

Board Assurance Framework Internal Audit Report

April 2023

Cwm Taf Morgannwg University Health Board



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Executive Summary

Purpose

The purpose of the audit was to review the robustness of the Board Assurance Framework (BAF) process, as one of the key mechanisms that the Health Board has in place to monitor its strategic risks.

Overview

The Health Board has recently reviewed its approach to risk management. This process included updating its approach to Board Assurance. Our fieldwork has been undertaken within this first year of the new approach to the BAF, which will continue to evolve. The matters requiring management attention that we identified include:

- The recording of gaps in controls and assurance and the mitigating actions, including the alignment between them and consistency in capturing information.

Other recommendations points are within the detail of the report (see Appendix A).

Report Opinion



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

Low impact on residual risk exposure.

Assurance summary¹

Objectives	Assurance
1 Policies and procedures are in place	Substantial
2 The BAF aligns to strategic objectives set out in the Health Boards' IMTP	Substantial
3 Strategic risks are regularly reviewed	Substantial
4 Controls, assurance reports and mitigating actions identified in the BAF are in place	Substantial
5 Action plans are in place where gaps in control exist	Reasonable
6 Monitoring and scrutiny of the BAF takes place	Substantial

¹The 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	Greater clarity needed in relation to recording gaps in control and mitigating actions	5 Operation	Medium

1. Introduction

- 1.1 Our review of the Board Assurance Framework process was completed in line with the 2022/23 Internal Audit Plan for Cwm Taf Morgannwg University Health Board (the 'Health Board' or the 'organisation').
- 1.2 The Board Assurance Framework (BAF) is designed to provide a structure and process that enables the Health Board to focus on the risks that might compromise it achieving its strategic goals. In recent years work has been carried out to develop and improve the format of the BAF, with the concept for the current BAF approved by the Board in March 2022. A Risk Management strategy and Risk Management policy are in place and provide the framework for managing both operational and strategic risks within the organisation.
- 1.3 The risk considered in this review is that the Board is not receiving appropriate assurances in relation to the achievement of its strategic objectives.

2. Detailed Audit Findings

Objective 1: Policies and procedures are in place setting out the process for developing, maintaining and monitoring the BAF.

- 2.1 The Risk Management policy and Risk Management Strategy & Board Assurance Framework were approved by the Board in May 2022. Both documents are available for staff to access on both the Health Board's intranet and internet. Staff that undertake the risk management training are also provided with a link to the documents. We understand that the documents have been publicised through the staff newsletter with the promotion of risk training opportunities.
- 2.2 The Risk Management policy sets out the overarching approach to risk management within the Health Board. The Risk Management Strategy & Board Assurance Framework provides more detailed information on the application of the policy and the role of a Board Assurance Framework. Our review of the policy and strategy confirmed that they align to one another.
- 2.3 The Risk Management Strategy & Board Assurance Framework states that the '*Board Assurance Framework (BAF) will be used by the Board to identify, monitor and evaluate risks which impact upon strategic objectives*'. The benefits of the BAF are detailed, as are details of the difference between the BAF and the Organisational Risk Register. The strategy illustrates the process for ensuring that the BAF is monitored by the Health Board so that it remains up to date.
- 2.4 While the current Risk Management Strategy & Board Assurance Framework refers to the locality structure, we note that an updated document, aligned to the new care group structure, is scheduled to be received by the Board in May 2023.

Conclusion:

- 2.5 A Board approved Risk Management Policy and Risk Management Strategy & Board Assurance Framework are in place. The strategy details the process for developing, maintaining and monitoring the BAF. We have provided Substantial Assurance in relation to this objective.

Objective 2: The BAF aligns to the strategic objectives set out in the Health Board's IMTP and has given due consideration to risk appetite.

- 2.6 The Health Board's IMTP sets out its four strategic goals. The nine strategic risks captured in the BAF link to the strategic goals, with some goals, such as 'Improving Care', having a number of identified strategic risks.
- 2.7 Each of the four strategic goals within the IMTP has a number of high-level key statements setting out how the Health Board will achieve the goal. The BAF includes information on the controls, sources of assurance, gaps in controls and mitigating actions relating to these key statements, however the link to the IMTP was not always clear. **(Matter Arising 1)**
- 2.8 The risk appetite statement is recorded within the Risk Management Strategy & Board Assurance Framework. The Health Board's risk appetite was agreed following review of organisational risks, issues and consequences. The risk appetite of the organisation has been divided over a number of domains including quality and safety risks, business continuity risks and financial stability risks. Each of these have all been attributed with an appetite level.
- 2.9 Our review of the BAF confirmed that each of the strategic risks has an associated risk appetite.

Conclusion:

- 2.10 The Health Board's risk appetite is mapped to its strategic risks. The BAF aligns to the strategic goals recorded in the Health Board's IMTP, although there is an opportunity for the link to the associated key statements to be clearer. We have provided Substantial Assurance in relation to this objective.

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

- 2.11 The individual strategic risks outlined in the BAF are each assigned a risk lead, which is an Executive Director.
- 2.12 The BAF is presented at each meeting of the Board. We confirmed that prior to Board meetings, the Assistant Director of Governance and Risk and the Head of Corporate Governance and Board Business meet each of the executive directors to review and update their respective strategic risks.
- 2.13 In line with the Risk Management Strategy & Board Assurance Framework, amendments to the BAF are reviewed by the Executive Leadership Group (ELG) ahead of presentation at Board. The Assistant Director of Governance and Risk advises the ELG of significant updates to the strategic risks.
- 2.14 We confirmed that the Board review the BAF at each meeting, which includes scrutiny and challenge of the detail recorded within it. Furthermore, we evidenced a change in risk score being challenged at the one of the Board meetings.

Conclusion:

- 2.15 Strategic risks detailed on the BAF are reviewed by the Executive Director in conjunction with the Assistant Director of Governance and Risk. The executive

directors are accountable for risks and provide updates and amended scores for their assigned strategic risks. The Executive team and Board also review and scrutinise the BAF. We have provided Substantial Assurance in relation to this objective.

Objective 4: Controls, assurance reports and mitigating actions identified in the BAF are in place, and the Board and its committees receive suitable assurance information specific to the strategic risks aligned to them.

- 2.16 The Risk Management Strategy details that the BAF report '*identifies the controls in place to manage the risks and the assurances*'. We tested a sample of controls, assurance reports and mitigating actions recorded on the BAF to ensure that they were in place and up to date. We did not identify any issues from our testing.
- 2.17 As part of our fieldwork we met with one executive to discuss a control, assurance report and mitigating action for a strategic risk that they led on. All expected evidence was in place.

Conclusion:

- 2.18 Controls, assurance reports and mitigating actions recorded in the BAF were in place and the specific information was taken to the Board and its committee. We have provided Substantial Assurance against this objective.

Objective 5: Where gaps in control and assurance are identified, action plans are in place setting out the work required to close those gaps. Action plans are regularly monitored.

- 2.19 For each strategic risk, the BAF highlights gaps in control and assurance. Mitigating actions are listed within the BAF and are monitored as part of the routine reviews carried out by the lead Executive. There are no standalone action plans setting out the work required to close the gaps.
- 2.20 We reviewed the gaps in control and mitigating actions listed in the January 2023 BAF. We note that the information was not always consistently or clearly presented. For example, we were not always able to clearly identify mitigating actions for gaps. Furthermore, where actions had been identified, often they did not have a clear timeframe. **(Matter Arising 2)**

Conclusion:

- 2.21 While the BAF identifies gaps in controls and assurance, and mitigating actions, it does not always clearly align the two sets of information. We have provided Reasonable Assurance against this objective.

Objective 6: Monitoring and scrutiny of the BAF takes place in line with the Risk Management Strategy.

- 2.22 The Risk Management Strategy & Board Assurance Framework details the process for monitoring and scrutinising the BAF. It identifies that the Assistant Director of Governance and Risk will '*review the risk score, action plan and current performance with the Lead Executive(s) in readiness for reporting to the Board*'. It also states that the '*Strategic Leadership Group (SLG) are responsible for reviewing*

the BAF prior to its presentation to the Board and Committees as appropriate'. We confirmed that these processes are happening.

- 2.23 The Strategy further states that each principal risk has an assigned assuring Board Committee which *'will scrutinise and seek assurances on the principal risks that they own'*. We saw evidence of the assurance reports that are listed in the BAF being presented to the relevant committees. We acknowledge that members of committees are also Board members. There is an opportunity to improve scrutiny by providing the relevant parts of the BAF to the owning committee. This may help ensure that committee members get full sight of the controls, assurance reports, gaps in controls and assurance, and mitigating actions for the strategic risks owned by the committee. **(Matter Arising 3)**
- 2.24 We confirmed that the Board reviews the BAF at each of its meetings. The Strategy states that the Board should *'consider annually whether the principal risks are comprehensive, or if the risks need to be added / removed / changed'*. We note that the revised BAF will be reviewed by the Board at its meeting in May 2023.

Conclusion:

- 2.25 The Risk Management Strategy & Board Assurance Framework sets out the process for monitoring and scrutinising the BAF. It was evident that the BAF is being monitored and scrutinised in line with the strategy, and assurance reports identified in the BAF are reported. We have provided Substantial Assurance in relation to this objective.

Appendix A: Management Action Plan

Matter Arising 1: Clear links between the key statements of each of the Health Board's strategic goals and the BAF (Design)		Potential Impact	
<p>The 2022/25 three-year plan (IMTP) sets out the Health Board's four strategic goals. Each goal has a number of key statements which set out what is to be achieved as part of the goal. In the main, the detailed information contained within the BAF is provided in relation to the key statements listed under each strategic goal, but the link is not always clear. For example, the 'Sustaining our Future' strategic goal states that 'becoming a green organisation' is a key statement. Whilst the BAF references controls that appear to be linked to becoming a green organisation, it is not explicitly stated.</p> <p>As such, the assurance provided over the Health Board's key statements set out in the IMTP could be more clearly documented.</p>		<ul style="list-style-type: none"> Assurance is not provided on the Health Board's ability to achieve its strategic goals. 	
Recommendations		Priority	
1.1	Consideration should be given to ensuring the BAF captures the key statements that the Health Board has set out for each strategic goal within the IMTP, and the link to the associated control/s and assurance report/s or the gap in control and mitigating action.	Low	
Agreed Management Action		Target Date	Responsible Officer
1.1	The Assistant Director of Governance & Risk in conjunction with the Strategic Risk owner will review the narrative in the BAF to align to the Health Board's key statements as set out in the IMTP.	31.07.2023	Assistant Director of Governance & Risk & Strategic Risk Owners

Matter Arising 2: Gaps in controls and mitigating actions need greater clarity (Operation)	Potential Impact
<p>The Risk Management Strategy & Board Assurance Framework states that the BAF '<i>highlights the gaps in controls and assurances. This enables the development of an action plan for closing the gaps</i>'. However, there are no separate action plans which set out what is required to close the gap in control and assurance. Instead, the BAF lists the mitigating actions that are required.</p> <p>From our review of the BAF we note:</p> <ul style="list-style-type: none"> • The gaps in control and assurance identified, and the mitigation actions listed, do not appear to clearly align. For example, strategic risk two has six gaps in controls and assurance listed and 12 mitigating actions, but it is not clear which actions relate to which gaps. • Not all of the gaps identified have a mitigating action. For example, strategic risk three has an identified gap relating to the reporting of performance information on estates and premises, but there is no reference to this in the mitigating actions. • The wording used to describe some the gaps in control, is not always clear. For example, gap four of strategic risk two is '<i>Plans now in place to address any legacy issues to resolve any duplications identified on implementation</i>'. While this might explain that an historic gap has been closed, the document should be updated to appropriately reflect the status of the risk. • Mitigating actions are not always consistent. Some of the actions are to be undertaken in the future, such as the delivery of training, others are alternative controls, such as manually validating data. However, others are less clear, for example a mitigating action in strategic risk two states '<i>Nursing Productivity Group Operational</i>', although it is not clear which gap in control this mitigates. • The timeframe for mitigating actions was not always documented. <p>As such, there is some inconsistency and clarity with regards to the 'Gaps in Controls and Assurances' and 'Mitigating Actions' sections of the BAF. The Risk Management Strategy & Board Assurance Framework does not provide any detailed guidance in relation to this.</p>	<ul style="list-style-type: none"> • The Health Board is unable to achieve its strategic objectives and deliver safe, effective services to its patients.

Recommendations		Priority	
2.1	The Risk Management Strategy & Board Assurance Framework should be reviewed to provide greater clarity in relation to 'action plans', making it clear that the action plans form part of the BAF. Guidance should be incorporated in relation to the expected information to be captured for the 'gaps in controls and assurances' and 'mitigating action', so a consistent approach across the strategic risks and a clear link between gaps and actions can be applied. Timeframes for actions should be included to allow ongoing monitoring.	Medium	
2.2	Management should review the 'gaps in controls and assurances' and 'mitigating actions' section of the BAF to ensure points clearly articulate what the gap is and what mitigating action is being taken to address the gap. There should be a clear link between gaps and mitigating actions.	Medium	
Agreed Management Action		Target Date	Responsible Officer
2.1	The review of the Risk Management Strategy and Board Assurance Framework will include explicit reference that the action plans for the strategic risks forms part of the Board Assurance Report and what is expected in terms of that section of the report.	31.5.2023	Assistant Director of Governance & Risk
2.2	The Assistant Director of Governance & Risk in conjunction with the Strategic Risk Owner will review all gaps in control to ensure there is a robust mitigating action aligned.	31.5.2023	Assistant Director of Governance & Risk and Strategic Risk Owners

Matter Arising 3: Holistic review of assurance relating to the principal risks within the BAF assigned to committees (Operation)		Potential Impact	
<p>The Risk Management Strategy & Board Assurance Framework requires the nine principal risks to be monitored by a committee of the Board. The nominated assurance committee will <i>'scrutinise and seek assurances on the principal risks that they own'</i>.</p> <p>We reviewed documents and note that while assurance reports listed in the BAF are reported to the respective committees, the relevant part of the BAF itself is not taken to the committees. As such, it is unclear if the committees are getting a full understanding of the strategic risk assigned to them, evidence of the controls in place, and an awareness of the gaps in control and their mitigating actions.</p> <p>The strategy highlights that the Audit & Risk Committee (ARC) is <i>'responsible for reviewing the adequacy of the BAF'</i>. The strategy is silent on how often the ARC should review the BAFs' adequacy. The new BAF is scheduled to be reviewed by the ARC in April 2023.</p>		<ul style="list-style-type: none"> The Health Board is unable to achieve its strategic objectives and deliver safe, effective services to its patients. 	
Recommendations		Priority	
3.1	To allow Board committees greater oversight of the strategic risks that they are assigned responsibility for, each committee should receive a relevant extract of the BAF, thus allowing sight of all listed controls, identified gaps in controls and assurance and mitigating actions, to allow more detailed information to be requested if needed.	Low	
3.2	Consideration should be given to updating the Risk Management Strategy & Board Assurance Framework to give greater clarity on how regularly the Audit & Risk Committee is expected to review the adequacy of the BAF, with future reviews falling in line with that timeframe.	Low	
Agreed Management Action		Target Date	Responsible Officer
3.1	In the current review of the Risk Management Strategy, this statement has been removed as the BAF is reserved for the Board review, scrutiny and approval.	31.5.2023	Assistant Director of Governance & Risk

3.2	However, the assigned risks are now considered at Committee Agenda planning sessions to support agenda planning. The revised Risk Management Strategy will include the frequency of review for the BAF by the Audit & Risk Committee.	31.5.2023	Assistant Director of Governance & Risk
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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. Low impact on residual risk exposure.
	Reasonable assurance	Some matters require management attention in control design or compliance. Low to moderate impact on residual risk exposure until resolved.
	Limited assurance	More significant matters require management attention. Moderate impact on residual risk exposure until resolved.
	No assurance	Action is required to address the whole control framework in this area. 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. 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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