

Integration Joint Board



Co-bhòrd an Amalachaidh

Internal Audit Review

Risk Management

Final Report – 2019/20 – IJB

22 November 2019

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

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Issued to:	
Chief Officer	Ron Culley
Chief Financial Officer	Debbie Bozkurt
Audit Scotland	David Jamieson Ray Buist

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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 2019/20. 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 In 2016 the IJB produced a Risk Management Strategy and Policy. 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.

Internal audit objective

- 1.5 In accordance with the remit outlined within the operational annual internal audit plan for 2019/20 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 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;

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SECTION 1: EXECUTIVE SUMMARY (CONTINUED)

- Integrated Clinical and Care Governance;
 - Corporate Governance (Audit and Scrutiny); and
 - Staff Governance.
- 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;
 - 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;
 - 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

- Strategic risk register in place which is reported to each committee meeting.

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SECTION 1: EXECUTIVE SUMMARY (CONTINUED)

Concluding remarks

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

- The strategic risk register needs to be reviewed to include the potential absence of key staff and other similar scenarios as well as updating responsible officers where appropriate; (Para 2.1)
- In order to further promote information sharing and allow each partner organisation a full picture of risk, a unified risk register should be implemented showing all risks across both parent bodies; (Para 2.1)
- An updated workforce strategy along with closer joined up working will be required to consider and plan to mitigate the current and medium term staffing matters affecting both parent bodies in the provision of services to the IJB; (Para 2.2)
- In order to further promote risk management an integrated strategic risk management group should be implemented; (Para 2.3)
- Documented processes should be implemented within the IJB by the Chief Officer whereby all senior staff in parent bodies provide formal assurance annually with regards to their responsibilities for providing key services to the IJB; (Para 2.4)
- The Chief Officer should consider the signed statements of assurance on receipt and consider any significant matters along with other regulatory reports and audit reports in order to inform the disclosures in the Corporate Governance Statement. (Para 2.4)

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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,

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.

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SECTION 1: EXECUTIVE SUMMARY (CONTINUED)

1.9 Our recommendations can be summarised and prioritised as follows:

Recommendation		Overall grading			
		4	3	2	1
2.1	<p>Risk management strategy and policy to be reviewed with updated version made available to staff.</p> <p>Risk register to be reviewed to include absence of key staff and other similar scenarios as well as updating responsible officers where appropriate.</p> <p>Unified risk register to be implemented showing all risks across both parent bodies.</p>				
2.2	<p>Review and update of website required.</p> <p>An updated workforce strategy along with closer joined up working will be required to consider and plan to mitigate the current and medium term staffing matters affecting both parent bodies in the provision of services to the IJB.</p>				
2.3	Implementation of integrated strategic risk management group.				
2.4	<p>Documented processes to be implemented within the IJB by the Chief Officer whereby all senior staff in parent bodies provide formal assurance annually with regards to their responsibilities for providing key services to the IJB.</p> <p>The Chief Officer should consider the signed statements of assurance on receipt and consider any significant matters along with other regulatory reports and audit reports in order to inform the disclosures in the Corporate Governance Statement.</p>				

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SECTION 1: EXECUTIVE SUMMARY (CONTINUED)

- 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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22 November 2019

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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 A risk management strategy and policy is in place and was approved by the IJB in March 2016 with a review date of one year after implementation. The document has yet to be reviewed therefore this should be carried out as soon as possible with staff being provided with an updated copy of the policy/strategy document.	H	L	Risk management strategy and policy to be reviewed with updated version made available to staff.	3	This will be undertaken with support from the risk management leads within NHS Western Isles and the Comhairle. The action will be undertaken by April 2020.
A strategic risk register is in place and is reviewed regularly. However, the register seems to omit key risks such as strategic officers being absent for a significant period of time. Contingency plans would need to be in place for the IJB to gain assurance that there is continuity in the delivery of strategic roles.	L	H	Risk register to be reviewed to include absence of key staff and other similar scenarios as well as updating responsible officers where appropriate.	2	This will be updated ahead of the next meeting of the IJB in December
We also noted that the entry regarding governance arrangements has Audit Scotland and the Chief Auditor as being the responsible officers for that risk. The responsible officer should be corrected					

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

FINDINGS AND IMPLICATIONS	RISK RANKING		RECOMMENDATION	GRADE	MANAGEMENT COMMENT
	L	I			
<p>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>					
<p>2.1 Continued with the appropriate staff member as External/Internal audit would be part of the controls in place to reduce the risk as opposed to owning the risk.</p> <p>The current risk management process appears to be satisfactory within each parent body. The difficulty, however, is the sharing of information between both parent bodies in matters relating to IJB provided services which can and do affect both bodies but neither is informed of this in a timely or coherent way.</p> <p>An example of this may include vacant posts or staff leaving home care which could lead to peaks in delayed discharges. It is therefore important that a unified risk register is produced which mirrors key issues/risks across parent bodies. This would allow a bigger picture to be obtained quickly and be reported, where required, to the IJB in a more timeous manner.</p>	L	H	<p>Unified risk register to be implemented showing all risks across both parent bodies.</p>	2	<p>A unified risk register will be created for delegated services and overseen by the Integrated Corporate Management Team. This work will be complete by April 2020.</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 2: Governance and Risk Management arrangements together with adequate insurance provision are in place.					
2.2 A review of the IJB website showed that it is in need of a significant update. Minutes of the IJB Audit Committee are not up to date on the website with the last set published relating to the meeting of 23/02/17. Other issues identified were that the membership is out of date and key documents such as risk management policies, standing orders and annual accounts are unavailable. Some strategic documents published online are out of date and require to be updated such as the strategic plan. In order to provide information in a timely manner and promote transparency, minutes should be published as soon as practicable once approved. Key documents such as the strategic plan refresh, up to date workforce strategy and current and future spending plans should also be published along with periodic updates being provided to the public.	H	L	Review and update of website required.	3	This will be undertaken and completed by April 2020.

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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 2: Governance and Risk Management arrangements together with adequate insurance provision are in place.					
<p>2.2 The Integrated HR Forum has not met for a considerable time and given the significant risks affecting both organisations in terms of staffing, vacancies, workforce age profile and risk to continued service provision this needs to be addressed as a matter of priority.</p> <p>Whether the forum is continued, or another cross organisation process is adopted, closer joined up working will be required to consider and plan to mitigate the current and medium term staffing matters affecting both parent bodies in the provision of services to the IJB.</p> <p>As part of this process, the Workforce Strategy requires updating and to be agreed by both parent bodies in relation to services proved on behalf of the IJB.</p>	L	H	An updated workforce strategy along with closer joined up working will be required to consider and plan to mitigate the current and medium term staffing matters affecting both parent bodies in the provision of services to the IJB.	2	A revised workforce plan will be taken to the IJB in December 2019 for agreement

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

FINDINGS AND IMPLICATIONS	RISK RANKING		RECOMMENDATION	GRADE	MANAGEMENT COMMENT
	L	I			
<p>Control Objective 3: The IJB has established a Senior Risk Management group who meet regularly to discuss risk management issues and strategy implementation across both partner bodies.</p>					
<p>2.3 We were informed that the risk register is reported to each IJB committee providing the board with an oversight of the main strategic risks. Each partner organisation has groups with responsibility for risk management, however, there does not appear to be one single group that meets to discuss risk management issues at a strategic integrated level.</p> <p>The Integrated Corporate Management Team are given sight of escalated risks, however, it would be beneficial to implement a senior integrated risk management team to further promote risk management. This group should be responsible for measuring risk maturity and implementing formal risk escalation processes within the IJB.</p>	L	H	Implementation of integrated strategic risk management group.	2	A unified risk register will be created for delegated services and overseen by the Integrated Corporate Management Team. This work will be complete by April 2020.

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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 6: 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.					
2.4 At present an annual governance statement is produced for the accounts. This should be supported by verified certificates of assurance from senior officers across both parent bodies. For example, in the Comhairle each Director is required to sign a statement of assurance outlining that all key processes are in place and whether any significant matters have occurred in the year and what has been done to mitigate the risk going forward. Such documented processes should be implemented within the IJB where all senior staff providing key services within the parent bodies formally provide assurance that the necessary controls are in place within each service area. The Chief Officer should consider these signed statements of assurance on receipt along with other regulatory and audit reports and decide whether any significant matters exist in order to inform the disclosures in the Corporate Governance Statement.	L	H	Documented processes to be implemented within the IJB by the Chief Officer whereby all senior staff in parent bodies provide formal assurance annually with regards to their responsibilities for providing key services to the IJB.	2	Arrangements will be put in place to ensure that appropriate assurances can be given to the IJB. This will be undertaken at the time of the IJB budget being agreed each year.
	L	H	The Chief Officer should consider the signed statements of assurance on receipt and consider any significant matters along with other regulatory reports and audit reports in order to inform the disclosures in the Corporate Governance Statement.	2	

SECTION 3 - ACTION PLAN

Ref.	RECOMMENDATION	RESPONSIBLE OFFICER	DATE OF IMPLEMENTATION
2.1	<p>Risk management strategy and policy to be reviewed with updated version made available to staff.</p> <p>Risk register to be reviewed to include absence of key staff and other similar scenarios as well as updating responsible officers where appropriate.</p> <p>Unified risk register to be implemented showing all risks across both parent bodies.</p>	<p>Chief Officer</p> <p>Chief Officer</p> <p>Chief Officer</p>	<p>April 2020</p> <p>December 2019</p> <p>April 2020</p>
2.2	<p>Review and update of website required.</p> <p>An updated workforce strategy along with closer joined up working will be required to consider and plan to mitigate the current and medium term staffing matters affecting both parent bodies in the provision of services to the IJB.</p>	<p>Chief Officer</p> <p>Chief Officer</p>	<p>April 2020</p> <p>December 2019</p>
2.3	<p>Implementation of integrated strategic risk management group.</p>	<p>Chief Officer</p>	<p>April 2020</p>
2.4	<p>Documented processes to be implemented within the IJB by the Chief Officer whereby all senior staff in parent bodies provide formal assurance annually with regards to their responsibilities for providing key services to the IJB.</p> <p>The Chief Officer should consider the signed statements of assurance on receipt and consider any significant matters along with other regulatory reports and audit reports in order to inform the disclosures in the Corporate Governance Statement.</p>	<p>Chief Officer</p> <p>Chief Officer</p>	<p>April 2020</p> <p>April 2020</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.			