

**Stephen Brown (Chief Officer)**

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Agenda Item: 8.

## **Integration Joint Board – Audit Committee**

**Date of Meeting: 16 March 2022.**

**Subject: Internal Audit – Risk Management Review.**

### **1. Purpose**

1.1. To present the Internal Audit's Risk Management Review for members' scrutiny.

### **2. Recommendations**

The Integration Joint Board – Audit Committee is invited to:

2.1. Scrutinise and seek assurances on the internal audit reviewing risk management arrangements in place within the Integration Joint Board, attached as Appendix 1 to this report.

### **3. Background**

3.1. Risk management should be embedded throughout any organisation in such a way as to facilitate the timely identification and mitigation of risks that could impact achievement of objectives.

3.2. It is crucial that Integration Joint Board has robust risk management arrangements in place to ensure that corporate risks are subject to appropriate monitoring and oversight.

3.2. In accordance with the 2021/22 Internal Audit Plan, Azets reviewed the agreed aspects of the risk management arrangements in place within the Integration Joint Board to ensure they support robust risk management.

### **4. Audit Findings**

4.1. The Audit findings, attached as Appendix 1 to this report, provide assurance that there are controls in place in relation to risk management in the areas reviewed which are generally well designed and implemented. There are clear processes for identifying and classifying risks, and the way in which risks are documented and monitored.

4.2. Areas of good practice are highlighted within the key findings of the internal audit report. It is noted that there are two areas for improvement, to enhance the control framework. The two identified areas will be progressed by the service as a matter of priority.

## 5. Contribution to quality

Please indicate which of the Orkney Community Plan 2021 to 2023 visions are supported in this report adding Yes or No to the relevant area(s):

<b>Resilience:</b> To support and promote our strong communities.	No.
<b>Enterprise:</b> To tackle crosscutting issues such as digital connectivity, transport, housing and fuel poverty.	No.
<b>Equality:</b> To encourage services to provide equal opportunities for everyone.	No.
<b>Fairness:</b> To make sure socio-economic and social factors are balanced.	No.
<b>Innovation:</b> To overcome issues more effectively through partnership working.	No.
<b>Leadership:</b> To involve partners such as community councils, community groups, voluntary groups and individuals in the process.	No.
<b>Sustainability:</b> To make sure economic and environmental factors are balanced.	No.

## 6. Resource and financial implications

6.1. There are no resource or financial implications directly arising from this report.

## 7. Risk and equality implications

7.1. There are no risk or equality implications directly arising from this report.

## 8. Direction required

Please indicate if this report requires a direction to be passed to:

NHS Orkney.	No.
Orkney Islands Council.	No.

## 9. Escalation required

Please indicate if this report requires escalated to:

NHS Orkney.	No.
Orkney Islands Council.	No.

## **10. Authors and contact information**

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## **11. Supporting documents**

11.1. Appendix 1: Internal Audit Risk Management Review.



# Orkney Integration Joint Board

Internal Audit Report 2021/22

Risk Management

January 2022



# Orkney Integration Joint Board

## Internal Audit Report 2021/22

### Risk Management

Executive Summary	1
Management Action Plan	4
Appendix A – Classification Matrix	8
Appendix B – Definitions	9

<b>Audit Sponsor</b>	<b>Key Contacts</b>	<b>Audit team</b>
<i>Pat Robinson, Chief Financial Officer</i>	<i>Pat Robinson, Chief Financial Officer</i>	<i>David Eardley, Director</i> <i>Matthew Swann, Associate Director</i> <i>Holly Clayton-Littler, Internal Auditor</i>

# Executive Summary

## Conclusion

**We have gained assurance that the IJBs controls in relation to risk management in the areas reviewed are generally well designed and implemented. There are clear processes for identifying and classifying risks, and the way in which risks are documented and monitored.**

**We have identified two areas of potential improvement to further enhance the IJB's approach to the management of risk, in relation to the approach to engage with partners to communicate risks and managing risks within tolerance using SMART principles. Implementation of these points will provide greater clarity of purpose and help focus managing risk within agreed appetite levels.**

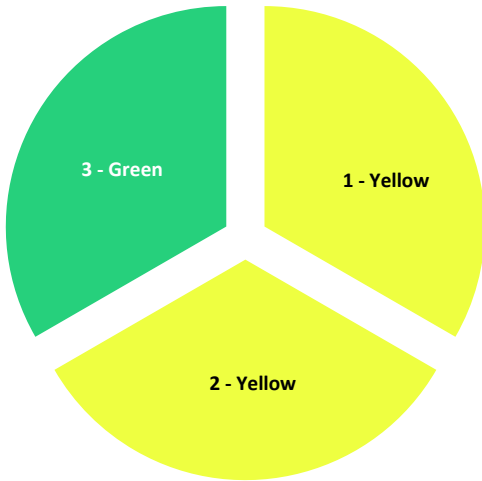
## Background and scope

Risk management should be embedded throughout any organisation in such a way as to facilitate the timely identification and mitigation of risks that could impact achievement of objectives. It is therefore crucial that IJB has robust risk management arrangements in place to ensure that corporate risks are subject to appropriate monitoring and oversight.

In accordance with the 2021/22 Internal Audit Plan, we reviewed the agreed aspects of the risk management arrangements in place within the IJB to ensure they support robust risk management.

# Control assessment

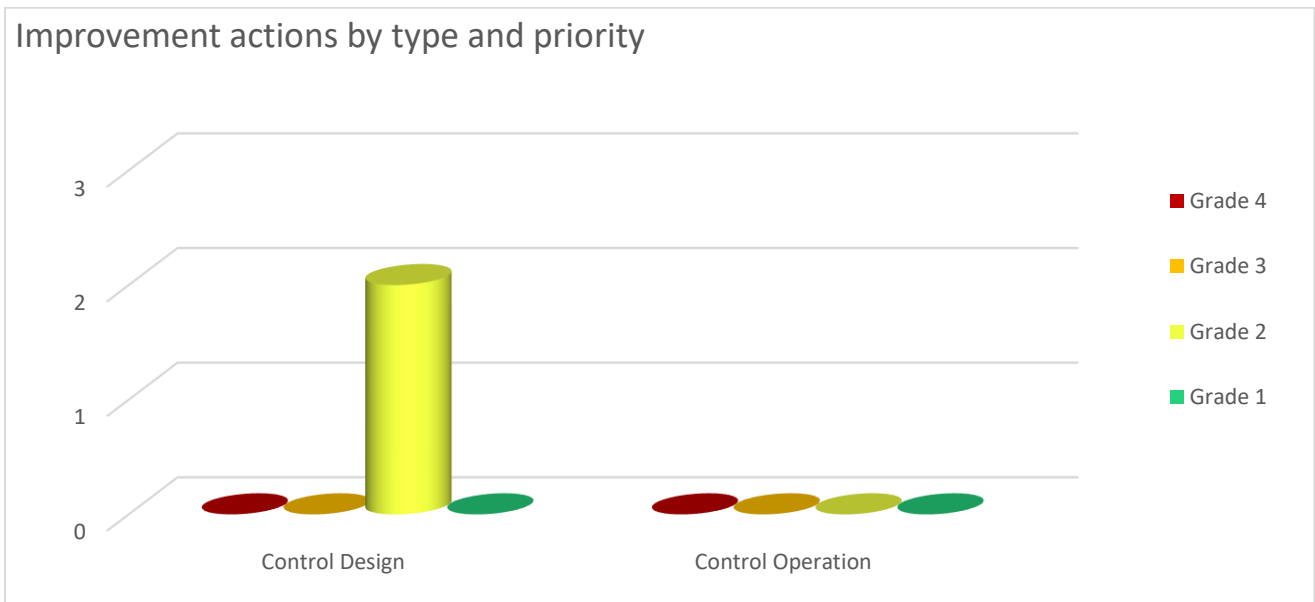
- 1. There is a defined and consistent approach for the accurate and timely identification and evaluation of risks.



- 2. Mitigating actions are identified to manage residual risk down to an acceptable level, in line with agreed risk appetite. Actions are allocated owners and reported in line with agreed frequencies.

- 3. There are clear criteria in place to ensure that risks are escalated, where appropriate.

## Improvement actions by type and priority



Two improvement actions have been identified from this review, relating to the design of controls. See Appendix B for definitions of colour coding.

# Key findings

## Good practice

We have gained assurance that the IJB's procedures reflect good practice in a number of areas, including:

- There is a clear process in place for identifying and classifying risks. When a risk is identified, the classification matrix is used to categorise risk on the basis of likelihood and severity. This classification then corresponds to a risk level and an appropriate response is developed.
- There is a risk register that documents the risks, triggers, mitigating actions, potential consequences of the risk being realised, risk level and risk owner. It is the responsibility of the risk owner to update each risk and ensure completion of the necessary mitigating actions.

## Areas for improvement

We have identified two areas for improvement which, if addressed, would further enhance the IJB's control framework.

- To review the Risk Management Strategy to add further clarity to the approach to risk management, in particular the approach to engage with partners and obtain assurance on areas across organisational boundaries; and
- To ensure mitigating actions are written in as SMART a manner as possible, clearly focused on reducing risk in line with appetite/tolerance as stated in the risk management strategy.

## Impact on risk register

This review cuts across all aspects of the risk register, providing assurance on it as a tool to help the organisation understand and respond to its risk environment

## Acknowledgements

We would like to thank all staff consulted during this review for their assistance and co-operation.



# Management Action Plan

Control Objective 1: There is a defined and consistent approach for the accurate and timely identification and evaluation of risks.



Yellow

## 1.1 Clarity of risk process

The Orkney Health and Care Risk Management Strategy details the IJB's approach to managing risk. The strategy breaks down this process into 5 stages:

1. Identification – what are the risks/?
2. Risk Analysis Assessment/Evaluation – what is the likelihood of the risk occurring and how severe will the risk impact?
3. Prioritisation - what are the likelihood and impact?
4. Risk management – Action Planning, Controls, Training, Procedures
5. Monitoring – Reviewing Actions, Planning, Reporting, Strategy, Review

The risk management strategy details the process for identifying and classifying risks. When a risk is identified, the classification matrix is used to categorise risk using the ratings of likelihood and severity. This classification then corresponds to a risk level and an appropriate response. Risk levels are defined as low, medium, high and very high. Each risk level has a corresponding response. (See Appendix A). Each risk is aligned to the IJB strategy by identifying the “cluster” to which the risk aligns.

At least every six months the Chief Finance Officer will contact each risk owner for a risk update. They will then collate the information and update the risk register to submit it to the IJB for review. However, there is an inconsistency in the Risk Management Strategy where it is noted updates will be provided on a quarterly basis on the development and progress of risk management.

Whilst it is acknowledged that officers of both NHS Orkney and OIC engage with the IJB and committees, it would be useful to clarify within the risk management strategy the specific roles to enable strong communication of risks both to and from the IJB.

### Risk

Either excessive or insufficient frequency of risk monitoring occurs, resulting in either inefficient use of resource or risks not being identified in a timely fashion.

### Recommendation

The Risk Management Strategy should be updated to remove inconsistencies to ensure that appropriate, timely review processes are implemented and confirm the approach to ensure risk approach, analysis and relevant mutual risks are shared appropriately with and by the IJB to provide for effective partnership working on risk.

**Management Action:**

Grade 2  
(Design)

Recommendation accepted to be implemented.

Action owner: Chief Finance Officer

Due date: 30 September 2022

**Control Objective 2: Mitigating actions are identified to manage residual risk down to an acceptable level, in line with agreed risk appetite. Actions are allocated owners and reported in line with agreed frequencies.**

## 2.1 SMART Mitigating actions

The risk register details the risk, triggers, potential consequences if the risk were realised, mitigation actions, risk level and assigns a risk owner. It is the responsibility of the risk owner to monitor the risk and complete or ensure completion of necessary mitigating actions.

In the case that further or revised mitigating actions are required the risk owner informs the Orkney Health and Care Senior Management Team who will then update the risk register and send it to the IJB for review. In the case that there is a high risk that needs immediate attention the SMT will create a separate report to the IJB.

However, based on review of the mitigating actions noted in the corporate risk register, it is not clear whether these are actions that are already being taken, or those required to reduce the risk to the target/appetite level. Clearer articulation of how actions contribute to effective management of risks within appetite would improve the ability to prioritise tasks to effectively manage risk.

### Risk

The resources expended to mitigate identified risks may be either inefficient (drawing too much resource) or ineffective (not sufficiently mitigating the risk), if they do not align to the agreed risk appetite/response.

### Recommendation

Mitigating actions should be as SMART as possible, with clear statement of and alignment to the IJB's defined appetite.

#### Management Action:

Grade 2  
(Design)

Recommendation accepted to be implemented.

Action owner: Chief Finance Officer

Due date: 30 September 2022

**Control Objective 3: There are clear criteria in place to ensure that risks are escalated, where appropriate.**



### **No reportable weaknesses identified**

The risk register records risks that are key to the organisation. Each risk details potential indicators or triggers.

For example, for the COVID-19 risk some of the triggers listed are:

- outbreak in a care home
- lack of available staff
- sustained transmission of the virus

If any of these triggers are realised the Risk Owner is responsible for informing the Senior Management Team. Management intervention is then discussed by the SMT and guided by the risk level and corresponding risk response.

At an operational level, risk registers are maintained and where a higher risk is identified for escalation, that is passed to the Senior Management Team for consideration. This is a fluid process due to the relative scale of the IJB and relies on open and frequent informal communication channels being effective. As noted in recommendation 1.1, the approach to share risks should be more clearly defined.

# Appendix A – Classification Matrix

## Risk Quantification Criteria

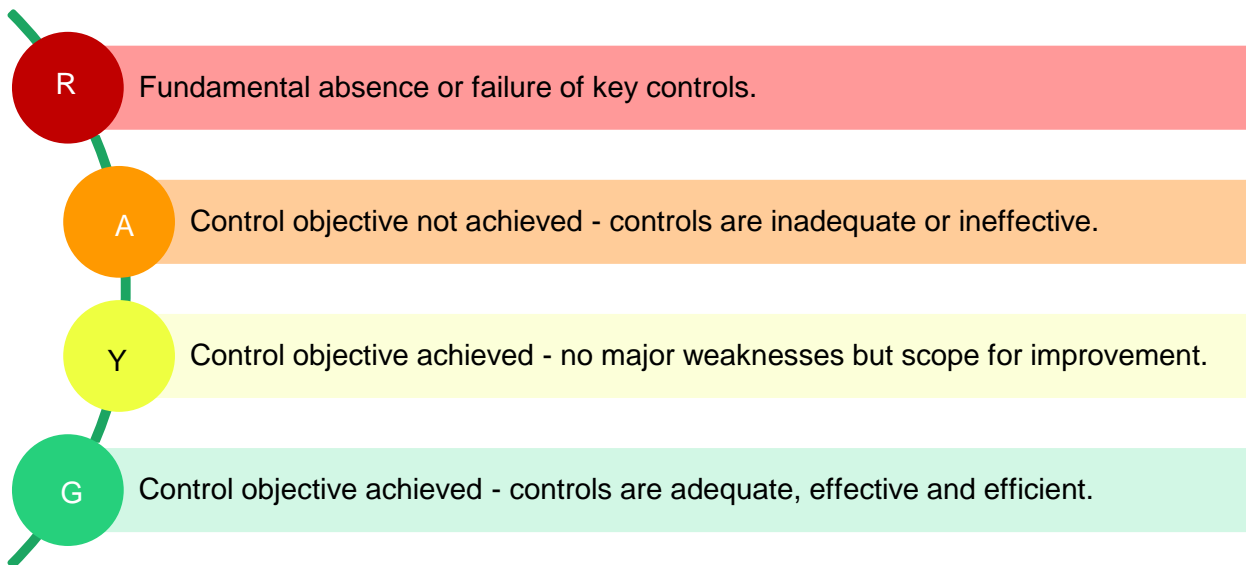
Descriptor.	Rare (1).	Unlikely (2).	Possible (3).	Likely (4).	Almost Certain (5).
<b>Likelihood.</b>	Can't believe this event would happen – will only happen in exceptional circumstances (likely to occur every 5 to 10 years).	Not expected to happen, but definite potential exists – unlikely to occur (likely to occur every 2 to 5 years).	May occur occasionally, has happened on occasions – reasonable chance of occurring (likely to occur annually).	Strong possibility that this could occur – likely to occur (likely to occur quarterly).	This is expected to occur frequently / in most circumstances – more likely to occur than not (likely to occur daily/weekly/monthly).

## Risk Matrix

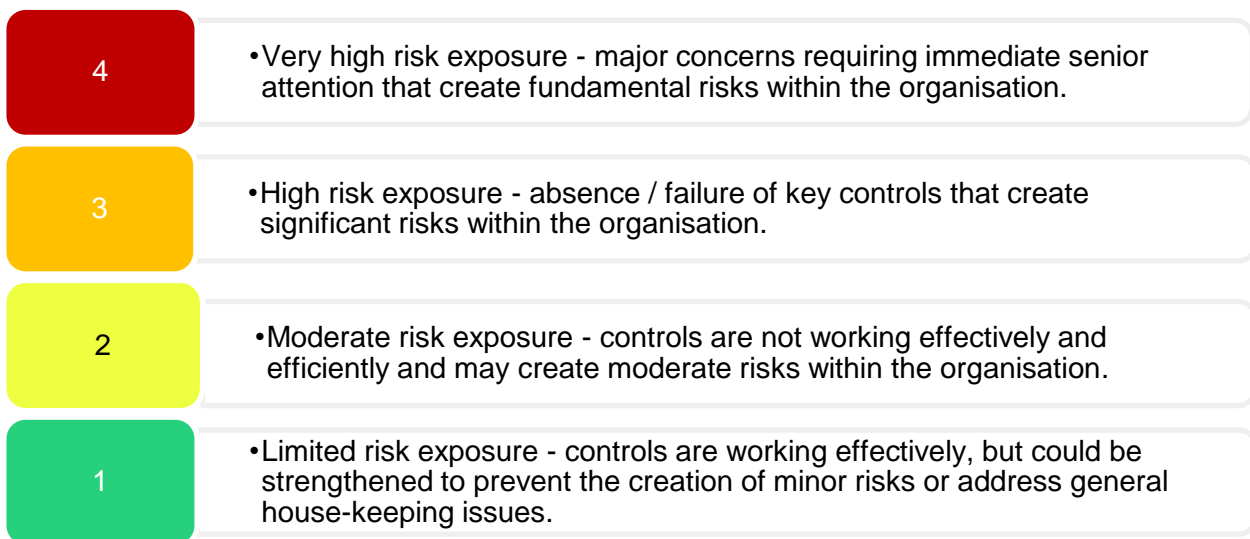
Likelihood.	Severity of Consequences.				
	Negligible (1).	Minor (2).	Moderate (3).	Major (4).	Extreme (5).
<b>Almost Certain (5).</b>	Medium (5).	High (10).	High (15).	Very High (20).	Very High (25).
<b>Likely (4).</b>	Medium (4).	Medium (8).	High (12).	High (16).	Very High (20).
<b>Possible (3).</b>	Low (3).	Medium (6).	Medium (9).	High (12).	High (15).
<b>Unlikely (2).</b>	Low (2).	Medium (4).	Medium (6).	Medium (8).	High (10).
<b>Rare (1).</b>	Low (1).	Low (2).	Low (3).	Medium (4).	Medium (5).

# Appendix B – Definitions

## Control assessments



## Management action grades



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