



REPORT TO: East Lothian IJB – Audit and Risk Committee

MEETING DATE: 29 June 2022

BY: Chief Internal Auditor

SUBJECT: Internal Audit Report – Risk Management

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1 PURPOSE

- 1.1 To inform the Audit and Risk Committee of the recently issued audit report on Risk Management.

2 RECOMMENDATION

- 2.1 That the Audit and Risk Committee note the contents of the audit report.

3 BACKGROUND

- 3.1 An assurance review of Risk Management has been undertaken as part of the Audit Plan for 2021/22.
- 3.2 The main objective of the audit was to review the adequacy and effectiveness of the arrangements in place for Risk Management within East Lothian IJB.
- 3.3 The main findings from our audit work are outlined in the attached report which has been graded Reasonable Assurance.

4 ENGAGEMENT

- 4.1 The findings from the review have been discussed with Management, but do not require wider engagement.

5 POLICY IMPLICATIONS

- 5.1 None

6 INTEGRATED IMPACT ASSESSMENT

- 6.1 The subject of this report does not affect the wellbeing of the community or have a significant impact on equality, the environment or economy.

7 DIRECTIONS

- 7.1 The subject of this report does not require any amendment to or creation of Directions.

8 RESOURCE IMPLICATIONS

- 8.1 Financial – None
8.2 Personnel – None
8.3 Other – None

9 BACKGROUND PAPERS

- 9.1 None

AUTHOR'S NAME	Duncan Stainbank
DESIGNATION	Chief Internal Auditor
CONTACT INFO	dstainbank@eastlothian.gov.uk
DATE	20 June 2022



East Lothian
Integration Joint Board



East Lothian Integration Joint Board Risk Management Audit June 2022

Conclusion

Reasonable Assurance

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1 Executive Summary: Risk Management

Conclusion: Reasonable Assurance

The internal controls in place for Risk Management are reasonably effective. However the Risk Management Strategy and Policy has not been reviewed in line with the stated timescale. All risk reports have been presented to the Committee by the Chief Finance Officer rather than a risk specialist. By reporting all risks the committee are not necessarily focusing on the highest level risks. Potential high rated risks stemming from the two partners are not being considered at committee meetings.

Background

Section 14 of Appendix 1 to the Integration Scheme states that the Joint Board must have a risk management strategy and that it should have its own risk register. Following the approval of the Risk Management Strategy and Policy a joint risk register was created and has been reviewed at every Audit & Risk Committee since 2017. The Integration Scheme states that the risk management procedure will include:

- a statement of the risk appetite and associated tolerance measures;
- a description of how risk management will work;
- a description of how the system is informed by both NHS Lothian and the Council; and
- an agreement on the resources to be made available to support risk management.

Summary of findings & recommendations

The following key findings and recommendations are highlighted, which have all been **agreed by the Chief Finance Officer**:

- The risk management strategy and policy should be reviewed every 3 years and have not been reviewed since 2017 and the resultant review in 2020 did not take place as a result of other competing priorities. *Management have agreed to revise the reports by December 2022.*
- IJB risk reporting to the Audit and Risk Committee covers all risks without demonstrably subjecting High and Very High risk to closer scrutiny as indicated in the IJB Risk Strategy. *Management have agreed to alter reports to focus on High and Very High risks by September 2022.*
- To improve the level of insight on IJB risks, Risk Officers from the Council and NHS Lothian should be request to present risk reports at least once a year. *Management have agreed that this will be completed during 2022.*
- The information provided within the risk reports needs to be presented in a consistent format. *Management have agreed to complete this by September 2022.*
- A policy allowing risks from the partners to be escalated to the Joint Board should be put in place. *Management have agreed to complete this by December 2022.*

Recommendation Summary

Recommendations Grade	High	Medium	Low	Total
Current Report	-	7	-	7
Prior Report (June 2018)	-	10	-	10

Materiality

As of March 2022 the East Lothian IJB recorded 9 risks on the Risk Register of which the current risks were 1 Very High, 6 High and 3 Medium; the Residual Risk following implementation of planned control measures were 3 High and 6 Medium Risks.

2 Headlines

Objectives	Conclusion	Comment
1. A detailed risk management strategy, policy and procedures have been put in place including clear escalation routes for risks.	Reasonable	A Risk Management Strategy and Policy were approved by the Audit & Risk Committee in 2017 and the strategy stated that it would be reviewed every 3 years. Due to the Covid-19 pandemic the initial review was not carried out, however the strategy and policy should now be reviewed at the earliest possible opportunity. There is also no clear escalation procedures for Operational risks from the partner organisations into the IJB risk register.
2. The risk register is reviewed and updated regularly.	Reasonable	The Risk Register is reviewed by management prior to it being submitted to the Audit & Risk Committee. Historically the Committee receives a full copy of the report but there are concerns that this does not apply an appropriate focus to the High and Very High Risks as indicated in the Risk Strategy for the IJB. Risk reports are currently presented by the Chief Financial Officer and only include IJB and not Partner risks. It is recommended that Risk Officers from the Council and the NHS are requested to present at least once a year to provide additional risk insight for the Audit & Risk Committee.
3. All risks have appropriate mitigating actions recorded to provide a likelihood and impact risk scoring that is considered appropriate by senior management and the appropriate governance bodies.	Reasonable	All identified risks are given a risk level, representing the current risk and also a target risk level. The target risk level should be achievable with the controls that have been put in place. In three cases the controls appeared to have no impact on the risk but as they were all ranked as Medium risks no further action was required.
4. Appropriate review and completion dates have been set for all risks and mitigating actions identified as required to establish an appropriate risk score.	Reasonable	Risk Registers are presented at each Audit & Risk meeting however we found that an inconsistent approach to the layout of the reports could lead to confusion as to the current position by returning imbedded controls to controls that require action to implement. It has been agreed that a consistent approach to reporting will be implemented.
5. Where appropriate risks identified by ELC and the NHS are reflected within the risk register of the IJB when they may impact the ability of the IJB to complete its duties.	Reasonable	Risks identified by the partners that could have an impact on the ability of the IJB to provide services are not being escalated up to the Committee to consider any potential problems. It is recommended that a procedures for escalation of partner risks are created and then implemented.

3 Areas where expected controls are met/good practice.

No.	Areas of Positive Assurance
1.	A detailed risk register is maintained
2.	The risk register is presented to each Audit & Risk Committee for consideration
3.	All risks have been allocated a Risk Level.

4 Detailed Recommendations

Process and Procedures

Objective: 1	Finding & Risk 1	Grade	Recommendation
	<p>East Lothian IJB has been delegated a range of Health and Social Care functions by NHS Lothian and East Lothian Council. Although the responsibility for the delivery of these functions continues to rest with the partners the responsibility for preparing and delivering a Strategic Plan rests with the IJB. The IJB must consider a risk management strategy to identify and manage risks associated with the preparation and delivery of the Strategic Plan. The IJB risk register will not contain operational risks unless these directly impact on its business.</p> <p>We found that a risk Management Strategy and Policy had been approved by the ELIJB – Audit and Risk Committee at its meeting on 12 December 2017. The Strategy states that it should be reviewed at periodic intervals of at least 3 years. We found that this documents had not been reviewed and submitted for approval since that date, however the review date would have been during the pandemic.</p> <p>There is a risk that the underlying strategy & policy are not reviewed on a regular basis.</p>	Medium	1.1 Management should ensure that the Risk Strategy and Policy is reviewed and approved by the IJB.

Management response	Responsible officer & target date
Agreed, the strategy and policy will be reviewed and approved in line with the IJB Strategy.	Chief Finance Officer December 2022

4 Detailed Recommendations

Process and Procedures			
Objective: 1	Finding & Risk 2	Grade	Recommendation
	<p>A Risk Management Policy was approved by the Joint Board at its meeting on 12 December 2017. We found that there were no comments within the Policy with regards to it being reviewed and updated on a regular basis. It is considered best practice that the Risk Management Policy should be reviewed at least in line with the Strategy</p> <p>There is a risk that the Risk Management Policy is not updated at the same time as the Risk Strategy.</p>	Medium	1.2 Management should ensure that in-line with the Strategy the Policy is reviewed on a regular basis and this review timescale is included in the Policy.
Management response		Responsible officer & target date	
<p>Agreed, the risk management policy will be reviewed in line with the strategy and this will be clarified in the policy reviewed wording.</p>		<p>Chief Finance Officer</p> <p>December 2022</p>	

4 Detailed Recommendations

Register Updating

Objective 2	Finding & Risk 1	Grade	Recommendation
	<p>We found that the risk register is a standing agenda item for the IJB Audit & Risk Committee meetings. Over the period January 2019 to December 2021 we found that a total of 10 risks had been listed within the risk register. Of these risks:</p> <ul style="list-style-type: none"> • 1 had been taken off • 4 new risks had been introduced; and • in 4 cases the risk score had been reduced, although in 1 case the risk score was subsequently raised to high <p>At each IJB Audit & Risk meeting the committee a full copy of the Risk Register is submitted for discussion and approval. The IJB Risk Management Strategy states in section 3.5 “High and Very High risk will be subject to closer scrutiny by the Audit and Risk Committee”. Good practice and providing an ability to focus scrutiny and discussion on the High and Very High risks would be to focus risk register reporting to these risks only. Consideration of reporting the full risk register to Audit Committee once a year would also enhance the risk scrutiny provided.</p> <p>There is a risk that the risks with the highest grading do not receive adequate consideration.</p>	Medium	2.1 Management should consider reporting just High and Very High risks to the Audit & Risk Committee regularly with other risks only reported once a year.

Management response	Responsible officer & target date
Agreed, only the very high and high risks will be presented to allow greater consideration of these risks, however annually all risks will be reported to the Audit & Risk Committee.	Chief Finance Officer September 2022

4 Detailed Recommendations

Risk Presentation			
Objective 2	Finding & Risk 2	Grade	Recommendation
	<p>A review of each of the Audit & Risk meetings since 2019 showed that a copy of the Risk Register was submitted to each meeting. In each case the report was presented by the Chief Finance Officer and not a specific Risk Management Officer. It is noted that Midlothian IJB has a Risk Manager present the risk reports. It may enhance the presentation and scrutiny of the Audit and Risk Committee if a Risk Officer was requested to assist in the presentation of the Risk Reports at least twice a year. If a Risk Officer from both East Lothian Council and NHS Lothian were requested to present on an annual basis this would also allow presentation on appropriate Operational risks, such as the Health and Social Care Partnership risk register to the IJB Audit & Risk Committee providing an enhancement to the risk reporting being provided.</p> <p>There is a risk that fully clarity on the breadth of risk information is not always provided to the Audit & Risk Committee.</p>	Medium	2.3 Management should formally request an annual presence from an appropriate risk officer to present risk reports from both East Lothian Council and NHS Lothian.

Management response	Responsible officer & target date
Agreed, consideration is to be given to providing risk responsibilities to a dedicated officer. As required risk officers from the partners will then be requested to attend the IJB Audit & Risk Committee for reporting.	<p>Chief Finance Officer</p> <p>September 2022</p>

4 Detailed Recommendations

Review and Completion Dates			
Objective 4	Finding & Risk 1	Grade	Recommendation
	<p>For the sample of 7 risks selected we found that while the register contains adequate detail about the risks and the controls in place the layout of the risk register extract that was presented to each committee meeting varied which meant that it was difficult to identify a full trail of changes. This could lead to confusion on the delivery of the control changes to mitigate risks, for example the January 2020 reported risk register indicated that the action for, Development of a longer term rolling financial plan for the IJB, had been completed and could now be added to the controls that are in place to mitigate the risk. However the June 2021 this same control was indicated as being tracked with a target date of March 2022 despite indicating in the narrative that there was a plan presented to the IJB in October 2020. Whilst it is understood that there was a need to refine the plan due to the impacts of COVID the control elements remained operational.</p> <p>There is a risk that format changes or inconsistency in how risks and controls are reported lead to misunderstandings on how the risk environment is being managed.</p>	<p>Medium</p>	<p>4.1 Management should ensure that the level of information disclosed is consistently applied for every Risk Register Report.</p>
Management response		Responsible officer & target date	
<p>Agreed, a standardised format for reporting to ensure clarity will be put in place in line with reviewing the policy and strategy.</p>		<p>Chief Finance Officer</p> <p>December 2022</p>	

4 Detailed Recommendations

Review and Completion Dates

Objective 4	Finding & Risk 2	Grade	Recommendation
	<p>For the sample of risks selected we found that in all bar one case a risk score had been calculated and was displayed within the Risk Register submitted to the Committee. This relates to Risk 3925, Operational resources may be insufficient to deliver the Strategic Plan, as reported to the March 2022 Audit & Risk Committee. Risk score was both a current and a residual risk recorded as high. However on receipt of the full Risk Register we found that scores had been included for the particular risk, which would provide additional evidence on the expected impact of the planned control measures.</p> <p>There is a risk the complete risk information is not included on the risk reports provided for scrutiny by the IJB Audit & Risk Committee.</p>	<p>Medium</p>	<p>4.2 Management should ensure that the Rating for each risk is displayed on the Register submitted to the Committee.</p>

Management response	Responsible officer & target date
<p>Agreed, all risks will include the risk score which will allow the precise level of risk to be identified.</p>	<p>Chief Finance Officer</p> <p>September 2022</p>

4 Detailed Recommendations

Risk Escalation

Objective 5	Finding & Risk 1	Grade	Recommendation
	<p>A review of the ELC HSCP Risk register we identified two risks that should potentially have been included within the Joint Board Risk Register:</p> <ul style="list-style-type: none"> ➤ Public Protection – this risk reflects the duty of care between the Council and the residents of East Lothian and has a Current and Target Risk Rating of 20. As this has been reviewed by the HSCP staff and they have not been able to identify any controls that would reduce the risk rating it should have been passed up to the Joint Board for consideration as it could have an impact on the strategic plan of the IJB given the level of the risk; and ➤ Failure of Provider – reflects the risk of either a Care at Home or a Care Home provider being unable to provide adequate or no services. The failure of a provider being able to provide a service would have a direct impact on the Joint Board’s ability to meet its Directions. <p>From a review of the IJB Risk Register and the minutes from the meetings we were unable to find evidence that these two risks had at least been formally considered at a Committee meeting.</p> <p>There are no processes in place to ensure that risks identified by either the Council of the NHS are escalated into the Joint Board Risk Register.</p> <p>There is a risk that operational risks impacting on the partners that may impact on the ability of the Joint Board to deliver its Strategic Plan are not adequately identified and scrutinised by the IJB Audit & Risk Committee.</p>	Medium	5.1 Management should implement an escalation process for any risks that remain residually as Very High, or High if they are likely to impact the capability of the IJB to fulfil the strategic plan to be considered for inclusion in the IJB risk register.

Management response

Agreed, processes will be put in place to ensure that where appropriate risks can be escalated up from the partners for consideration by the committee.

Responsible officer & target date

Chief Finance Officer
September 2022

A Recommendation Grading/Overall opinion definitions

Recommendation	Definition
High	Recommendations relating to factors fundamental to the success of the control objectives of the system. The weaknesses may give rise to significant financial loss/misstatement or failure of business processes.
Medium	Recommendations which will improve the efficiency and effectiveness of the existing controls.
Low	Recommendations concerning minor issues that are not critical, but which may prevent attainment of best practice and/or operational efficiency.

Levels of Assurance	Definition
Substantial Assurance	A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.
Reasonable Assurance	There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.
Limited Assurance	Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.
No Assurance	Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.

