

# Board Assurance Framework – Strategic Risk

## Final Internal Audit Report

September 2024

Public Health Wales NHS Trust

## Contents

|   |    |
|---|----|
| Executive Summary .....   | 3  |
| 1. Introduction.....  | 4  |
| 2. Detailed Audit Findings.....                                 | 4  |
| Appendix A: Management Action Plan.....                         | 10 |
| Appendix B: Assurance opinion and action plan risk rating ..... | 11 |

|                               |   |
|-------------------------------|---|
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### Acknowledgement

NHS Wales Audit and Assurance Services would like to acknowledge the time and co-operation given by management and staff during the course of this review.

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## Executive Summary

### Purpose

The purpose of our review was to consider the approach to Board assurance over strategic risks taken by the Trust.

### Overview

We have issued substantial assurance on this area.

The Trust has a robust infrastructure in place for providing assurance to the Board over risks that could prevent the achievement of strategic priorities.

Strategic risk features as a standing agenda item throughout the governance forums with accountabilities and remits for managing and overseeing risk clearly defined.

The Trust has undertaken extensive work to review its risk appetite framework and implementation of the revised approach is being rolled out, with updates of the Risk Management Strategy and policy also due to take place.

The one matter requiring management attention was:

- There is limited reference within the Strategic Risk Register to strategic priority 6: 'Tackling the public health effects of climate change'.

### Report Opinion

Substantial



Few matters require attention and are compliance or advisory in nature.

Low impact on residual risk exposure.

### Assurance summary<sup>1</sup>

| Objectives  | Assurance   |
|---|-------------|
| 1 Assurance concepts are defined within the Board Assurance Framework | Substantial |
| 2 Alignment to Trust priorities and risk appetite                     | Reasonable  |
| 3 Strategic risk scoring review                                       | Substantial |
| 4 Control and assurance mitigation                                    | Substantial |
| 5 Strategic risk reporting  | Substantial |

<sup>1</sup>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 | Strategic risk alignment to climate change priority | 2 Operation                 | Medium                  |

## 1. Introduction

- 1.1 Our review in relation to Board assurance over strategic risks was completed in line with the 2024/25 Internal Audit Plan for Public Health Wales NHS Trust (the 'Trust').
- 1.2 A Board Assurance Framework (BAF) is designed to provide a structure and process that enables an organisation to focus on the risks that might compromise it achieving its strategic goals. The BAF is an integral element of corporate governance and is intrinsic to the risk management and control system. Over the last two years, the Trust has worked to further develop and improve the format of its BAF. The BAF was reviewed by the Business Executive Team (BET) in November 2023 and approved by the Board in the same month.
- 1.3 One aspect of the BAF relates to strategic risk. Strategic risks are identified by the Board as part of the annual strategic planning process and are captured within the Strategic Risk Register (SRR). This is the vehicle through which the Board should be able to take assurance that the Trust has a clear understanding of the strategic risks it faces in the delivery of its strategic priorities / objectives, together with the severity and the impacts, if the risks are realised.
- 1.4 The Board has delegated responsibility for the management of risk within the Trust, including overseeing the implementation of mitigating actions within the SRR, to the BET.
- 1.5 Our review has focused on the approach to Board assurance with respect to the management and oversight of strategic risks.
- 1.6 The relevant lead for the review was the Interim Executive Director for Quality, Nursing and Allied Health Professionals.
- 1.7 The potential risk considered throughout this review is that the Trust is unable to achieve its strategic objectives and deliver safe, effective services.

## 2. Detailed Audit Findings

### **Objective 1: The Board Assurance Framework (BAF) sets out the process in place for developing, maintaining and monitoring assurance across the Trust.**

- 2.1 From our review we note the following sections which have specific links to strategic risk and assurance:
  - Governance framework – details the governance arrangements in place, reporting structures and defined roles and responsibilities with respect to strategic risk and assurance management.
  - Strategic vision – details the process for developing the Trust's long-term strategy (10-years) and Integrated Medium-Term Plan (IMTP) (3-years) which are key to the purpose and vision of the Trust and key for developing adequate control systems and assurance mechanisms.

- Strategic risks – details the Trust’s SRR which is a key tool for providing assurance and a vehicle through which the Board demonstrates that it has a clear understanding of its strategic risks and oversight on how the risks are being managed within the Trust.

2.2 We note that roles and responsibilities for management and oversight of strategic risks and assurance framework have been clearly defined, including:

- Strategic risks are identified at Board level during the annual planning process and upon approval, these are included within the Trust’s IMTP and long-term plan.
- Oversight by the Board via the Audit and Corporate Governance Committee and via other Board committees which provide assurance that the strategic risks are being managed appropriately. We note that each strategic risk is assigned to an Assurance Group (Committee).
- The BET has oversight of strategic risks and mitigating action plans to address identified gaps in assurance.
- Each strategic risk is assigned to an Executive Lead/Risk Sponsor who is responsible for the implementation of the mitigating actions for their risks. Executive Lead/Risk Sponsors delegate the direct implementation of actions to risk contributors who take forward mitigating actions within their respective portfolio of work. We confirmed that Executive Lead/Risk Sponsors and risk contributors have been nominated and allocated to each strategic risk.

2.3 As well as the SRR updates, the Board receives assurance from a number of other sources including quarterly and annual reports from the Chairs of the committees summarising the key matters discussed and decisions, from which the Board can draw assurance.

2.4 In addition to the BAF, the Trust has developed a suite of risk management policies and guidance documentation which details the requirements and application of the risk management and assurance mechanisms in place. We identified that the risk management policy and procedure are out of date, but we understand that an update is planned, once a decision on a revised risk appetite approach has been made. We note that the Trust’s revised risk appetite framework will be approved at the Board in November 2024.

#### Conclusion:

2.5 The Trust has comprehensively defined and documented the arrangements in place for identifying, developing and monitoring assurance. The Trust’s governance and assurance framework concepts and operating models are clearly captured within the Board Assurance Framework. We have provided **Substantial assurance** against this objective.

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**Objective 2: The strategic risk register aligns to the strategic objectives set out in the Trust’s IMTP, and has considered risk appetite.**

- 2.6 The Trust’s long-term strategy sets out six key priorities for achieving a healthier future for Wales by 2035. Beneath the long-term plan is a three-year strategic plan (IMTP 2024-27) which sets out the key actions to be taken over the next three years for each of the six strategic priorities.
- 2.7 The annual process in place for reviewing strategic risks is timed to coincide with the Trust’s annual IMTP planning process. To confirm the arrangements in place for the development of the IMTP and the strategic risk review process for 2024/25, we reviewed a combination of minutes, agendas and position papers that were presented at BET, committees and the Board between January and May 2024. We confirmed that workshops and development sessions to review strategic risks and their alignment with the Trust’s IMTP had taken place throughout these forums.
- 2.8 We confirmed that there are links between the strategic priorities and the six strategic risks captured within the SRR, with the majority of risks aligned to strategic priorities. However, strategic priority 6: ‘Tackling the public health effects on climate change did not appear to be specifically referenced against a strategic risks. **(Matter Arising One – Medium Priority)**
- 2.9 We found that the Trust takes a pro-active approach to review, discuss and refine the SRR. During the 2024/25 annual strategic risk review process there were extensive discussions, with feedback from Board and Committee members and executives. We also note that the BET held a development workshop in February 2024 to discuss the following:
- Clarity on the links between the proposed IMTP (2024-27) objectives/priorities and the Trust strategic risks.
  - Discussions on the Trust’s risk profile and approach to risk appetite.
  - Refinement and re-framing of strategic risk descriptions to emphasise the accountability and role in managing these through the Trust’s perspective.
- Subsequently, some changes were made and were approved by the Board.
- 2.10 The Trust’s strategic risks are grouped into strategic themes and are assessed by the Board who provide a risk appetite for each. This process takes place annually and once the risk appetites are set, these feature against each strategic risk throughout the year within the SRR, so that actions taken encompass the Trust’s risk appetite and attitude.
- 2.11 The Trust’s approach to risk appetite, its definition and categories are defined within the Trust’s risk management policies and procedures. Over the last few months, work has been undertaken to revise the Trust’s risk appetite framework with several risk appetite development sessions taking place both at the BET and the Board. We note that approval/endorsement by the Board is expected to take place in November 2024.

2.12 The risk appetite development work is a key component of the Trust's Risk Management Development Plan (RMDP). We note three improvement actions relating to risk appetite, all with a target date of January 2025:

- To review and revise the current risk appetite against the new organisational priorities.
- To develop a system of establishing risk appetite across all levels of the organisation that aligns with the Board's expectations.
- To significantly raise the level of awareness and understanding of the concept of risk appetite in terms of its fit with the decision-making process.

We understand that future iterations of the SRR will include trend information and a high-level analysis of strategic and corporate risks against approved risk appetite levels, to show where risks are being managed outside of agreed thresholds.

#### Conclusion:

2.13 The Trust has arrangements in place for reviewing the SRR and for ensuring that the risks align with the Trust's IMTP. There is a need to further consider the strategic risk implications of Strategic Priority 6 – 'Tackling the public health effects of climate change'. Work is underway to revise the Trust's approach to risk appetite. We have provided **Reasonable Assurance** for this objective.

#### **Objective 3: Strategic risks are regularly reviewed, and processes are in place to support, and evidence changes in risk scores.**

2.14 When the SRR is presented to BET, Committee and Board it is supported by a risk management update cover paper which includes the following:

- Progress on the implementation of each mitigating action.
- Requests for changes to any timescales for the mitigating actions (for BET approval).
- A Delivery Confidence Assessment (DCA) for the strategic risks. For each strategic risk, the relevant executive sponsor provides insight through narrative, a trend status to indicate if the risk has remained static, and a RAG rating to demonstrate whether the action plans are being progressed.
- An overview of the current risk score (inherent, current and target scores).
- Expected timescale for movement in the risk score which is provided by the executive sponsor.

We note that trend analysis of the risk scores over time is to be introduced in a future iteration.

2.15 When strategic risks are reported to BET and Committees of the Board, additional information relating to the Corporate Risk Register is provided to demonstrate the interdependencies between the levels of risks management. We recognise this as good practice as it strengthens the provision of assurance to both the Executive



Team and the Board that risks are being managed effectively at a corporate level impacting on the Trust's ability to manage the strategic risks.

**Conclusion:**

2.16 Strategic risks detailed on the SRR are reviewed by the executive sponsor and the risk contributors and provide two-monthly updates to the register. The executive directors are accountable for risks and provide updates and amended scores for their assigned strategic risks. We have provided **Substantial Assurance** in relation to this objective.

**Objective 4: Where gaps in control and assurance are identified, action plans that are regularly monitored are in place setting out the work required to close those gaps.**

2.17 The SRR provides a list of existing controls for each risk. We note that the summary details the following information regarding the control:

- Description/nature of control.
- Accountability/ownership.
- Sources of assurance confirming existence – A combination of hard and soft controls (procedural, policies and procedures, position papers, performance update reports, and monitoring).
- Level at which the source of assurance is being provided - Team/Divisional/Project level, Directorate/Executive Level, BET/Subgroup level, Committee level and Board level.

To supplement the list of existing controls, the SRR has an associated action plan to mitigate identified gaps in controls and assurance. The action plan sets out the following for each identified gap:

- Action plan reference item number for ongoing monitoring/tracking.
- Description of the identified gap in control.
- Agreed action to be taken.
- The executive director responsible for overseeing the implementation of the action.
- Target date for action and progress made to date.

We reviewed the existing controls and action plans for the July 2024 SRR and did not identify any issues.

**Conclusion:**

2.18 The SRR identifies existing controls and sources of assurance with detailed action plans to address identified gaps. We have provided **Substantial Assurance** for this objective.



**Objective 5: Timely monitoring and scrutiny of the strategic risk register takes place at the relevant committee in line with their remit, seeking and providing assurance to the Board.**

- 2.19 The risk management protocol for the reporting and oversight of risk within the Trust describes the governance arrangements relating to the management and oversight of strategic and corporate risk at Board, Committee and executive level.
- 2.20 Each strategic risk has an accountable executive sponsor, with nominated executive contributors and is identified as sitting within the remit of a corresponding committee.
- 2.21 Our review of the governance documentation for the past 6 months confirmed that the Strategic Risk Register is presented to the relevant forums in a timely manner.
- 2.22 Our review of Board Assurance - committee work planning in 2023/24 confirmed the Trust had arrangements in place for mapping assurance across the committees through their terms of reference and work plans and reporting to the Board.

**Conclusion:**

- 2.23 Our review confirms that the Trust has timely monitoring and scrutiny of the SRR takes place at the relevant committee in line with their remit, seeking and providing assurance to the Board. We have provided **Substantial Assurance** for this objective.

## Appendix A: Management Action Plan

| Matter Arising 1: Strategic risk alignment to IMTP (Operational)   |  | Potential Impact  |                                      |
|--|--|---|--------------------------------------|
| We note that strategic priority 6: 'tackling the public health effects of climate change' is a key priority of the Trust's 2024-27 IMTP. However, this priority does not clearly feature within the Strategic Risk Register. |  | Assurance is not provided on the Health Board's ability to achieve its strategic goals. |                                      |
| Recommendations  |  | Priority  |                                      |
| 1.1  | Consideration be given at future Strategic Risk/IMTP development workshops to review the strategic risks linked to the effects of climate change on population health, given that this features as a key strategic priority within both the Long-Term and Integrated Medium-Term Plan for the Trust. | <b>Medium</b>   |                                      |
| Agreed Management Action   |  | Target Date   | Responsible Officer                  |
| 1.1  | Recommendation agreed. This will feature as part of the risk stratification of the revised IMTP, in line with cyclical strategic planning processes.   | January 2025  | Claire Birchall – Executive Director |

## 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:

|  |                                 |  |
|--|---------------------------------|--|
|    | <b>Substantial assurance</b>    | Few matters require attention and are compliance or advisory in nature.<br><b>Low impact</b> on residual risk exposure.  |
|    | <b>Reasonable assurance</b>     | Some matters require management attention in control design or compliance.<br><b>Low to moderate impact</b> on residual risk exposure until resolved.  |
|    | <b>Limited assurance</b>        | More significant matters require management attention.<br><b>Moderate impact</b> on residual risk exposure until resolved.   |
|   | <b>Unsatisfactory assurance</b> | Action is required to address the whole control framework in this area.<br><b>High impact</b> on residual risk exposure until resolved.  |
|  | <b>Assurance not applicable</b> | 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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