

Risk Management & Board Assurance Framework

Final Internal Audit Report

May 2022

Hywel Dda University Health Board

NWSSP Audit & Assurance Services



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Executive Summary

Purpose

To review the organisation-wide risk management arrangements and the development of the board assurance framework.

Overview

We have concluded substantial assurance overall on the basis that the Health Board has an effective risk management process in place, incorporating a robust Board Assurance Framework aligned to strategic objectives.

We identified one medium priority matters arising relating to the need to review and clarify the arrangements for monitoring principal risks within the BAF, which are assigned to Board committees but currently monitored by the Board.

Whilst the Risk Management Framework, Strategy & Policy and Risk Assessment Procedure require updating, we recognise that review was postponed due to the pandemic response, but ongoing at the time of reporting with a revised Framework due to be presented to Board in July 2022. Consequently, no further findings are raised in this respect.

Report Classification

Trend



Substantial

Few matters require attention in control design or compliance.

n/a

Low impact on residual risk exposure

Assurance summary¹

Assurance objectives

Assurance

Organisational Values

Assurance objectives	Assurance
1 Risk management and assurance arrangements	Reasonable
2 Board Assurance Framework & Corporate Risk Register	Substantial
3 Corporate oversight of directorate risk management arrangements	Substantial
4 Monitoring and review of key risks and assurance mechanisms across the Health Board	Substantial

Matters Arising

	Assurance Objective	Control Design or Operation	Recommendation Priority
1	Monitoring & Reporting of Principal Risks	4 Design	Medium

¹ The objectives and associated assurance ratings are not necessarily given equal weighting when formulating the overall audit opinion.

1. Introduction

- 1.1 The Risk Management and Board Assurance Framework review was completed in line with the 2021/22 Internal Audit Plan. The executive lead for the review is the Board Secretary.
- 1.2 Effective risk management is a key component of corporate, quality and safety governance and is integral to the delivery of organisational objectives.
- 1.3 The Board is responsible for setting the strategic risk appetite and ensuring that there is an appropriate risk management strategy in place. The Board Assurance Framework (BAF) is pivotal to providing assurance to the Board and supporting the oversight of strategic risks.
- 1.4 The Board agreed the refreshed strategic objectives in September 2020, and these form the basis of the Annual Recovery Plan. The BAF was subsequently refreshed and presented to Board in September 2021.
- 1.5 Whilst the BAF focuses on the strategic risks, the corporate risk register (CRR) deals with the significant operational risks affecting the Health Board's ability to achieve its planning objectives and deliver services in the 'here and now'. Directorate and service level risk registers sit beneath the CRR, with escalation and de-escalation as appropriate.
- 1.6 This audit focuses on the corporate risk management arrangements including corporate oversight of Directorate risks. Directorate level risk management arrangements are reviewed and reported as part of the separate Directorate Governance internal audits and are therefore excluded from the scope of this review.
- 1.7 The potential risk considered in the review is:
 - The Health Board is unable to achieve its strategic objectives and deliver safe, effective services to its patients.

2. Detailed Audit Findings

Objective 1: Risk management and assurance arrangements are defined within a strategy and framework, and aligned to the Health Board's objectives and strategic direction

2.1 The Health Board has a Risk Management Framework, Risk Management Strategy and Risk Assessment Procedure in place:

Risk Management Framework	Outlines the components that provide the foundation and organisational arrangements for supporting risk management processes within the Health Board
Risk Management Strategy & Policy	Outlines the arrangements for risk management activities within the Health Board including risk appetite, tolerance and culture; roles and responsibilities; controls assurance and governance arrangements
Risk Assessment Procedure	Explains the risk assessment process from identification to treatment of risks

2.2 These documents require review and updating to reflect current risk management arrangements, including the development of the new board assurance framework (BAF). This was postponed in anticipation of the new strategic objectives, and subsequently delayed due to the focus on the pandemic response. An extension was approved by the Strategic Development & Operational Delivery Committee in March 2022 to allow the review to be completed during 2022. The updated draft Risk Management Framework is due to be presented to the Audit & Risk Assurance Committee in June, and Board in July 2022.

2.3 The Health Board's risk appetite is defined within the Risk Management Strategy & Policy. Management recognise the need to reassess the risk appetite, particularly following COVID-19. We were advised that this will form part of the framework, strategy and policy review during 2022.

2.4 The Health Board has developed an Assurance & Risk intranet page with a suite of guidance documents relating to the Datix risk management system, risk assessment procedure, risk escalation and risk appetite statement. The framework, strategy and procedure will be added following review and update.

Conclusion:

2.5 We have concluded **Reasonable** assurance for this objective, recognising the ongoing review and update of the Risk Management Framework, Strategy & Policy and Risk Assessment Procedure.

Objective 2: Strategic and significant operational risks are managed via the BAF and corporate risk register, and regularly reviewed by the Executive Team

Board Assurance Framework (BAF)

2.6 In April and May 2021 a series of BAF workshops were held for each of the six strategic objectives, to identify the principal risks of achieving these objectives and

the respective risk owners. Workshops were chaired by the Chief Executive and attended by the relevant Executive Team members responsible for the planning objectives within each strategic objective.

- 2.7 The six strategic objectives form the basis of the BAF. Each of the 17 principal risks in the BAF are linked to one or more strategic objectives as set out within the Health Board's Integrated Medium-Term Plan (IMTP).
- 2.8 The BAF clearly identifies the principal risks to the delivery of the Health Board's strategic objectives, the associated controls and assurance arrangements as well as the action being taken to address any gaps in these. Each principal risk has been assigned to an Executive Director and lead assurance committee. All principal risks have been assessed on the basis of likelihood and impact, in accordance with the risk scoring matrix.
- 2.9 The Health Board has developed a BAF Dashboard providing a visual representation of progress against each strategic objective by showing:

- Current delivery against each planning objective within the strategic objectives
- Current performance in respect of the agreed outcome measures for the strategic objective
- Current principal risks identified which may affect the achievement of the strategic objectives
- Assurance in place to evidence the effectiveness of the management of principal risks

- 2.10 The new BAF was noted and commended by the Board in September 2021. In the Structured Assessment Phase 2 report, Audit Wales also commended the BAF and identified it as a model of good practice:

"an innovative approach to enable effective scrutiny of strategic risks and outcomes is in place through the interactive BAF and performance dashboard"

"as well as identifying the principal risks to delivery of the Health Board's objectives, the controls and assurance, the BAF also seeks to draw on the Health Board's outcomes and delivery against its planning objectives"

- 2.11 The Assistant Director of Assurance & Risk meets with each Executive Director individually to review and update their respective risks, the BAF is then reviewed by the Executive Team bi-monthly in advance of the Board meeting.

Corporate Risk Register (CRR)

- 2.12 The CRR follows the same format and structure as the BAF in terms of a risk summary supported by a 'risk on a page' identifying the lead Executive, assurance committee, controls and assurances. All risks have been assessed in line with the risk scoring matrix.

2.13 The Executive Team is responsible for approving the inclusion of operational risks on the CRR. The Executive Risk Group was established in September 2021, as a separate session of the Executive Team, and meets monthly to discuss the CRR to ensure that risks are being managed appropriately, and gaps in controls and assurance are being addressed. Meeting papers/notes demonstrate new risks considered for inclusion on the CRR, removal of risks, and escalation of risks to the BAF where appropriate.

Conclusion:

2.14 We have concluded **Substantial** assurance for this objective.

Objective 3: There is corporate oversight of directorate risk management arrangements, including risk register information, and processes operating to escalate significant risks to the CRR where appropriate

2.15 There are two tiers of operational risk registers beneath the CRR. Service Level Risk Registers include risks affecting a service. Directorate Risk Registers include operational risks affecting a Directorate and its objectives, and risks escalated from Service level.

2.16 All risks are recorded on Datix and are assessed and scored in line with the Health Board's Risk Assessment Procedure.

2.17 Directorate and Service level risks are managed operationally by the Management / Service Lead and monitored and reported at the directorate Quality, Safety & Experience Group (QSEG) or equivalent. This was observed in the Directorate Governance internal audit reviews undertaken during 2021/22.

2.18 The Assurance & Risk Team operate a business partnering model, where Assurance & Risk Officers are assigned to Directorates to support their risk management arrangements. This includes attendance at Directorate risk meetings and ongoing support and advice.

2.19 Directorate and Service Level risk registers are subject to annual detailed review by the Assurance & Risk Team.

Conclusion:

2.20 We have concluded **Substantial** assurance in respect of the arrangements for corporate oversight of Directorate risks.

Objective 4: Established processes are in place to support the monitoring and review of key risks and assurance mechanisms across the Health Board, including at Committee and Board level

Board Assurance Framework

- 2.21 Strategic objectives are aligned to a Board level committee responsible for seeking assurance that the risks associated with the delivery of their respective strategic objectives are being managed in accordance with the agreed risk appetite, tolerance levels and agreed action plans.
- 2.22 Accordingly, risks on the BAF are aligned to one or more strategic objectives and assurance committees:

Strategic Objective	Risks in BAF		Assurance Committee
	Red	Amber	
Putting people at the heart of everything we do	1	2	People, Culture & Organisational Development Committee
Working together to be the best we can be	2	2	
Striving to deliver and develop excellent services	2	2	
The best health and wellbeing for our communities	1	2	Strategic Development & Operational Delivery Committee
Safe, sustainable, accessible and kind care	1	2	Sustainable Resources Committee
Sustainable use of resources	2	1	

- 2.23 The BAF is presented at every Board meeting as part of the Chief Executives report on the delivery of strategic objectives and Annual Plan.
- 2.24 Board committees oversee the delivery of the individual planning objectives beneath the strategic objectives, enabling triangulation of information and assurances. Risk reports to Board identify the Board Committees as responsible for seeking assurance that principal risks are being managed, and considering assurance reports to ascertain whether it affects confidence in the achievement of strategic/planning objectives.
- 2.25 Although principal risks are assigned to Board committees, we were advised that the Board has retained responsibility for these risks for the first year of the new BAF. Consequently, principal risks are not formally reported to the respective committees for monitoring, although the BAF Dashboard provides committee members with a holistic view of strategic objectives and associated planning objectives, principal risks and outcome measures.

[See Matter Arising 1 in Appendix A]

Corporate Risk Register

- 2.26 Board Committees review their respective risks in the meeting prior to the Board meeting, with the exception of the Sustainable Resources Committee which has a corporate risk report at each meeting.
- 2.27 The CRR is reported to Board three times a year (July, November and March for 2021/22).
- 2.28 Operational risk reports are also reported to Committees three times a year.

Conclusion:

- 2.29 Whilst the Health Board needs to clarify the longer-term arrangements for monitoring principal risks, we recognise that they are currently monitored at Board level. We have therefore concluded **Substantial** assurance for this objective.






Appendix A: Management Action Plan

Matter Arising 1: Monitoring & Reporting of Principal Risks (Design)		Impact
<p>Risk reports to Board identify the Board Committees as responsible for seeking assurance that principal risks are being managed, and considering assurance reports to ascertain whether it affects confidence in the achievement of strategic/planning objectives.</p> <p>Although principal risks are assigned to Board committees, we were advised that the Board has retained responsibility for these risks for the first year of the new BAF. Consequently, principal risks are not formally reported to the respective committees for monitoring.</p>		<p>Potential risk of:</p> <ul style="list-style-type: none"> Assurance arrangements for principal risks are not clear, potentially resulting in Board Committees not discharging their responsibilities in relation to risk management
Recommendations		Priority
<p>Assurance arrangements and responsibilities for monitoring principal risks in the longer-term should be reviewed and clarified. If it is determined that Board committees will be responsible for principal risks on the BAF, committees should be provided with sufficient information to enable them to discharge this duty.</p>		<p>Medium</p>
Agreed Management Action	Target Date	Responsible Officer
<p>The Board previously agreed that they would receive the principal risks as these provide the Board with information on how the organisation is progressing against its strategic objectives. Reporting arrangements for principal risks will be considered as part of the review of both the Risk Management Strategy and Committee business/workplans planned for 2022/23.</p>	<p>31/12/2022</p>	<p>Assistant Director of Assurance & Risk</p>

Appendix B: Assurance opinion and action plan risk rating

Audit Assurance Ratings

We define the following levels of assurance that governance, risk management and internal control within the area under review are suitable designed and applied effectively:

	Substantial assurance	Few matters require attention and are compliance or advisory in nature. Low impact on residual risk exposure.
	Reasonable assurance	Some matters require management attention in control design or compliance. Low to moderate impact on residual risk exposure until resolved.
	Limited assurance	More significant matters require management attention. Moderate impact on residual risk exposure until resolved.
	No assurance	Action is required to address the whole control framework in this area. High impact on residual risk exposure until resolved.
	Assurance not applicable	Given to reviews and support provided to management which form part of the internal audit plan, to which the assurance definitions are not appropriate. These reviews are still relevant to the evidence base upon which the overall opinion is formed.

Prioritisation of Recommendations

We categorise our recommendations according to their level of priority as follows:

Priority level	Explanation	Management action
High	Poor system design OR widespread non-compliance. Significant risk to achievement of a system objective OR evidence present of material loss, error, or misstatement.	Immediate*
Medium	Minor weakness in system design OR limited non-compliance. Some risk to achievement of a system objective.	Within one month*
Low	Potential to enhance system design to improve efficiency or effectiveness of controls. Generally, issues of good practice for management consideration.	Within three months*

* Unless a more appropriate timescale is identified/agreed at the assignment.



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