

# Risk Management & Board Assurance Framework

## Final Internal Audit Report

May 2024

Cardiff & Vale University Health Board



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Audit and Assurance Services conform with all Public Sector Internal Audit Standards as validated through the external quality assessment undertaken by the Chartered Institute of Public Finance & Accountancy in April 2023.

### 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 overall objective of the review was to determine and evaluate the ongoing development, implementation and application of the Health Boards Risk Management and Board Assurance processes.

### Overview

We have issued reasonable assurance on this area.

The Health Board has an up-to-date Risk Management Strategy and supporting Procedures in place, with effective Board Assurance Framework and Corporate Risk Register processes in operation. Overall, we note that the majority of the risk management processes are consistently applied throughout the Health Board operations.

The matters requiring management attention include:

- Testing identified numerous gaps of information including owners of risks not being detailed on the Clinical Boards/ directorates and departmental risk register.
- Possible delays in risk escalation to the Corporate Risk Register.

Other recommendations / advisory points are within the detail of the report.

## Report Opinion

		Trend
<p>Reasonable</p>	Some matters require management attention in control design or compliance.	
<p><b>Low to moderate impact</b> on residual risk exposure until resolved</p>		2022/23

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

Objectives	Assurance
1 Strategy and Framework	Substantial
2 Identification and classification	Substantial
3 Risk registers	Reasonable
4 Risk ownership and management	Reasonable
5 BAF, CRR & risk escalation	Reasonable
6 Monitoring and Review	Reasonable
7 Recommendation implementation	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
2	Risk ownership and register update	3 & 4	Design	Medium
3	Escalation of Risks to the Corporate Risk Register	5	Operation	Medium

## 1. Introduction

- 1.1 Our review of 'Risk Management and the Board Assurance Framework (BAF)' was completed in line with the 2023/24 Internal Audit Plan for Cardiff and Vale University Health Board (the 'Health Board').
- 1.2 Effective risk management is a key component of corporate and clinical governance and is integral to the delivery of organisational objectives. Risk management consists of defined steps which help us understand risks and their impact. Good risk management awareness and practice at all levels is a critical success factor for any organisation and needs to be seen as integral to effective management practice.
- 1.3 The Board Assurance Framework provides the Board with the key strategic risks that could impact upon the delivery of the Health Board's Strategy. The BAF was updated after the introduction of the new strategic objectives to ensure the alignment with the strategic risks. The updated BAF was taken to the November 2023 Board meeting.
- 1.4 The Corporate Risk Register (CRR) ensures the Board has an overview of the key operational risks from the Clinical Boards and Corporate Directorates.
- 1.5 The Risk and Regulation Team continue to work alongside Clinical Boards and Corporate Directorates to ensure that risks are clearly defined and appropriately scored in line with the Health Board's Risk Strategy and Procedure.
- 1.6 A review of 'Risk Management' is undertaken within the Health Board on an annual basis, which is a key component that informs the Head of Internal Audit's Annual Opinion.
- 1.7 The Director of Corporate Governance is the lead for this review.

### Audit Risks

- 1.8 Risks per audit brief
  - Inconsistent management of risks within clinical boards, directorates and departments;
  - Failure to achieve strategic, operational and financial objectives due to a lack of awareness of emerging risks; and
  - Exposure to reputational damage due to inadequate identification, assessment and monitoring of risks.

## 2. Detailed Audit Findings

### **Objective 1: Risk Management and Assurance arrangements are defined within an up-to-date Strategy and Framework and associated procedures, aligned to the Health Board's objectives and strategic direction.**

- 2.1 The Health Board has developed a comprehensive Risk Management and Board Assurance Framework Strategy ("the Strategy") which was reviewed and approved by the Audit Committee in February 2023 and by the Board in March 2023.
- 2.2 The Health Board also has documented Risk Management Procedures in place which underpin the Strategy and provide clear guidance to staff within clinical boards, directorates, and departments on the risk management system.
- 2.3 The Health Board has robust arrangements in place for managing strategic risks. The Board Assurance Framework (BAF) provides key information on the key strategic risks that could impact on the delivery of the Health Board's Strategy 'Shaping our Future Wellbeing'. The BAF is routinely reviewed by the Executive Team and is a standing agenda item at Board meetings.
- 2.4 Our review of the Strategy and Risk Management Procedures confirmed that staff are provided with comprehensive information on the Health Board's risk management system, as they include coverage of the following areas:
  - A clear definition of responsibilities for strategic and operational risk management for the Board and staff throughout the Health Board including at Clinical Board/Corporate Service and Directorate/Department level;
  - A description of the framework in place for identifying, analysing, evaluating, and controlling risks to the delivery of strategic objectives;
  - A definition of the Health Board's approach to risk appetite; and
  - A description of the training arrangements with respect to risk management which incorporates and references up to date risk management best practice.

#### Conclusion:

- 2.5 From the review of the BAF we are satisfied that the strategic risks are properly aligned with the Health Board's objectives and overall strategic direction. The Risk Management Strategy and Procedures are comprehensive, and we note that strategic risks are well articulated and easily and clearly linked to key operational areas. We have provided **Substantial Assurance** for this objective.

**Objective 2: There are clear and consistent processes in place for the identification, classification, scoring and recording of risks throughout clinical boards down to directorate and departmental level.**

- 2.6 Risks are identified and scored on risk assessment forms. We have reviewed a sample of risk assessment forms from the clinical boards and directorates and are satisfied that they are being correctly completed.
- 2.7 We note that scoring and classification of risks is the subjective opinion of the person recording it and there can be inconsistencies across different directorates and departments. However, we note that the act of raising a risk to a score of 20 or more and elevating it to the CRR is in effect a moderation process so that consistency can be achieved at the corporate level.
- 2.8 The inclusion of risk management as a standing item at clinical board, directorate and divisional meetings means that any new risk, or changes to existing ones can be identified and managed according to the Health Board Risk Management Strategy and Procedure.

**Conclusion:**

- 2.9 From discussions with the staff involved during the fieldwork for this audit and the review of the risk management procedures and risk assessment forms we are satisfied that there are consistent processes in place for the identification, classification and scoring of risks. We have provided **Substantial Assurance** for this objective.

**Objective 3: Comprehensive risk registers are in place for clinical boards, through to directorates and departments with appropriate risk owners identified and effective escalation / de-escalation of risks.**

- 2.10 From discussion with the Director of Corporate Governance there are around 70 risk registers in use throughout the Health Board. We reviewed the BAF strategic risk register, the CRR, clinical board risk registers and fifteen departmental risk registers.
- 2.11 The registers are held on excel spreadsheets and the process of reviewing, updating and sharing can be described as linear and transactional, which is time consuming and creates its own risk of error. The Director of Corporate Governance would prefer all risks to be in one place, and easily accessible by all staff involved in risk management.
- 2.12 The Health Board are considering the electronic options that are available for achieving this and are in negotiations with 'Audit Management and Tracking' software with a view to being an early adopter of the 'Risks' module they are developing. **(Matter Arising 1 – Low Priority)**
- 2.13 The strategic risk register and the CRR risks are written to an appropriate standard and managed and reviewed in line with the strategy and framework. However, our

review of the clinical board, directorate and departmental registers showed that some of the risks are not written to the standards set by accepted best practice and several of the review dates have 'long passed'. **(Matter Arising 2 – Medium Priority)**

- 2.14 We note that not all of the risks recorded on the registers have individual owners identified, some are recorded as belonging to multiple clinical leads or 'management', and some have no identified risk owner. Similarly, not all mitigation actions recorded have owners. **(Matter Arising 2 – Medium Priority)**
- 2.15 We note that the Risk and Regulation Officer reports that it can sometimes be problematical getting updates from some clinical boards with reminders and chase up calls being necessary, and even then, information is not received from all areas in time for every meeting. **(Matter arising 2 – Medium Priority)**

**Conclusion:**

- 2.16 Overall, there is a lot of effective work being done on producing and managing risk registers. However, there is a considerable number of registers within the Health Board and there are inconsistencies identified in risk and mitigation ownership. We have provided **Reasonable Assurance** for this objective.

**Objective 4: Risks are actively monitored and scrutinised at an appropriate level within the clinical boards, directorates and departments.**

- 2.17 We reviewed the risk management operation within the Specialist Services and Surgical Clinical Boards, and the Finance directorate. Though the processes are now operating within all three areas we did observe some inconsistencies in some areas, though we note that both of the clinical boards have had recent changes at Director of Nursing level and the processes have been improved and updated since the change.
- 2.18 The Specialist Services Clinical Board has relaunched its risk management process with a new Quality and Safety lead and a dedicated Quality & Safety teams channel. This has a risk register folder with sub-folders for each department. Although not complete there is evidence of the folders being populated with the latest registers for each directorate, older copies, risk assessment forms, and Clinical Board Quality and Safety, Experience (QS&E) meeting minutes where risk has been discussed. They expect the process and all sub-folders to be completely ready for the start of the 2024/25 financial year.
- 2.19 The Surgery Clinical Board processes are a little further behind. They have ten subdivisions, all with registers on their shared drive. We noted that several of their subdivisions registers are not up to date with several review dates having passed. They are now monitoring the process with risks being a standing agenda on their Q&SE meeting, the minutes of which are sent to the main Health Board QS&E Committee. In addition, risk is discussed by Senior Management and the risk

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register is shared at every monthly Executive review meeting. **(Matter Arising 2 – Medium Priority)**

- 2.20 Surgery Clinical Board have agreed to keep all registers in one place and have a stated preference to use Audit Management and Tracking (AMaT) software for this. AMaT is used extensively across Surgery operational activities and surgery staff are familiar with the software. **(Matter Arising 1 – Low Priority)**
- 2.21 We note that a lot of risks recorded on clinical board risk registers, especially those that are scored high enough to become corporate risks are outside of the control of the clinical board. They relate to estate structural matters, or obsolete high value equipment which is overdue for replacement and could be subject to service and parts availability issues.
- 2.22 The Finance division has an up-to-date risk register which is actively managed and continuously monitored. The Financial Savings meeting constantly reviews the objectives (saving money and cutting costs) and works to ensure actions are progressing toward achieving the overall goal of hitting the budgetary targets.

**Conclusion:**

- 2.23 We are satisfied that the risks are actively monitored and scrutinised across the Health Board through the clinical board, directorate and departmental levels. Although there is room for improvement in the overall consistency of the process in some areas. We have provided **Reasonable Assurance** for this objective.

**Objective 5: Key operational risks from the Clinical Boards and Corporate Directorates Risk Registers are escalated to the CRR and principal risks to the achievement of the Health Board’s strategic objectives are recorded in the BAF.**

- 2.24 We reviewed the BAF and the strategic risks and are satisfied they are appropriately linked to the Health Boards strategic objectives. We also noted that the strategic risks are clearly linked to the risks on the CRR. Overall, we found the linkage of risks from the lower-level clinical board registers through the CRR to the BAF are clear and easy to follow and consider the way the risks are linked down from the BAF to the lower-level registers to be exemplary.
- 2.25 We note that the BAF was incrementally changed for the September 2023 Board meeting and brought into line with the refreshed Health Board Strategy and the Health Boards committees and board structure. It is now intended that the BAF is a working document for regular use and review, not a static one.
- 2.26 We note that if a risk on a Clinical Board register is escalated by its owner to a score that requires it be placed on the CRR, there is no defined procedure for it to be escalated. It may only get to the CRR when the Risk and Regulation Officer requests the registers as part of the Board meeting preparation process; this could result in a delay to a risk being escalated. **(Matter Arising 3 – Medium Priority)**

**Conclusion:**



2.27 The use of the BAF as a living working document and the ease of confirming the links between the BAF, CRR and lower registers is exemplary, however there is a potential delay to escalating risks from the Clinical Boards to the CRR. We have provided **Reasonable Assurance** for this objective.

**Objective 6: Processes are in place to support the monitoring and review of key risks and assurance mechanisms, including the CRR and BAF, across the Health Board, including at Committee and Board level.**

2.28 We have reviewed the operation of the risk management process across several levels of the Health Boards operations. We note that risk management is a standing item at all Board meetings and from the minutes of the November 2023 and January 2024 meetings discussions it is clear that aspects of the Strategic Risks on the BAF, and ownership of the risks on the CRR were discussed.

2.29 We also note that the review of their allocated risks from the CRR is a standing agenda item on the Health Board's Committees, including the Quality Safety & Experience, Finance & Performance and People & Culture committees.

2.30 We have noted under objectives 3 and 4 that there are some inconsistencies in the application of the processes, and that there are changes being considered which could necessitate process changes, however at this time we are satisfied that the processes are correctly described and being followed.

**Conclusion:**

2.31 From the review of risk management processes in operation at the strategic, corporate, clinical and divisional level we are satisfied that the risk management processes are operating in line with the Health Boards defined Risk Management Procedure. We have provided **Reasonable Assurance** for this objective.

**Objective 7: The audit will identify the progress of implementing the internal audit recommendations raised in the 2022/23 audit of Risk Management (CVU2223.01)**

2.32 All of the agreed actions from the 2022/23 audit of Risk Management were reported closed at the November 2023 Audit Committee meeting, in line with the agreed audit procedures.

2.33 During our discussions with staff involved in the risk management process within the clinical boards/directorates they all confirmed that the Risk and Regulation team have been actively reminding all staff involved in risk management of their responsibilities regarding risks and the support and training available to them.

**Conclusion:**

2.34 We are satisfied that all of the actions from the 2022/23 audit have been fully completed and correctly reported. We have provided **Substantial Assurance** for this objective.

## Appendix A: Management Action Plan

Matter Arising 1: Risk Management Software System (Design)		Impact	
<p>There are around 70 risk registers in use throughout the Health Board. They are held on excel spreadsheets and the process of reviewing, updating and sharing can be described as linear and transactional, which is time consuming and creates its own risk of error.</p> <p>The process needs a central software solution as soon as is practically and pragmatically possible.</p>		<p>Potential risk of:</p> <ul style="list-style-type: none"> <li>• Transposition of error in risk data transfer between registers</li> <li>• Delays due to manual data transfer</li> </ul>	
Recommendations		Priority	
1.1	<p>There should be a central point where all of the Health Board’s risk registers are held. The Corporate Governance and Risk team should liaise with the risk owners/facilitators, IT, and procurement as necessary to procure/develop a single solution that suits all users.</p>	<b>Low</b>	
Agreed Management Action		Target Date	Responsible Officer
1.1	<p>An external IT solutions company is developing new software that will allow all risk registers to be allocated to a single central point.</p> <p>Once the risk module is complete the Programme Manager will provide a demonstration to the Department of Corporate Governance in order to refine any adjustments and potential report export requirements.</p>	December 2024	Risk and Regulation Officer




Matter Arising 2: Risk ownership and update on risk registers (Operation)		Impact	
<p>Several risk and actions at clinical board/ directorate/ divisional levels are not fully up to date. During our review of the risk registers we found a number of risks that had:</p> <ul style="list-style-type: none"> <li>• Lapsed review dates;</li> <li>• Risk without owners; and</li> <li>• Actions without owners.</li> </ul> <p>We also noted from discussion with the Risk and Regulation Officer that when up to date registers are requested, they are not always supplied in a timely manner, and sometimes not at all.</p>		<p>Potential risk of:</p> <ul style="list-style-type: none"> <li>• Failure to update risks and actions.</li> <li>• Material changes to risks may be unidentified.</li> <li>• Board papers potentially incomplete or inaccurate.</li> </ul>	
Recommendations		Priority	
2.1a	All risks on all registers should be completed with risk and action owners named with their role and title recorded. All review dates should be at least one month in the future. This should be done with some urgency as if a software solution is found (MA1) then the information initially entered should be 100% accurate and have a future review date set.	<b>Medium</b>	
2.1.b	The defined procedure should be strengthened to mandate the up-to-date registers should be copied to the Risk and Regulation officer after every meeting that results in a change to the registers.		
Agreed Management Action		Target Date	Responsible Officer
2.1a	Agreed. Meetings are being arranged with Risk Managers / Facilitators to review registers and to provide further training. This will include ensuring the risk and action owners are named on the register to ensure consistency across Clinical Boards / Corporate Departments.	July 2024	Risk and Regulation Officer
2.1b	Agreed. When the new module is installed, the registers can be quickly updated prior to any meetings where the registers will be reviewed.	December 2024	

Matter Arising 3: Escalation of risks to the Corporate Risk Register (Operation)		Impact	
<p>There is no defined procedural requirement for risk owners to advise the Risk and Regulation Officer immediately when they escalate the score for a risk on their specific register to a level where it needs to go onto the CRR. This may only happen when the risk officer requests and receives the latest registers for inclusion onto the strategic risk register or CRR for inclusion into the papers for the next Board meeting. This could mean a higher-level risk is missed from the higher-level register.</p>		<p>Potential risk of:</p> <ul style="list-style-type: none"> <li>Failure to escalate risk</li> </ul>	
Recommendations		Priority	
3.1	<p>Clinical Boards should be informed that high risks should be escalated at the earliest opportunity to the Corporate Governance Department so that they can be reviewed and included onto the CRR if appropriate.</p>	<b>Medium</b>	
Agreed Management Action		Target Date	Responsible Officer
3.1	<p>Assurance is provided at the Clinical Board Reviews and the Clinical Safety Group who are informed of current Extreme Risks on a monthly basis. Any new high risks raised at these meetings will be escalated to the Corporate Governance Department and included onto the Corporate Risk Register. In future all new risks and updates will be uploaded onto the new Risk Module before being presented to any meetings.</p>	December 2024	Risk and Regulation Officer

## 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. <b>Low impact</b> on residual risk exposure.
	<b>Reasonable assurance</b>	Some matters require management attention in control design or compliance. <b>Low to moderate impact</b> on residual risk exposure until resolved.
	<b>Limited assurance</b>	More significant matters require management attention. <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. <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. 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. 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. Some risk to achievement of a system objective.	Within one month*
Low	Potential to enhance system design to improve efficiency or effectiveness of controls. 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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