REPORT TO: SCRUTINY COMMITTEE – 12 DECEMBER 2018

REPORT ON: IJB INTERNAL AUDIT REPORT

REPORT BY: SENIOR MANAGER – INTERNAL AUDIT

REPORT NO: 375-2018

1.0   PURPOSE OF REPORT

To submit to Members of the Scrutiny Committee, for information only, an internal audit report containing the detailed findings and corresponding recommendation from the Risk Maturity Assessment of Dundee Integration Joint Board (IJB).

2.0   RECOMMENDATIONS

Members of the Committee are asked to note, for assurance purposes, the information contained within the report.

3.0   FINANCIAL IMPLICATIONS

None

4.0   MAIN TEXT

4.1   As stated in the Integrated Resources Advisory Group (IRAG) Finance Guidance, the IJB is responsible for establishing adequate and proportionate internal audit arrangements for reviewing the adequacy of the arrangements for risk management, governance and control of the delegated resources. This includes determining who will provide the internal audit service for the IJB and nominating a Chief Internal Auditor. In line with the IRAG Finance Guidance, the Dundee IJB appointed the Chief Internal Auditor of Fife, Tayside and Forth Valley Audit and Management Services (FTF) / NHS Tayside, as its Chief Internal Auditor. In practice, the resources required to deliver the IJB Internal Audit Plan are provided by the internal audit services within NHS Tayside and Dundee City Council.

4.2   Under the arrangements detailed at paragraph 4.1 above, a review of the development of the IJB's Risk Management arrangements and evaluation of its current risk maturity was undertaken by FTF on behalf of the IJB. The audit work was designed to evaluate whether appropriate systems were in place and operating effectively to mitigate the risks relating to the achievement of objectives identified in the IJB Risk Management Policy & Strategy. The corresponding internal audit report, entitled Risk Maturity Assessment, was submitted to the IJB's Performance and Audit Committee on 25 September 2018.

4.3   The IRAG Finance Guidance specifically recommends that IJB Internal Audit Plans and annual reports are shared with the parent bodies and that, to avoid duplication of efforts and determine areas of reliance from the work of each team / service, the Chief Internal Auditors for each of the respective bodies should share information, co-ordinate activities with each other and with other external assurance providers and consulting services. To address and formalise the sharing of internal audit related information in general, a Tayside-wide Internal Audit Output Sharing Protocol, covering key internal audit work across NHS Tayside, the 3 IJBs, and the 3 local authorities was developed. This was subsequently submitted to and approved by the Council's Scrutiny Committee at its meeting on 14 February 2018 (Article VII of the minute of this Committee of 14 February, 2018 refers). The Protocol enables the sharing of internal audit outputs beyond the organisation that commissioned the work, in particular where the outputs are considered relevant for assurance purposes. Dundee IJB audit reports are presented to the Performance and Audit Committee for scrutiny purposes and are shared, in accordance with these approved arrangements, with NHS Tayside and the Council's Scrutiny Committee. With this in mind, the Dundee IJB report on Risk Maturity Assessment is attached at appendix A.

5.0   POLICY IMPLICATIONS

This report has been screened for any policy implications in respect of Sustainability, Strategic Environmental Assessment, Anti-Poverty, Equality Impact Assessment and Risk Management. There are no major issues.

6.0   CONSULTATIONS

The Chief Executive, Executive Director of Corporate Services, Head of Corporate Finance and Head of Democratic and Legal Services have been consulted on the content of this report.

7.0   BACKGROUND PAPERS

None

Pamela Redpath, Senior Manager – Internal Audit   DATE: 21 November 2018

DUNDEE IJB
INTERNAL AUDIT SERVICE

RISK MATURITY ASSESSMENT

REPORT NO. D04/18

Issued To: D Lynch, Chief Officer
             D Berry Chief Finance Officer

             C Lewis Robertson, Senior Officer (Business Planning and Information
             Governance)
             A Chappell, Locality Manager

             Chief Executive NHS Tayside
             Chief Executive Dundee City Council

             P Redpath, Senior Manager- Internal Audit, Dundee City Council

             Audit Committee
             External Audit

Date: 25 September 2018

INTRODUCTION & SCOPE

1. Integrated Resources Advisory Group Finance guidance states that '*The Chief Officer will be responsible for establishing the Integration Joint Board's risk strategy and profile and developing the risk reporting arrangements. There should be regular reporting on risk management to the Integration Joint Board*'.

2. The CIPFA 'Delivering Good Governance' in Local Government Framework 2016 places a responsibility on the authority to ensure additional assurance on the overall adequacy and effectiveness of the framework of governance, risk management and control is provided by the internal auditor.

3. The Public Sector Internal Audit Standards (PSIAS) 2010 state that '*the internal audit activity must evaluate the effectiveness and contribute to the improvement of risk management processes*'.

4. Dundee IJB noted the finalised IJB Risk Management Policy & Strategy in May 2016.

5. The scope of this review is to evaluate and report on the risk maturity of the organisation. The Institute of Internal Auditors (IIA) document 'An approach to implementing Risk Based Internal Auditing' provides guidance on assessing the organisation's risk maturity and Annex F of the Audit Committee Handbook 2008 sets out Key Lines of Enquiry for an Audit Committee including assessment of risk management processes.

6. Risk management arrangements within the IJB are currently under review as part of a wider consideration of HSCI governance and this review is intended to assist in the further development of Risk Management processes and assurances.

OBJECTIVES

7. Our audit work was designed to evaluate whether appropriate systems were in place and operating effectively to mitigate risks to the achievement of the objective identified below.

8. As stated in the IJB Risk Management Policy & Strategy, '*the IJBs believe that appropriate application of good risk management will prevent or mitigate the effects of loss or harm and will increase success in the delivery of objectives, better clinical and financial outcomes, achievement of targets and fewer unexpected problems*'.

9. The Policy & Strategy also sets out the key benefits of effective risk management:

   ✧ *appropriate, defensible, timeous and best value decisions are made;*
   ✧ *risk 'aware' not risk 'averse' decisions are based on a balanced appraisal of risk and enable acceptance of certain risks in order to achieve a particular goal or reward;*
   ✧ *high achievement of objectives and targets;*
   ✧ *high levels of morale and productivity;*
   ✧ *better use and prioritisation of resources;*
   ✧ *high levels of user experience/satisfaction with a consequent reduction in adverse events, claims and/or litigation; and*
   ✧ *a positive reputation established for the Integration Joint Boards.*

RISKS

10. The following risks could prevent the achievement of the above objectives and were identified as within scope for this audit:

   ✧ The organisation may not be managing risks appropriately because it does not have a comprehensive risk management framework, congruent with those of its partner organisations in place comprising appropriate strategy, structures, policies and procedures based on sound risk management principles appropriate to integrated working;

   ✧ Risks are not considered and addressed as part of all decision making activities.

   ✧ All relevant strategic and operational risks may not be accurately identified, assessed, evaluated, recorded and monitored;

   ✧ The quality of data including risks, controls and assurance may not be to the required standard;

   ✧ Risk responses may not be appropriate and aligned with an appropriately defined and approved risk appetite;

   ✧ Relevant risk information may not be captured and communicated in a timely manner across the organisation, enabling staff, management and the Board to carry out their responsibilities;

   ✧ Users may not have appropriate knowledge of, and access to, robust risk management systems which are structured to allow partnership working;

   ✧ Training and awareness for all stakeholders of the risk management process may be insufficient;

   ✧ Adequate resources may not available to support the risk management process;

   ✧ Risks with partner organisations may not be appropriately managed in that;

   • Responsibility for managing operational risks may not clearly assigned

   • Effective assurance and reporting arrangements may not be in place over all risks relating to delegated functions

   • Appropriate assurances may not be provided to all relevant bodies and their Audit Committees on the operation of risk management and the integrity of systems

AUDIT OPINION AND FINDINGS

11. Dundee IJB is currently developing its Risk Management arrangements. This review is intended to assist management by identifying key areas to be taken forward as part of that process and therefore no audit opinion is expressed. However, we would commend the IJB for its progress to date and the priority given to Risk Management, whilst highlighting the need for significant further work to be undertaken as the organisation matures. In particular, we welcome the introduction of a process to create an integrated IJB Operational Risk Register as a necessary corollary to the IJB'S agreed model of governance.

12. The Senior Officer (Business Planning and Information Governance) has been delegated with operational responsibility for Risk Management with the Chief Officer having overall accountability for the IJB's 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.

13. The IJB Risk Management Strategy was approved by the IJB in May 2016. It is based on an NHS Tayside wide format but with the following specific amendments to ensure that the shared nature of the risk between the IJB, NHS Tayside and Dundee City Council is explicit and that the terms of the strategy are consistent with the Dundee Integration Scheme as well as to ensure the shared nature of the risk management process reflects the respective responsibilities of all the partners.

"*1.4 Operational risks represent the potential for impact (opportunity or threat) within or arising from the activities of an individual service area or team operating within the scope of the IJBs activities. Parent bodies and the IJB will share responsibility for managing operational risks and the development of activities and controls to respond to these. Where a number of operational risks impact across multiple services areas or, because of interdependencies, require more strategic leadership, then these can be proposed for escalation to 'strategic risk' status as above.*"

'*3.1.3 Appropriate ownership of risk: Specific risks will be owned by/assigned to and managed by those individual/s who are best placed to oversee the risk and manage the development of any new risk controls required by the Chief Officer of the relevant IJB in conjunction with the NHS Chief Executive and the Chief Executive of Dundee City Council.*"

These amendments, in our view, appropriately reflect the governance model of the IJB.

14. The organisation's high-level risk register was reported to the Performance & Audit Committee (PAC) in February 2018 and again in June 2018 as part of the Annual Risk Management overview. The risk register identifies the ten key strategic risks for the partnership and provides a description, alongside the original, current and target risk scores, mitigating actions and a narrative section.

15. All reports requiring a decision now include an enhanced risk assessment section. The report template includes a mandatory narrative section which provides a framework for ensuring that all decisions are informed by appropriate risk assessments.

16. Work has been ongoing during the year to develop a local operational risk register. This work was originally planned to include business continuity planning and to be monitored by the PAC, but this has not yet been presented. The Dundee IJB Annual Risk Management report presented to the 29 May 2018 PAC identified areas of further development. These should be supplemented by additional recommendations arising from this review and we would recommend the production of a timetable to ensure that the implementation of these developments is prioritised and can be monitored by the PAC.

Detailed findings

17. Neither parent body Risk Management Strategy (RMS) fully recognises the complex relationships with IJBs in terms of shared risk and a range of other activities. However, the NHS Tayside Risk Management Strategy does reference the risk management policy and strategy for use within Health and Social Care Partnerships, and the Dundee City Council Strategy is being redrafted. The current strategies are not consistent with those of the IJB and therefore do not set out the arrangements between the bodies for the ownership, identification and escalation of risk. All three Risk Management Strategies (RMS) should be updated within a common set of principles to ensure consistency and congruence, noting that the Dundee City Council RMS is currently under review.

18. Whilst the RMS does not have a formal review date s10.4 states that '*This policy and strategy will be reviewed annually by the Risk Managers from NHS Tayside and the Local Authorities to ensure that it reflects current standards and best practice in risk management and fully reflects the Integrated Joint Board's business environment.*' It is not apparent that this review has taken place and, in any event, the IJB should take responsibility for reviewing its own RMS, albeit in consultation with the parent bodies.

19. The update of the Dundee IJB RMS should consider the following potential enhancements:

   ✧ The 'Governance, roles and responsibilities' section should be amended to:

      • Recognise the responsibility of the Board to consider the Risk Register at least bi-annually (see below);

      • Reflect the role of the Performance and Audit Committee for reviewing the overall system of Risk Management, consistent with its Terms of Reference;

      • Enhance the section in relation to the role of the Senior Management Team (SMT) in reviewing risks and considering current scores, controls and tolerance; and in escalating risks to the IJB, Strategic Risk Register and to partner bodies. This section should also make reference to the role of groups below the SMT;

      • Completely revise section 4.6 which currently states '*It is the responsibility of relevant specialists from the partner bodies, (such as internal audit, external audit, risk managers and health and safety advisers) to attend meetings as necessary to consider the implications of risks and provide relevant advice. It is the responsibility of the partner bodies to ensure they routinely seek to identify any residual risks and liabilities they retain in relation to the activities under the direction of the IJB*'. This section should be replaced by an appropriate mechanism for formal escalation of risks to the parent bodies and vice versa;

      • Incorporate a set of agreed Risk Management principles, including as a minimum those topics covered within the Risk Management section of the HSCI governance principles agreed with NHS Tayside, whilst ensuring that the views of Dundee City Council are also incorporated.

   ✧ Similarly, s8.3 states 'It is expected that partner bodies will use IJBs risk reports to keep their own organisations updated on the management of the risks, highlighting any IJBs risks that might impact on the partner organisation.' This section should also be reviewed in consultation with the officers responsible for Risk Management within the partner bodies to ensure that it can operate effectively in practice and in accordance with the agreed principles referred to above;

   ✧ As systems develop, consideration should be given to the creation of operational procedures/policies to provide guidance to managers and support the delivery of the RMS.

20. The approved format for the risk register is set out in Appendix 2 of the RMS. However, this format was not considered practicable and the risk register does not currently contain information on assurances in place over the controls mitigating each risk, nor timescales for actions designed to reduce those risks. Risk reporting arrangements should be reviewed, specifically in relation to explicitly linking objectives, risks, controls/actions and assurances/performance reporting within the context of the IJB governance structures.

21. Although reported to the February 2018 PAC meeting, the Risk Register was not presented to the IJB itself during 2017/18 and was not taken to the June 2018 IJB as intended.

22. The Risk Management Annual report was presented to the May 2018 PAC and included an updated risk register. However, whilst it outlined developments during the year it did not provide formal assurance to the PAC. Best practice would involve the use of a recognised methodology to form the basis for an overt opinion on the adequacy and effectiveness of risk management arrangements.

23. The report also highlighted proposed improvements including addressing the issue identified above in relation to presenting the Strategic and Operational Risk Registers to the Integration Joint Board following detailed scrutiny by the Performance and Audit Committee and working with the IJB to set the IJB's risk appetite. It also proposed the development of Key Performance Indicators to provide assurance on the operation of the Risk Management system throughout the year. We would recommend that the full IJB review the Risk Register at least bi-annually and that any risks above risk appetite be reported more frequently, together with an associated plan to mitigate the risk to tolerable levels.

24. S4.3 of the RMS sets out the duties of the SMT but there is currently no regular mechanism for the formal review of the Risk Register or for ensuring that any current issues are considered for inclusion within the operational or strategic risk registers. In this regard, we would highlight the risk relating to drug and alcohol treatment waiting times which has an inherent, current and planned risk rating of 25, but which was not overtly considered for escalation to the IJB, inclusion within the Strategic Risk Register or for escalation to the parent bodies.

25. During our review we were pleased to note the work being undertaken to produce a coherent, integrated risk register within one locality, as a precursor to an exercise to be undertaken across the IJB. In our view, this entirely consistent with and appropriate for the model Dundee IJB's governance model.

26. Once completed, there would be benefit in recording an agreed methodology for this approach in the form of a formal policy/procedure to ensure consistency and to build iteratively on the good work already undertaken.

27. Whilst the work above is a step forward, it cannot be completed without agreement with the partners as it would not be efficient to maintain three risk registers containing duplicate or similar risks and there is the inevitable prospect that one or more would not be maintained effectively. This should be the subject of detailed discussion with the parent bodies and the agreed solution should be recorded within the RMS.

28. The Strategic Risk register is high-level and reflects a number of risks envisaged at the establishment of the IJB. As noted above, there is not yet evidence of material operational risks percolating through to the Strategic Risk Register and we note that there is no overt linkage to the Strategic Plan. In the longer term, we would recommend consideration of a horizon scanning process possibly through an annual Board Development Event at a suitable point in the year, predicated around risks to the delivery of the Strategic Plan, also informed by the risk registers of the Health Board and Council. This would enhance Board understanding and ownership of the Risk Register and allow newer members, who were not in place when the Risk Register was formulated, to participate fully.

29. In the fullness of time it would be preferable to identify and formalise the links between the strategic/operational risk registers and the following sources of information on risk, recognising the key roles of the R2 group and the PAC:

- Complaints & Claims
- Losses and Compensation Register
- Incident reporting & associated investigation
- Internal Audit Reports
- External Audit Reports
- Internal reviews such as Fire Safety, H&S, Clinical Audit
- External reviews such as HSE, HIS, MWC, Care Commission
- Other legal or regulatory reviews

30. Again, in the longer term, the IJB should consider training in IJB risk management systems and procedures for staff with responsibility for risk.

31. Whilst the IJB has made considerable progress, there is a significant amount of work to be undertaken before the IJB has a fully integrated risk management system aligned to its governance model and vision. As highlighted above, this work will require to be carefully planned and prioritised and should be monitored by the PAC. Whilst the IJB has shown commitment to Risk Management and has staff dedicated to the delivery of appropriate Risk Management systems, it should ensure that support from the parent bodies, as required by the Integration Scheme, is sufficient to support the IJB in this work.

ACTION

32. An action plan has been agreed with management to address the identified weaknesses. A follow-up of implementation of the agreed actions will be undertaken in accordance with the audit reporting protocol.

ACKNOWLEDGEMENT

33. We would like to thank all members of staff for the help and co-operation received during the course of the audit.

A Gaskin BSc. ACA
Chief Internal Auditor

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Ref.	Finding	Audit Recommendation	Priority	Management Response / Action	Action by/Date
1.	Dundee IJB has already identified some future enhancements to the system of Risk Management. This report highlights a number of additional areas developments.	The findings of this report, together with the proposed enhancements presented to the May 2018 PAC should be prioritised so that a timetable can be presented to the PAC for approval and monitoring.	**2**	An action plan and associated timetable addressing all of the findings of this report will be presented to the November Audit Committee.	Head of Finance and Strategic Planning November 2018

DEFINITION OF ASSURANCE CATEGORIES AND RECOMMENDATION PRIORITIES

Categories of Assurance:

A	Good	There is an adequate and effective system of risk management, control and governance to address risks to the achievement of objectives.
B	Broadly Satisfactory	There is an adequate and effective system of risk management, control and governance to address risks to the achievement of objectives, although minor weaknesses are present.
C	Adequate	Business objectives are likely to be achieved. However, improvements are required to enhance the adequacy/ effectiveness of risk management, control and governance.
D	Inadequate	There is increased risk that objectives may not be achieved. Improvements are required to enhance the adequacy and/or effectiveness of risk management, control and governance.
E	Unsatisfactory	There is considerable risk that the system will fail to meet its objectives. Significant improvements are required to improve the adequacy and effectiveness of risk management, control and governance and to place reliance on the system for corporate governance assurance.
F	Unacceptable	The system has failed or there is a real and substantial risk that the system will fail to meet its objectives. Immediate action is required to improve the adequacy and effectiveness of risk management, control and governance.

The priorities relating to Internal Audit recommendations are defined as follows:

Priority 1 recommendations relate to critical issues, which will feature in our evaluation of the Governance Statement. These are significant matters relating to factors critical to the success of the organisation. The weakness may also give rise to material loss or error or seriously impact on the reputation of the organisation and require urgent attention by a Director.

Priority 2 recommendations relate to important issues that require the attention of senior management and may also give rise to material financial loss or error.

Priority 1 and 2 recommendations are highlighted to the Audit Committee and included in the main body of the report within the Audit Opinion and Findings

Priority 3 recommendations are usually matters that can be corrected through line management action or improvements to the efficiency and effectiveness of controls.

Priority 4 recommendations are recommendations that improve the efficiency and effectiveness of controls operated mainly at supervisory level. The weaknesses highlighted do not affect the ability of the controls to meet their objectives in any significant way.