adequate resources are in place to discharge risk management responsibilities throughout the Comhairle;
- Procedures are in place for the escalation of a risk, e.g. partner or operational risks that exceed their agreed tolerance levels or risks that may require additional resources are assessed by the Integrated Corporate Management for inclusion onto the Strategic Risk Registers of either partner bodies or the IJB or both; and
- Controls are in place to identify when service areas are failing to meet risk targets and deadline.

1.6 Areas of Good Practice/Observations

- The IJB has in place a combined Risk Management Strategy and Policy and a Strategic Risk Register

1.7 Concluding remarks

Our detailed findings are included in the body of this report. We would point out that the main issue arising from our review which requires management attention are:

- The Strategic Risk register be refreshed; (Para 2.1)
- Operational risk registers be aligned with IJB Strategic Risk Register; (Para 2.1)
- The IJB continue to embed risk management processes within the IJB to promote continuous improvement; (Para 2.1) and
- Partner organisations confirm to the IJB that risk is managed effectively within each service area and they adhere to and comply with their own risk management arrangements. (Para 2.1)

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SECTION 1: EXECUTIVE SUMMARY (CONTINUED)

1.8 We have graded our detailed findings and recommendations, based on the likelihood of the identified weakness occurring and the impact on the IJB if it should occur, using the following criteria:

Grade 1 - **“Critical”** – High likelihood, High impact (HH)



“The weakness is almost bound to happen or is already happening (likelihood) and could have a significant impact on the IJB services, reputation, control, financial position, statutory, regulatory or constitutional compliance if not contained”

Grade 2 - **“Contingent/Insurable Risk”** - Low likelihood, High impact (LH)



“The weakness is unlikely to happen, but would have a significant impact on the IJB services, reputation, control, financial position, statutory, regulatory or constitutional compliance if it did occur”

Grade 3 - **“Housekeeping”** – High likelihood, Low impact (HL)



“The weakness is almost bound to happen or is already happening but is unlikely to have a material impact on the IJB services, reputation, control, financial position, statutory, regulatory or constitutional compliance, and can be contained”

Grade 4 - **“Value for Money”** – High likelihood, Value for money impact (HV)



“The weakness is almost bound to happen or is already happening but if contained would have a positive impact on economy, efficiency and effectiveness in the use of resources”

Where we have identified isolated exceptions in our sample testing, and we consider that: -

- They are unlikely to recur; and
- Would have no significant impact if they should occur,

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SECTION 1: EXECUTIVE SUMMARY (CONTINUED)

We have classified them as low likelihood and low impact (**LL**), discussed them with relevant officers and detailed them in Appendix B to this report.

1.9 Our recommendations can be summarised and prioritised as follows:

Recommendation		Overall grading			
		4	3	2	1
2.1	The Strategic Risk register be refreshed.				
	Operational risk registers be aligned with IJB Strategic Risk Register.				
	The IJB continue to embed risk management processes within the IJB to promote continuous improvement.				
	Partner organisations confirm to the IJB that risk is managed effectively within each service area and they adhere to and comply with their own risk management arrangements.				

1.10 We would like to thank all staff from each of the parent bodies for the co-operation and goodwill we received during the course of our internal audit fieldwork.

For Integration Joint Board Internal Audit Section

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27th September 2017

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SECTION 2 - DETAILED FINDINGS AND RECOMMENDATIONS

FINDINGS AND IMPLICATIONS	RISK RANKING		RECOMMENDATION	GRADE	MANAGEMENT COMMENT
	L	I			
Control objective 1: The IJB has in place a Risk Management Strategy, Risk Management Policy and Strategic Risk Register all approved by the IJB					
2.1 The IJB has in place a combined Risk Management Strategy and Policy and a Strategic Risk Register which is discussed at the IJB Board Meetings on a regular basis. Further work is, however, required on taking forward the risk management agenda and aligning operational risk registers with the Strategic Risk Register and further embedding risk management into the IJB. This is particularly important where combined service provision is led by staff in each respective partnership in order to achieve common understanding of all integrated risks. In addition, there is further need to refresh the Strategic Risk Register and record any risks associated with the integration of service provision on an ongoing basis and as risks materialise or develop, together with mitigation arrangements, where appropriate. Continued	H	V	The Strategic Risk register be refreshed.	4	Agreed. The risk registered will continue to be refreshed for each IJB meeting
	H	V	Operational risk registers be aligned with IJB Strategic Risk Register.	4	Agreed. Work is underway to ensure that the IJB register is more effectively aligned to operational registers.
	H	V	The IJB continue to embed risk management processes within the IJB to promote continuous improvement.	4	Agreed.
	H	V	Partner organisations confirm to the IJB that risk is managed effectively within each service area and they adhere to and comply with their own risk management arrangements.	4	Agreed. This will be undertaken in consultation with the strategic risk managers within NHS WI and CnES.

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SECTION 2 - DETAILED FINDINGS AND RECOMMENDATIONS (Con't)

FINDINGS AND IMPLICATIONS	RISK RANKING		RECOMMENDATION	GRADE	MANAGEMENT COMMENT
	L	I			
Control objective 1: The IJB has in place a Risk Management Strategy, Risk Management Policy and Strategic Risk Register all approved by the IJB.					
<p>2.1 As integration of services progress and mature, health and care governance across the fields of joint operational aspects of service provision will need to be considered. It is acknowledged that Healthcare governance is better developed and mature within the NHS. Work is actively ongoing within the other main partner, the local authority to improve their governance arrangements in this respect.</p> <p>We are advised that work is actively ongoing within the Comhairle, to improve their care governance arrangements. This work is being developed through the Health & Safety – Care Governance agenda which meets on a quarterly basis. Regulatory activity is closely monitored and reported on, with an emphasis on poorly performing services. Service improvements plans are being developed within each service.</p> <p>Continued</p>					

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SECTION 2 - DETAILED FINDINGS AND RECOMMENDATIONS (Con't)

FINDINGS AND IMPLICATIONS	RISK RANKING		RECOMMENDATION	GRADE	MANAGEMENT COMMENT
	L	I			
Control objective 1: The IJB has in place a Risk Management Strategy, Risk Management Policy and Strategic Risk Register all approved by the IJB.					
2.1 We are advised that complaints handling and lessons learned reviews are discussed and actions resulting from these discussions are being taken forward to reduce the likelihood of a repeat.					

SECTION 3 - ACTION PLAN

Ref.	RECOMMENDATION	RESPONSIBLE OFFICER	DATE OF IMPLEMENTATION
2.1	<p>The Strategic Risk register be refreshed.</p> <p>Operational risk registers be aligned with IJB Strategic Risk Register.</p> <p>The IJB continue to embed risk management processes within the IJB to promote continuous improvement.</p> <p>Partner organisations confirm to the IJB that risk is managed effectively within each service area and they adhere to and comply with their own risk management arrangements.</p>	<p>Chief Officer</p> <p>Chief Officer</p> <p>Chief Officer</p> <p>Chief Officer</p>	<p>December 2017 & Ongoing</p> <p>March 2018</p> <p>March 2018</p> <p>March 2018</p>

APPENDIX A: RESPECTIVE RESPONSIBILITIES OF MANAGEMENT AND INTERNAL AUDIT

Responsibility in relation to internal controls

It is the responsibility of the Comhairle's management to maintain adequate and effective financial systems and to arrange for a system of internal controls. Our responsibility as internal auditors is to evaluate the financial systems and associated internal controls. In practice, we cannot examine every financial implication and accounting procedure within an activity, and we cannot substitute for management's responsibility to maintain adequate systems of internal controls over financial systems. We therefore may not identify all weaknesses that exist in this regard.

Responsibilities in relation to fraud and corruption

The prime responsibility for the prevention and detection of fraud and irregularities rests with management. They also have a duty to take reasonable steps to limit the opportunity for corrupt practices. It is our responsibility to review the adequacy of these arrangements, but our work does not remove the possibility that fraud, corruption or irregularity may have occurred and remained undetected.

We nevertheless endeavour to plan our internal audit work so that we have reasonable expectation of detecting material fraud, but our examination should not be relied upon to disclose all such material frauds that may exist.

APPENDIX B: ISOLATED EXCEPTIONS TO EXPECTED PROCEDURES AND CONTROLS

ITEM	ISOLATED EXCEPTION	RESPONSIBLE OFFICER	AGREED Y/N	DATE OF DISCUSSION
	None.			