# Risk Management
# Final Internal Audit Report

June 2023

Public Health Wales NHS Trust

# Contents

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| Committee: | Audit & Corporate Governance Committee |

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# Executive Summary

## Purpose

The overall scope of the audit was to undertake a high-level review of the new risk process. Focusing on the first year of implementation of the risk management development plan.

## Overview

We have issued reasonable assurance on this area. The high priority matters which require management attention are:

- The progress of the Risk Management Development Plan is not being reported to the Business Executive Team or the Audit and Corporate Governance Committee on a regular basis.

- There is not adequate resources in place to progress the Risk Management Development Plan.

Further matters arising concerning the areas for refinement and further development have also been noted (see Appendix A).

## Report Opinion

Reasonable

Some matters require management attention in control design or compliance.

**Low to moderate impact** on residual risk exposure until resolved.

## Assurance summary[1]

| Objectives | | Assurance |
|---|---|---|
| 1 | Monitoring and reporting of year one deliverables | Limited |
| 2 | Arrangements in place for the delivery of Years 2 & 3 of the Risk Management Delivery Plan | Reasonable |
| 3 | Processes in place within the directorates | Reasonable |

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

## Key Matters Arising

| | | Objective | Control Design or Operation | Recommendation Priority |
|---|---|---|---|---|
| 1 | Monitoring and reporting on Year 1 deliverables | 1 | Operation | High |
| 2 | Progressing the Risk Management Development Plan | 1 | Design | Medium |
| 3 | Resources available to carry out the Risk Management Development Plan | 1 | Design | High |
| 4 | Recording risks within the Health and Wellbeing Directorate | 3 | Operation | Medium |

# 1. Introduction

1.1    Our review of risk management arrangements was completed in line with the 2022/23 Internal Audit Plan for Public Health Wales NHS Trust (the 'Trust').

1.2    The international standard for risk management states that 'risk is a necessary part of doing business, and in a world where enormous amounts of data are being processed at increasingly rapid rates, identifying and mitigating risks is a challenge for any company.'

1.3    The Trust is updating its risk management structure through a three-year risk management development plan (the 'plan'). The plan was approved by the Business Executive Team (BET) in February 2022 and started in July 2022. The plan is intended to '*build on the strengths of the existing system, consolidate the organisational position, and take the risk management system to the next level of maturity*'. The plan consists of seven themes: Risk Architecture; Risk Strategy; Risk Protocols; Planning & Designing; Risk Implementing & Benchmarking; Measuring & Monitoring; and Learning & Reporting. There are high-level objectives within each theme.

1.4    The potential risk considered in this review is as follows:

- Risks materialise as they are not identified or monitored if the plan's objectives are not delivered to improve the risk management process.

- The Trust's objectives are not met as related risks are not being actively managed.

1.5    The relevant lead for the review was the Executive Director of Quality, Nursing and Allied Health Professionals.

# 2. Detailed Audit Findings

**Objective 1: The year one deliverables detailed within the Risk Management Development Plan have been achieved or are in the process of being achieved. There is ongoing monitoring and reporting throughout the year.**

2.1    There are five objectives for year one of the Risk Management Development Plan. We note that there has been progress on four of the objectives, while work remains to be completed to meet the June 2023 deadline.

2.2    The development plan started in July 2022 and progress was reported to the BET and the Audit and Corporate Governance Committee (ACGC) in October 2022. However, at the time of our fieldwork, while there have been BET and ACGC meetings, we have not seen evidence of subsequent reporting. **(Matter Arising 1 – High Priority)**

2.3    The plan needs some additional components to help with monitoring its delivery. For example, it does not identify lead officers for taking forward the objectives, nor does it outline the remaining work activities relating to each objective. **(Matter Arising 2 – Medium Priority)**

## Conclusion:

2.4 There has been progress on the delivery of the plan in year one. However, recently there have not been regular updates on the plan to either BET or the ACGC. **(Limited Assurance)**

**Objective 2: There are appropriate arrangements in place to oversee the delivery of the Risk Management Development Plan for years 2 and 3.**

2.5 The Trust's plan identifies a staff resource requirement to help ensure that the delivery timescales can be met. However, at the time of our fieldwork no additional staff had joined the team. Should this situation continue there is a risk to the overall delivery of the three-year implementation plan. **(Matter arising 3 – High Priority)**

2.6 The plan has identified target objectives for each year. We understand that these remain flexible to reflect progress or delays if required.

## Conclusion:

2.7 The plan has identified objectives for years 2 and 3. However, while there is an ongoing recruitment for a head of risk post, the existing staff arrangements to oversee the plan present a risk to its delivery within the planned timeframe. **(Reasonable Assurance)**

**Objective 3: There are processes in place within directorates, divisions and programmes to review and monitor risks on a regular basis, with risks escalated as required.**

2.8 Last year, we looked at the risk management process within the Finance & Operations and Quality, Nursing and AHPs directorates. This year we have focused on the Health and Wellbeing directorate. The risk management policy requires risks to be recorded in Datix. However, not all identified risks within the directorate were recorded on Datix, with some logged on a spreadsheet risk register. **(Matter Arising 4 – Medium)**

2.9 The Health and Wellbeing directorate meetings include an agenda item on risk. However, the meetings are not minuted so the level of risk scrutiny is not clear. **(Matter Arising 5 – Low)**

## Conclusion:

2.10 Identified risks were not always recorded on the Datix system within Health and Wellbeing Directorate as required by the Trust's risk policy. It appears that risk is discussed at Directorate and divisional meetings, but the level of scrutiny is not clear as the meeting are not minuted. **(Reasonable Assurance)**

## Appendix A: Management Action Plan

| Matter Arising 1: Monitoring and reporting year one deliverables (Operation) | Impact |
|---|---|
| Update reports on the delivery of the Risk Management Development plan have not been provided to the Business Executive Team (BET) or the Audit and Corporate Governance Committee since October 2022. We understand that further updates have been planned, but we have not seen evidence to confirm that this reporting has happened.<br><br>Our fieldwork identified that four of the five objectives for year one of the plan have progressed, but work remains to be completed to meet the June 2023 deadline. At the time of our fieldwork, one objective, relating to the risk mapping process, had not progressed, but this had not been formally reported. | Potential risk of:<br><br>• Risks materialise as they are not appropriately identified or monitored through the risk management process. |

| Recommendations | | Priority |
|---|---|---|
| 1.1 | Management should ensure that progress or delays on the delivery of the plan are appropriately reported to ensure that management and members are aware of progress. | **High** |

| Agreed Management Action | | Target Date | Responsible Officer |
|---|---|---|---|
| 1.1 | Risk Management Development Plan is under review pending review by Grant Thornton into operational risk management. Once the final report produced by Grant Thornton has been received and considered by the Business Executive Team and Leadership Team, there will be a refresh of the existing risk development plan to update it informed by any agreed recommendations. This will be reported through the Business Executive Team and operational implementation through the Public Health Wales Leadership team and Corporate Risk Team. Assurance progress reports will be reported to the Audit and Assurance Committee. | July 2023 | Executive Director Quality Nursing and AHPs/Assistant Director of Integrated Governance |

| Matter Arising 2: Progressing the Risk Management Development Plan (Design) | Impact |
|---|---|
| There are thirteen high level objectives in the Risk Management Development Plan and each has an annual time scale for delivery. However, we identified that the plan:<br><br>• does not include work activities under each objective,<br>• does not identify a lead / actioner with responsibility for progressing the objectives, and<br>• does not include a section to record progress which would identify issues, work pending, work that has been completed / or work required. | Potential risk of:<br><br>• Risks materialise as they are not identified or monitored if Risk Management Development Plan objectives are not delivered to improve the risk management process. |

| Recommendations | | Priority |
|---|---|---|
| 2.1 | Management should consider updating the plan for years 2 and 3 so that it includes work activities and responsible officers under each objective. This will identify who the leads are and any work required to complete the objectives. | **Medium** |

| Agreed Management Action | | Target Date | Responsible Officer |
|---|---|---|---|
| 2.1 | The RMDP is under review pending receipt of the final report into operational risk management from Grant Thornton. A revised plan will be developed informed by reflect the findings in the report and will include identified responsible officers for each objective. | August 2023 | Executive Director Quality, Nursing and AHPs/Assistant Director of Integrated Governance |

| Matter Arising 3: Resources available to carry out the Risk Management Development Plan (Operation) | Impact |
|---|---|
| The Risk Management Development Plan identifies a risk relating to staff resources. As such, some of the development work may be delayed. At the time of our review, we understand that resource pressures continue. However, we have not seen evidence of this matter being captured on a risk register of the Trust.<br><br>In addition, At the time of our fieldwork there were recent changes to senior officer posts in the risk management team. The chief risk officer is no longer in post, and the risk manager has not been in work for a period of time. However, we note that the recruitment to a head of risk management post has been approved.<br><br>The risk manager officer was leading the implementation of the plan, and was the chair for the Risk Assurance Network group, which supports the delivery of the plan. We note that meetings of this group have not taken place during the period of absence of the officer. | Potential risk of:<br><br>• Risks materialise as they are not identified or monitored if Risk Management Development Plan objectives are not delivered to improve the risk management process. |

| Recommendations | | Priority |
|---|---|---|
| 3.1 | In absence of the Risk Manager, Management should ensure that the Risk Management Development Plan is progressed. Furthermore, Management should ensure that an appropriate staff member is given responsibility for taking forward the plan in the absence of the Risk Manager. | **High** |

| Agreed Management Action | | Target Date | Responsible Officer |
|---|---|---|---|
| 3.1 | The risk in relation to resource capacity is part of a more broadly defined workforce risk within the QNAP's Directorate. If the recruitment in June is not successful we will seek to review the risk articulation. Recruitment is underway for the Head of Risk Management post with interviews scheduled for June 2023. In the absence of the Risk Manager, the Integrated Governance Manager and Assistant Director of Integrated Governance have been given responsibility for leading and managing risk management requirements | August 2023 | Executive Director of Quality, Nursing and AHPs/Assistant Director of Integrated Governance |

| | | |
|---|---|---|
| | including the updating of the Risk development plan and progress of subsequent implementation. | |

| Matter Arising 4: Recording risks within the Health and Wellbeing Directorate (Operation) | Impact |
|---|---|
| We looked at the risk management process within the Health and Wellbeing Directorate which consists of primary care and health improvement divisions. The approach to recording risk within the directorate was not consistent. The risk policy requires risks to be recorded on Datix, but we note that in addition to Datix, risks are also recorded on a spreadsheet risk register. We understand that not all risks identified on the risk spreadsheet have been recorded on Datix. As such, while risks may be captured, they are not recorded in a consistent way across the directorate. We acknowledge that the Trust is aware of this matter, as plans to address this as part of the work relating to the risk management development plan.<br><br>The risk register spreadsheets include a section to record the monthly progress of mitigation actions. However, risk owner and responsible officers, who manage actions, are not identified for each risk. As such, while risks may be captured on the spreadsheet the necessary information to actively manage the risks does not appear to be in place. | Potential risk of:<br><br>• The Trust's objectives are not met as related risks are not being actively managed. |

| Recommendations | | Priority |
|---|---|---|
| 4.1 | The Health and Wellbeing Directorate should ensure that all identified risks are recorded on Datix in line with the organisation's risk management policy. Specifically, the Health Improvement Division should ensure that their risk information is complete before putting the information on Datix. | **Medium** |

| Agreed Management Action | | Target Date | Responsible Officer |
|---|---|---|---|
| 4.1 | The report is correct in stating that Directorate-level risks are maintained on a risk spreadsheet in addition to Datix, however a reason for this is to facilitate reviewing of risks at leadership meetings. Recommendation 4.1 is fully accepted at a Directorate and Divisional level in line with the organisation's risk management policy.<br><br>1. Ensure all identified risks are recorded on Datix | 31 August 2023 | Tim Hooper (Directorate) General Manager (Health Improvement) |

| | | | David Titley (Primary Care)<br>Andrea Parr (WDOH) |
|---|---|---|---|
| | 2. Ensure all risk fields are fully completed when entering a risk on Datix. This applies to new and existing risks. | 31 August 2023 | Tim Hooper (Directorate)<br>General Manager (Health Improvement)<br>David Titley (Primary Care)<br>Andrea Parr (WDOH) |

| Matter Arising 5: Reviewing and managing risks within the Health Wellbeing Directorate (Operation) | Impact |
|---|---|
| We reviewed the process for monitoring and reporting risk against the risk management policy within the Health and Wellbeing Directorate, and its two divisions.<br><br>The risk policy requires the escalation and de-escalation of risk from divisional risks to directorates, directorates to the corporate risk register, and corporate risks to the strategic risk register. Risk is included on the agendas of the Health and Wellbeing Directorate and both divisional meetings, but these meetings are not minuted so the level of discussion on risk are not clear.<br><br>We understand that, prior to the pandemic, the Health Improvement division provided a risk report at divisional meetings, but this is not current practice. | Potential risk of:<br><br>• The Trust's objectives are not met as related risks are not being actively managed. |

| Recommendations | | Priority |
|---|---|---|
| 5.1 | Risks should be regularly scrutinised within the Health and Wellbeing Directorate to ensure that risks are being reviewed regularly and the risk registers are up to date.<br><br>The Health Improvement Division should consider bringing back a written report on risks. | **Low** |

| Agreed Management Action | | Target Date | Responsible Officer |
|---|---|---|---|
| 5.1 | Whilst risks are regularly scrutinised at both a Directorate and Divisional level, the recommendations for risk reports to be brought to Divisional and Directorate business meetings, and for risk discussions to be fully minuted, is fully accepted.<br><br>3.  Ensure that reports on risk are brought to Directorate and Divisional leadership meetings. | 31 August 2023 | Tim Hooper (Directorate) General Manager (Health Improvement) David Titley (Primary Care) Andrea Parr (WDOH) |

| | | | |
|---|---|---|---|
| | 4. Ensure that all discussions on risk at Directorate and Divisional meetings are minuted. | 31 August 2023 | Tim Hooper (Directorate) General Manager (Health Improvement) David Titley (Primary Care) Andrea Parr (WDOH) |

# 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.<br>**Low impact** on residual risk exposure. |
|  | **Reasonable assurance** | Some matters require management attention in control design or compliance.<br>**Low to moderate impact** on residual risk exposure until resolved. |
|  | **Limited assurance** | More significant matters require management attention.<br>**Moderate impact** on residual risk exposure until resolved. |
|  | **No assurance** | Action is required to address the whole control framework in this area.<br>**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.<br>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.<br>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.<br>Some risk to achievement of a system objective. | Within one month* |
| Low | Potential to enhance system design to improve efficiency or effectiveness of controls.<br>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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