



Internal Audit

FINAL

Portsmouth Hospitals University NHS Trust

Assurance Review of Risk Management and Board Assurance Framework

2020/21

April 2021

Executive Summary

OVERALL ASSESSMENT



ASSURANCE OVER KEY STRATEGIC RISK / OBJECTIVE

Effective risk management processes are central to providing Portsmouth Hospitals NHS Trust's Board of Directors with assurance that services are delivered safely, effectively and in line with corporate strategic objectives. Failure to manage risk effectively, could result in considerable financial and reputational damage to the Trust.

SCOPE

The cyclical annual review covered the structures and processes put in place to ensure effective Risk Management is in place across the organisation - including embedding risk, risk identification, risk mitigation and risk workshops.

KEY STRATEGIC FINDINGS



The risk appetite statement and target scores for individual risks are determined through the risk impact scores and descriptors included in the risk management strategy.



Due to the pressures brought about by COVID 19, risks that have reached their target score are not always removed from the Board Assurance Framework/Board Risk Register (BAF/BRR), although explanations are provided to support the reason for leaving on the BAF/BRR



The strategy would be strengthened if a paragraph was included on fraud risks to show how the Trust and the Local Counter Fraud Service (LCFS) plan identifies and manages fraud risks to comply with Government Standard 013.



The divisional risk register does not always articulate what the actual risk is. In addition, there are occasions where an agreement to accept and close off a risk is difficult due to the varying views of the members of the divisional risk review meeting.

GOOD PRACTICE IDENTIFIED



The Trust operates a "Top Down" and "Bottom up" approach to assess risks that appear on the Board Assurance Framework (BAF).



The risk management strategy includes a diagrammatic representation of the risk route from ward to Board, including the committees where appropriate risk registers are presented.

ACTION POINTS

Urgent	Important	Routine	Operational
0	0	0	4

Assurance - Key Findings and Management Action Plan (MAP)

Rec.	Risk Area	Finding	Recommendation	Priority	Management Comments	Implementation Timetable (dd/mm/yy)	Responsible Officer (Job Title)
There are no findings to report.							

PRIORITY GRADINGS

1	URGENT	Fundamental control issue on which action should be taken immediately.
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2	IMPORTANT	Control issue on which action should be taken at the earliest opportunity.
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3	ROUTINE	Control issue on which action should be taken.
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Operational - Effectiveness Matter (OEM) Action Plan

Ref	Risk Area	Finding	Suggested Action	Management Comments
1	Directed	Over the past year due to the unprecedented circumstances, there has been the need to leave risks on the BAF and the appropriate risk register when the target score has been met to ensure the risk is still mitigated. In normal times the risks would be removed when their target score has been met, unless there is a good reason to leave them on the register. In these instances the narrative in the comments column would reflect this.	As COVID 19 pressures ease within the Trust, the risk team to review risks that have met their target score to ascertain if any of these risks can be removed from the BAF/Board Risk Register/Divisional Risk Registers.	<i>Agreed – this will be on-going.</i>
2	Directed	Risk management training and awareness already occurs in a number of different methods. The Board I have a training and awareness raising session on risk management once a year as part of the board development programme, and risk, governance and quality feature in a number of leadership development programmes. The training and development programmes for Divisional Management teams include significant amounts of risk management training. In addition risk management training also forms part of the induction training for new staff. The Head of Risk Management highlighted the induction training slides for risk management could benefit from a review and refresh.	Review and update the risk management induction training slides for new starters.	<i>Agreed – included in Head of Risk Management objectives at recent appraisal.</i>

ADVISORY NOTE

Operational Effectiveness Matters need to be considered as part of management review of procedures.

Ref	Risk Area	Finding	Suggested Action	Management Comments
3	Directed	The strategy is well constructed and follows the main principles behind Risk Management. The strategy could be strengthened if a paragraph was included on fraud risks and how the Trust and LCFS plan to identify and manage fraud risks to comply with Government Standard 013.	Consideration be given to including a paragraph explaining how the Trust and LCFS plan to identify and manage fraud risks to comply with Government Standard 013 w.e.f. 1/4/2021.	<i>Agreed – will be included at the next review of the Risk Management strategy.</i>
4	Directed	<p>The Lead Governance Nurse Networked Services Division was interviewed as part of the audit. A general observation arising from the interview was that risk descriptions on the divisional risk registers do not always:</p> <ul style="list-style-type: none"> • Articulate what the actual risk is. In addition, there are occasions where an agreement to accept and close off a risk is difficult due to the varying views of the members of the divisional risk review meeting. • Show an initial score or indicate the movement of the risk. An example is the risk register for the Surgical and Outpatients Division presented to the divisional meeting on 8th March 2021. <p>The Lead Governance Nurse did state however, the Head of Risk was very helpful in providing support in these instances.</p>	Acknowledging the Director of Governance and Risk has stated this has been a point of note in the past and the wording of the risk description and design of the risk registers has improved with each risk description starting with the words “risk of”. There is however a need to ensure all risk register designs are standardised.	<p><i>Work is continually on-going to improve risk descriptions and educate risk and governance leads on meaningful articulation of risks and mitigation.</i></p> <p><i>Do not agree that the risk registers do not have a standard design. All Divisional risks registers and reports provided are set up in the same forma. The only difference relates to the Board Risk Register Report where sparklines that illustrate the travel of the risk score are included at the request of the Executive team.</i></p>

ADVISORY NOTE

Operational Effectiveness Matters need to be considered as part of management review of procedures.

Findings



Directed Risk:

Failure to properly direct the service to ensure compliance with the requirements of the organisation.

Ref	Expected Key Risk Mitigation	Effectiveness of arrangements	Cross Reference to MAP	Cross Reference to OEM
GF	Governance Framework There is a documented process instruction which accords with the relevant regulatory guidance, Financial Instructions and Scheme of Delegation.	Partially in place	-	2, & 3
RM	Risk Mitigation The documented process aligns with the mitigating arrangements set out in the corporate risk register.	Partially in place	-	-
C	Compliance Compliance with statutory, regulatory and policy requirements is demonstrated, with action taken in cases of identified non-compliance.	Partially in place	-	1, & 4

Other Findings



The Trust's Corporate Objectives form part of the 'Trust Strategy 2018 – 2023' which is structured around five strategic aims and was approved by the Board in July 2018. Each quarter the Board receives a Corporate Strategy Update on progress with implementing the Trust Strategy. The Trust's five strategic aims and objectives are appropriately recorded in the Board Risk Register.



The risk management strategy includes a diagrammatic representation of the risk route from ward to board. The route shows that the appropriate risk register is presented to and discussed at the Divisional Clinical Governance Committees, the Quality and Performance Committee, the Audit Committee, the Finance and Infrastructure Committee as well as the Board.

Other Findings

-  The Corporate Strategy update includes progress against each of the Trust's Strategic Aims which is linked to each BAF risk and along with key Integrated Performance Report metrics are used as KPIs for each aim. The BAF is regularly reported to the Board.
-  The Risk Management Strategy is current and is due for review in September 2021. The Strategy was ratified by the Trust Board on 19th August 2019. The Trust's aim is to promote a risk awareness culture in which all risks are identified, assessed, understood and proactively managed. The governance structure allows this to happen with a structure of risk registers held at different levels of the organisation.
-  The requirement is to review risks quarterly although it is encouraged for risks 15+ to have a monthly review. There are regular reports (with the appropriate risk registers attached) presented to all the relevant committees as required by the strategy.



Delivery Risk:

Failure to deliver the service in an effective manner which meets the requirements of the organisation.

Ref	Expected Key Risk Mitigation	Effectiveness of arrangements	Cross Reference to MAP	Cross Reference to OEM
PM	Performance Monitoring There are agreed KPIs for the process which align with the business plan requirements and are independently monitored, with corrective action taken in a timely manner.	Partially in place	-	-
FC	Financial Constraint The process operates within the agreed financial budget for the year.	In place	-	-
R	Resilience Good practice to respond to business interruption events and to enhance the economic, effective and efficient delivery is adopted.	In place	-	-

Other Findings

- The Corporate Strategy update includes progress against each of the Trust’s Strategic Aims which is linked to each BAF risk and along with key Integrated Performance Report metrics are used as KPIs for each aim. The BAF is regularly reported to the Board.
- The Terms of Reference for both the Quality and Performance Committee and the Audit Committee includes reference to their role and responsibility for managing risk within the organisation.
- There is no specific budget in relation to Risk Management and there are no staffing constraints in place as they are fully staffed with a Deputy Director of Governance and Risk having recently been appointed.
- All controls and assurances are regularly reviewed and have been throughout the pandemic. There is no separate Covid-19 risk register however the Trust can produce a risk register of all the COVID identified risks at all levels using Datix to filter them. Currently the Board Assurance Framework includes the following COVID risk with a score of 20: "Risk to Trust’s ability to deliver all strategic objectives due to diversion of resources of all types required to manage the COVID-19 pandemic".

Scope and Limitations of the Review

- The definition of the type of review, the limitations and the responsibilities of management in regard to this review are set out in the Annual Plan. As set out in the Audit Charter, substantive testing is only carried out where this has been agreed with management and unless explicitly shown in the scope no such work has been performed.

Disclaimer

- The matters raised in this report are only those that came to the attention of the auditor during the course of the review, and are not necessarily a comprehensive statement of all the weaknesses that exist or all the improvements that might be made. This report has been prepared solely for management's use and must not be recited or referred to in whole or in part to third parties without our prior written consent. No responsibility to any third party is accepted as the report has not been prepared, and is not intended, for any other purpose. TIAA neither owes nor accepts any duty of care to any other party who may receive this report and specifically disclaims any liability for loss, damage or expense of whatsoever nature, which is caused by their reliance on our report.

Effectiveness of arrangements

- The definitions of the effectiveness of arrangements are set out below. These are based solely upon the audit work performed, assume business as usual, and do not necessarily cover management override or exceptional circumstances.

In place	The control arrangements in place mitigate the risk from arising.
Partially in place	The control arrangements in place only partially mitigate the risk from arising.
Not in place	The control arrangements in place do not effectively mitigate the risk from arising.

Assurance Assessment

- The definitions of the assurance assessments are:

Substantial Assurance	There is a robust system of internal controls operating effectively to ensure that risks are managed and process objectives achieved.
Reasonable Assurance	The system of internal controls is generally adequate and operating effectively but some improvements are required to ensure that risks are managed and process objectives achieved.
Limited Assurance	The system of internal controls is generally inadequate or not operating effectively and significant improvements are required to ensure that risks are managed and process objectives achieved.
No Assurance	There is a fundamental breakdown or absence of core internal controls requiring immediate action.

Acknowledgement

- We would like to thank staff for their co-operation and assistance during the course of our work.

Release of Report

- The table below sets out the history of this report.

Stage	Issued	Response Received
Audit Planning Memorandum:	25 th November 2020	11 th March 2021
Draft Report:	25 th March 2021	30 th April 2021
Final Report:	30 th April 2021	

AUDIT PLANNING MEMORANDUM

Appendix B

Client:	Portsmouth Hospitals University NHS Trust
Review:	Risk Management and BAF
Review Agreed By:	Lois Howell, Director of Governance & Risk

Planned Start Date:	8 th March 2021
Planned Exit Meeting Date:	16 th March 2021

Lead Auditor:	Auditor
Exit Meeting to be held with:	Director of Governance & Risk

SELF ASSESSMENT RESPONSE

Matters over the previous 12 months relating to activity to be reviewed (to be covered at the opening meeting).	Y/N
Has there been any reduction in the effectiveness of the internal controls due to staff absences through sickness and/or vacancies etc.?	N
Have there been any breakdowns in the internal controls resulting in disciplinary action or similar?	N
Have there been any significant changes to the process?	N
Are there any particular matters/periods of time you would like the review to consider?	N

Detailed scope will consider:	Directed	Delivered
	<ul style="list-style-type: none"> Documented Risk Mitigation Compliance 	<ul style="list-style-type: none"> Performance monitoring Reputational Financial control

Outline scope (per Annual Plan):

Rationale

A robust risk management and Governing Board Assurance Framework is critical to all organisations to ensure risks are effectively management and emerging risks identified.

Scope

The cyclical annual reviews will cover the structures and processes put in place to ensure effective Risk Management across the organisation - including embedding risk, risk identification, risk mitigation and risk workshops.

- Risk management policy and strategy is current, comprehensive and in line with good practice.
- Corporate objectives have been agreed for 2020/21, and the design and operation of the BAF provides adequate assurance over the identification and management of risks to their achievement.
- Risk appetite is clearly defined and is applied in practice, through a clear understanding of target risk ratings and action plans.
- Governance arrangements over risk management processes are robust and operating effectively, with effective reporting to the Board and relevant sub-committees.
- Robust processes are in place to identify and record risks through local risk registers.
- A programme is in place to deliver risk management training.

Information / documentation request

Copies of Board (and other relevant Committee/Panel) minutes covering the period 1 April 2020 to date, Copies of any amended procedure notes/operational rules.

Latest Board Assurance Framework, Corporate Risk Register and relevant meeting agendas and minutes , Risk Management Policy and latest Annual Report

COVID 19 related risks and information on how these are managed.

An audit template will be sent out separately detailing the information requested. The template will need to be completed and returned to assist with the audit.