

Argyll & Bute Health & Social Care Partnership

Internal Audit Report

July 2023

Final

Risk Management

Audit Opinion: Reasonable

	High	Medium	Low	VFM
Number of Findings	0	1	3	0

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1. Executive Summary

Introduction

1. As part of the 2023/24 internal audit plan, approved by the Audit & Risk Committee in March 2023, we have undertaken an audit of Argyll & Bute Health & Social Care Partnership (HSCP) system of internal control and governance in relation to Risk Management.
2. The audit was conducted in accordance with the Public Sector Internal Audit Standards (PSIAS) with our conclusions based on discussions with HSCP officers and the information available at the time the fieldwork was performed. The findings outlined in this report are only those which have come to our attention during the course of our normal audit work and are not necessarily all the issues which may exist. Appendix 1 to this report includes agreed actions to strengthen internal control however it is the responsibility of management to determine the extent of the internal control system appropriate to the HSCP.
3. The contents of this report have been agreed with the appropriate HSCP officers to confirm factual accuracy and appreciation is due for the cooperation and assistance received from all officers over the course of the audit.

Background

4. Risk management is the planned and systematic process by which key risks are identified, evaluated and managed so as to maximise benefits and minimise potentially negative consequences to the Integrated Joint Board (IJB).
5. Risks are significant uncertainties that may affect the IJB's ability to achieve its strategic objectives. Systems must be in place at both strategic and operational levels to address and embed risk management across the organisation.
6. The IJB is responsible for the operational oversight of the HSCP. The Integration Scheme requires that:
 - the Parties will develop a shared risk management strategy that will identify, assess and prioritise risks related to the delivery of services under integration functions, particularly any which are likely to affect the IJB's delivery of the Strategic Plan.
 - the Chief Officer will ensure the maintenance of an up to date integrated risk register in respect of all functions delegated to the IJB.
7. This review looked at strategic risk management (identification assessment, reporting and monitoring) and operational arrangements within the IJB.

Scope

8. The scope of the audit was to assess the identification, reporting and monitoring of risks within the IJB as outlined in the Terms of Reference agreed with the Head of Finance and Transformation-(HSCP) on 9th June 2023.

Risks

9. The risks considered throughout the audit were:
 - Audit Risk 1: Risk registers are not updated regularly
 - Audit Risk 2: Risks are not properly assessed
 - Audit Risk 3: Risks are not prioritised
 - Audit Risk 4: Risks are not monitored and reported

Audit Opinion

10. We provide an overall audit opinion for all the audits we conduct. This is based on our judgement on the level of assurance which we can take over the established internal controls, governance and management of risk as evidenced by our audit work. Full details of the five possible categories of audit opinion is provided in Appendix 2 to this report.
11. Our overall audit opinion for this audit is that we can take a reasonable level of assurance. This means that internal control, governance and the management of risk are broadly reliable. However, whilst not displaying a general trend, there are areas of concern which have been identified where elements of residual risk or weakness may put some of the system objectives at risk.

Recommendations

12. We have highlighted one medium priority recommendation and three low priority recommendations where we believe there is scope to strengthen the control and governance environment. These are summarised below:
 - Operational risk registers should be updated and formally agreed by the appropriate committees, boards or senior management teams.
 - Version control should be included within both the Risk Management Strategy document and the Risk Management process document and a minimum review period for both documents should be agreed.
 - Outstanding audit actions since June 2021 on training should be completed.
 - Risk management documents should be available on the HSCP intranet and/or other portal for ease of access.
13. Full details of the audit findings, recommendations and management responses can be found in Section 3 of this report and in the action plan at Appendix 1.

2. Objectives and Summary Assessment

14. Exhibit 1 sets out the control objectives identified during the planning phase of the audit and our assessment against each objective.

Exhibit 1 – Summary Assessment of Control Objectives

	Control Objective	Link to Risk	Assessment	Summary Conclusion
1	Risk management is actively supported and promoted by IJB members.	Audit Risk 1 Audit Risk 2 Audit Risk 4	Substantial	The HSCP have in place a risk management Strategy document and risk management process document. Both documents were found to be comprehensive covering all aspects of Risk Management. A minimum review date should be included within each document and version control inserted. Risk Management documents should be made available to users on the intranet.
2	There is a defined and consistent approach for the accurate and timely identification and evaluation of strategic risks.	Audit Risk 1 Audit Risk 2 Audit Risk 3	Reasonable	The Strategic risk register is actively managed and risks have been timeously evaluated and mitigated against. Operational risk registers have not been updated since 2018/19 and consequently no formal review of them has been carried out by appropriate committees. HSCP officers have advised that operational risks are identified and mitigated via other mechanisms.
3	There is an effective process in place to monitor the implementation of the actions required to address the risks identified with subsequent reporting to IJB/Senior management.	Audit Risk 4	Reasonable	The Strategic Risk register is regularly monitored by appropriate committees with a detailed commentary of all risks classified as “very high” being provided by the Chief Officer. Outstanding audit actions since June 2021 on training in regard to risk management should be completed.

15. Further details of our conclusions against each control objective can be found in Section 3 of this report.

3. Detailed Findings

Risk management is actively supported and promoted by IJB members.

16. There is a Risk Management Strategy document in place which describes the risk management arrangements for the HSCP and forms part of the wider framework for corporate governance and internal control.

A review of the Risk Management Strategy Document found it to be comprehensive detailing for example the:

- Vision of the IJB in respect to effective risk management
- Assurance and Governance
- Integration and Organisational processes
- External monitoring ,communications and reporting
- Monitoring, Review and Continuous improvement
- Resourcing and risk management
- Training and development

17. Roles and responsibilities are clearly identified for Key personnel, e.g.:

- Chief Officer
- Chief Financial Officer
- Clinical and Care Governance Team
- Individual risk owners

18. A “risk management process document” is in place that provides guidance on the key aspects of populating and maintaining risk registers. The document was found to be comprehensive covering all aspects of risk management.

19. It was noted that there is no agreed review period for either the Risk Management Strategy document or the risk management process document and that version control was not included in either document. HSCP officers have proposed a development day scheduled for September/October 2023 where the agenda will include :

- Review of Risk Management Strategy
- Risk appetite
- Review content of Strategic Risk Registers(SRR)

Action Plan 2

20. It is a requirement that the HSCP have in place a Strategic Risk Register which is presented to the IJB and Clinical and Care Governance Committee every six months. It was evidenced that the Strategic Register has been regularly reviewed by the appropriate committees, the last review having been carried out at a meeting on 20 June 2023 by the HSCP Audit and Risk Committee.

21. All key business activities within the HSCP have an operational risk register in place as required per the Strategy document. A review of these risk registers noted that a number of them have not been updated and formally reviewed for some time, e.g. the Adult Services operational risk register was last updated in 2018/19. Discussions with HSCP officers noted that ongoing operational risks are identified and mitigated against via a number of processes/mechanisms. These processes have not been formally reviewed by internal audit therefore no opinion can be given on their effectiveness, nevertheless, any mitigations should be reflected in up to date operational risk registers.

Audit Plan 1

22. Whilst it is recognised that users have access to Guidance and Strategy documents it was noted these documents are not currently available to relevant users which was a recommendation from a previous risk management audit.

Action Plan 4

[There is a defined and consistent approach for the accurate and timely identification and evaluation of strategic risks.](#)

23. The risk management process document manual sets out a consistent approach to identify and prioritise risks, in particular the document provides guidance on :

- identifying risk
- assessing the likelihood and impact of the risk
- scoring of risks
- prioritise risks (red, amber or green)
- Mitigate and manage the risk
- Review and reporting of risks

24. There is in place a standing item on the agenda of the Audit and Risk Committee where the Committee reviews key issues or changes to strategic risks. Internal audit confirms that risk registers are being reviewed on a regular basis as per the requirements of the risk strategy document.

25. All key operational services have a risk register in place as required by the Strategy document. A review of these risk registers noted that a number of them have not been updated and formally reviewed within the prescribed time. See paragraph 21 above. HSCP officers have advised that operational risks are identified, monitored and mitigated on an ongoing basis and various mechanisms are in place such as utilising “smart software” with corresponding training given to relevant staff members.

Audit Plan 1

There is an effective process in place to monitor the implementation of the actions required to address the risks identified with subsequent reporting to IJB/Senior management.

26. The SRR was last reviewed in June 2023 by the HSCP Audit and Risk Committee. It was evidenced that the risks are actively managed to reduce their impact upon the organisation and the likelihood of them being realised. The table below is an excerpt from the report which shows the movement in the Strategic risks for each risk category over the last 2 years.

Residual Risks	Very High	High	Medium	Total
May 2021	2	9	9	20
December 2021	4	13	6	23
June 2022	4	14	6	24
November 2022	7	12	5	24
June 2023	4	13	7	24

27. As required per the Strategy document a detailed commentary has been provided by the Chief Officer in regard to all “Very High” risks identified.
28. It is a requirement per the risk strategy document that “the IJB will ensure that the Strategic Risk Register will be reported annually to the NHS Highland Board and Argyll & Bute Council, or whenever requested”. It was evidenced that the June 2022 strategic risk register was forwarded to the NHS Highland Board in June 2022 and that that the latest Strategic Risk register will be forwarded imminently.
29. The risk management strategy document states that “the IJB will ensure that managers are provided with relevant training to ensure they have the ability to manage risk”. It is noted that there is an outstanding action since June 2021 covering:
- Training for new members of IJB and Audit Committee
 - training for Risk leads
 - maintenance of training records

Whilst this recommendation is still outstanding we note that actions are currently in place to address these issues.

Action Plan 3

Appendix 1 – Action Plan

	No	Finding	Risk	Agreed Action	Responsibility / Due Date
Medium	1	<p>Operational Risk Registers</p> <p>All key business activities within the partnership have an operational risk register in place as required per the Strategy document. A review of these risk registers noted that they have not been updated and formally reviewed.</p>	Failure to regularly update and review operational risk registers may lead the organisation to being exposed to unacceptable risks.	Recommendation accepted. All operational risk registers will be updated on smart sheet.	<p>Business Improvement Manager</p> <p>December 2024</p>
Low	2	<p>Risk Management Documents</p> <p>It was noted that there is no agreed review date for both the Risk Management Strategy and process document. In addition current versions do not have version control.</p> <p>Risk management documents should be made available on the intranet as per previous audit recommendation.</p>	Failure to have an agreed review may lead to documents no longer reflecting best practice.	Recommendation accepted.	<p>Head of Finance & Transformation (HSCP)/ Business Improvement Manager</p> <p>December 2024</p>
Low	3	<p>Training</p> <p>It is noted that there is an outstanding audit action since June 2021 covering :</p> <ul style="list-style-type: none"> • Training for new members of IJB and Audit Committee • training for Risk leads • maintenance of training records 	Failure to train appropriate personnel may lead to the organization being exposed to unacceptable risks.	Recommendation accepted. A training programme based upon the use of the Smartsheet system is being developed.	<p>Business Improvement Manager</p> <p>December 2023</p>

	No	Finding	Risk	Agreed Action	Responsibility / Due Date
LOW	4	Intranet/Other Portal – Access to Documents Whilst it is recognised that users have access to Guidance and Strategy documents it was noted these documents are not currently available to relevant users which was a recommendation from a previous risk management audit.	Failure to have relevant documents readily available to users may lead to some personnel not having access.	The HSCP should ensure that all operational risk registers and training materials are available to all staff to access and relevant staff to update on sharepoint.	Head of Finance & Transformation (HSCP)/ Business Improvement Manager December 2024

In order to assist management in using our reports a system of grading audit findings has been adopted to allow the significance of findings to be ascertained. The definitions of each classification are as follows:

Grading	Definition
High	A major observation on high level controls and other important internal controls or a significant matter relating to the critical success of the objectives of the system. The weakness may therefore give rise to loss or error.
Medium	Observations on less significant internal controls and/or improvements to the efficiency and effectiveness of controls which will assist in meeting the objectives of the system. The weakness is not necessarily substantial however the risk of error would be significantly reduced if corrective action was taken.
Low	Minor recommendations to improve the efficiency and effectiveness of controls or an isolated issue subsequently corrected. The weakness does not appear to significantly affect the ability of the system to meet its objectives.
VFM	An observation which does not highlight an issue relating to internal controls but represents a possible opportunity for the HSCP to achieve better value for money (VFM).

Appendix 2 – Audit Opinion

Level of Assurance	Definition
High	Internal control, governance and the management of risk are at a high standard. Only marginal elements of residual risk have been identified with these either being accepted or dealt with. A sound system of control designed to achieve the system objectives is in place and being applied consistently.
Substantial	Internal control, governance and the management of risk is sound. However, there are minor areas of weakness which put some system objectives at risk and specific elements of residual risk that are slightly above an acceptable level and need to be addressed within a reasonable timescale.
Reasonable	Internal control, governance and the management of risk are broadly reliable. However, whilst not displaying a general trend, there are areas of concern which have been identified where elements of residual risk or weakness may put some of the system objectives at risk.
Limited	Internal control, governance and the management of risk are displaying a general trend of unacceptable residual risk above an acceptable level and placing system objectives are at risk. Weakness must be addressed with a reasonable timescale with management allocating appropriate resources to the issues raised.
No Assurance	Internal control, governance and the management of risk is poor. Significant residual risk and/or significant non-compliance with basic controls exists leaving the system open to error, loss or abuse. Residual risk must be addressed immediately with management allocating appropriate resources to the issues.