Western Isles Integration Joint Board

Internal Audit Report 2024/25

Risk Management

April 2025

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Risk Management

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Executive Summary

Conclusion

Western Isles Integration Joint Board (WIIJB) has an established Risk Management Strategy and Strategic Risk Register in place. We have identified a number of key aspects in which the risk management approach could be strengthened and these documents updated.

For example, we noted that the process for risk identification is not formally documented, nor is there a clear framework for escalating and de-escalating risks. We also identified a lack of clarity on risk appetite. The current strategy does not define specific thresholds for acceptable risk levels, making it difficult to determine when a risk is exceeding appetite.

While the risk register appears to reflect the appropriate and current risks facing the IJB, we noted a few data quality issues that should be addressed to improve clarity and alignment with best practice. This included mismatched dates an outdated risk appetite statement and unclear review and target dates.

We confirmed that the Audit and Risk Committee (ARC) periodically review the Strategic Risk Register, however, the frequency of discussions and depth of risk discussions appear inconsistent.

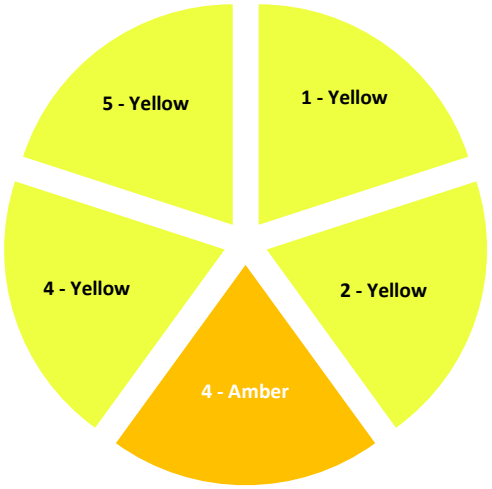
Background and scope

Robust risk management processes are vital to the successful operation of any organisation. Risk management should be embedded throughout the organisation in such a way as to facilitate the timely identification and mitigation of the risks to the achievement of business objectives. This means that risk registers should be based on Western Isles Integration Joint Board's strategic and operational plans, and in particular those risks that would prevent the achievement of strategic and operational objectives.

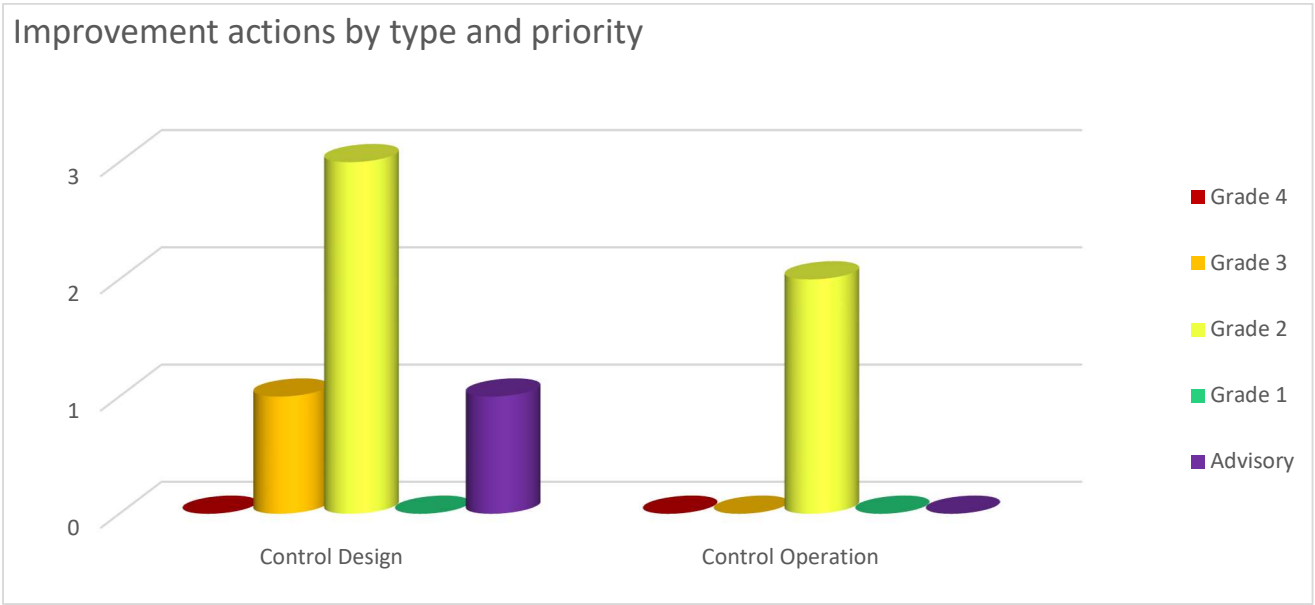
With heightened public scrutiny and the financial pressures placed on the healthcare sector across Scotland, it is essential that WIIJB have robust risk management processes in place to ensure achievement of patient care.

In accordance with the 2024/25 Internal Audit Plan, we reviewed the policies, procedures and practices in place to support robust strategic risk management within the Integration Joint Board.

Control assessment



- Western Isles Integration Joint Board has a robust risk management framework that supports the effective management of risks.
- The risk management framework is consistently applied for the accurate and timely identification, evaluation and reporting of risks.
- The risk management framework includes a clear process for the escalation and de-escalation of risks based on set criteria, which is consistently applied.
- Mitigating actions are identified and monitored to manage residual risks within risk appetite, including clear timescales and a responsible officer.
- Governance arrangements for risk management are adequate and appropriate, including clear reporting and escalation lines at board, committee and senior management levels.



Seven improvement actions have been identified from this review, five of which relate to the design of controls themselves. See Appendix A for definitions of colour coding.

Key findings

Good practice

- The IJB has established a Risk Management Strategy to provide the framework for identifying, assessing and mitigating risks that could impact the achievement of WIIJB's strategic objectives. It was introduced in 2016 and was recently updated and approved in September 2024. The Risk Management Strategy is readily accessible via the NHS Western Isles webpage.

- The Risk Management Strategy clearly outlines that the Audit and Risk Committee has a responsibility for overseeing its operation, that the Chief Officer has overall operational accountability for risk management and that the Risk Manager is responsible for formally reporting on a quarterly basis to the Board on the development, and progress of risk management.

- The Strategy aims to ensure that risks faced by the IJB are managed consistently and. It identifies two types of risks that IJB will broadly face: strategic risks, related to its operation as a legal entity, and service delivery risks, linked to the quality of services provided through the Health and Social Care partnership. The IJB relies on its parent organisations to identify, manage and address service delivery risks.

- The Strategic Risk Register is used to track and manage high-level risks affecting the organisation's ability to deliver integrated health and social care services. The register is reviewed at least six monthly**.** The latest Strategic Risk Register was updated and published in March 2025.

- WIIJB'S SRR identifies a total of five strategic risks, which include Failure to plan for Strategic Change, Workforce, Increasing demand for delegated services, Insufficient financial resources and Organisational, as well as professional and cultural barriers. It records risks based on likelihood and impact, assigns an overall risk rating and outlines mitigating actions. We confirmed through our testing that all current strategic risks have been consistently monitored and reviewed since their initial identification in December 2022.

- We also confirmed that the existing risks in the register align with the IJB's strategic objectives and there is evidence to show that emerging risks are being actively identified, discussed and assessed

Areas for improvement

We have identified a number of areas for improvement which, if addressed, would strengthen WIIJB's control framework. These include:

- Documenting the risk identification approach within the Risk Management Strategy,

- Aligning the risk appetite categories to the risk scores to ensure they can be consistently applied.

- Including a formal risk escalation and de-escalation process in their Risk Management Strategy or Policy. This can include a specific thresholds that dictate when a risk should be escalated or de-escalated.

These are further discussed in the Management Action Plan below.

Impact on risk register

This review is linked to all risks on Western Isles Integration Joint Board Strategic Risk Register. The recommendations raised in this report will support in further strengthening the risk management process and we have not identified any issues which would require any significant changes to risk scoring.

Acknowledgements

We would like to thank all staff consulted during this review for their assistance and co-operation.

Management Action Plan

Control Objective 1: Western Isles Integration Joint Board has a robust risk management framework that supports the effective management of risks.

Yellow

1.1 Risk identification

We established during the audit that the IJB identifies its strategic risks through a joint effort involving both Comhairle nan Eilean Siar and NHS Western Isles. The process involves:

- Reviewing the operational and strategic risk registers of both parent organisations;
- Discussing these risks at board and committee levels to determine relevance to the IIJB; and
- Combining these insights with sector knowledge and regulatory expectations to develop a high level strategic risk register.

While the risk identification process is clear and structured in practice, it is not documented in the Risk Management Strategy or any other formal policy document. It is best practice for the organisation to explicitly define their risk identification methodology to ensure consistency, accountability and transparency. In addition, we noted that there is no clear policy on who within the IIJB is responsible for identifying, reviewing and updating risks.

Risk

There is a risk of incomplete risk coverage due to inconsistent risk identification, assessment and management, resulting in potential gaps in risk mitigation.

Recommendation

The Chief Officer should document the risk identification approach within the Risk Management Strategy to clearly outline:

- Who is responsible for risk identification.
- How risks are identified and assessed.
- How relevance to the IJB is determined.
- How risk escalation works between the parent organisation and IJB.

Management Action

Grade 2 (Design)

The Risk Management Strategy will be updated to include the items as outlined in the recommendation.

- Who is responsible for risk identification. Risk are identified through review of the corporate risk registers of NHS WI and CnES as main commissioning partners.The corporate risks and reviewd by the CO in association with HSCP SMT and IJB Audit and Risk Committee before onward scruitinh by the Board.
- How risks are identified and assessed. Risk are identified as outlined above. In addition changes in national policy and SG strategy are reviewd by the IA professional body (Health & Social Care Scotland). Risk are assessed using the well developed 5*5 risk assessment tool.
- How relevance to the IJB is determined. Risk facing the IJB are defined through the details of the Act and reviewed as outlined. above
- How risk escalation works between the parent organisation and IJB. See bullet 1 re Corporate Risks. The IJB is a public body in its own right and as such would consider the material risks the main partners have identified and which may impact on the IJB role as strategic commissioning body

Action owner: Chief Officer **Due date:** June 2025

1.2 Risk appetite

WIIJB's Risk Management Strategy includes a defined risk appetite, outlining acceptable risk levels for each risk. The Chief Officer is currently working with the Board to refresh the risk appetite to better align with the parent organisations' risk appetites.

However, we noted that the current risk appetite is not aligned to numerical scores. For example, an appetite of 'hungry' indicates the organisation is willing to take on more risks, whereas an 'averse' appetite means the risks should be kept to a minimum. The absence of a numerical risk appetite framework makes it challenging to consistently assess when a risk is exceeding appetite. While the risk register provides target scores, there is no direct reference to these in the Risk Management Strategy, meaning appetite is more of a subjective judgement rather than a measurable framework.

For instance, the risk appetite for SR4 is Minimalist and the current risk score is 25, higher than previous score of 20 and target score of 12. However, we can't tell whether the current risk level is above risk appetite or whether the target score represents the risk appetite.

Risk

There is a risk that strategic risks may exceed acceptable tolerance levels without detection due to the absence of clearly defined risk thresholds, resulting in ineffective compliance assessment with IJB's risk appetite.

Recommendation

Management should clearly align the risk appetite categories to the risk scores to ensure they can be consistently applied.

Management Action.

Grade 2 (Design)

The risk appetite statement will be reviewed by audit and risk committee in light of risk assessment ie high risk score will reflect the IJB appetite to manage the risks within local context

Action owner: Chief Officer/IJB audit and risk committee **Due date:** June 2025

1.3 Risk Management Strategy Review

The IJB's Risk Management Strategy was approved in September 2024, with the next scheduled review in 2027. While this aligns with standard review cycles, the HM Treasury's Orange Book states that:

> *"The organisation should continually monitor and adapt the risk management framework to address external and internal changes. The organisation should also continually improve the suitability, adequacy and effectiveness of the risk management framework. This should be supported by the consideration of lessons based on experience and, at least annually, review of the risk management framework and the performance outcomes achieved."*

Regular reviews facilitate timely updates in response to emerging risks and changes in the operating environment.

Risk

There is a risk that the framework may become outdated or misaligned with the organisation's evolving objectives, operating environment, or emerging risks due to the absence of regular review, resulting in comprised effectiveness in risk governance.

Recommendation

Management should consider updating the review cycle of the Risk Management Strategy to ensure it is reviewed at least annually and whenever significant changes occur.

Management Action

Advisory (Design)

Risk Management is currently reviewed 6 monthly and updated to reflect changes in local and national context. Should there be a material significant change that is likely to impact the IJB this would be captured in the 6 monthly review cycle.

Management and the Board will review the Risk Management Strategy and associated Risk Framework on an annual basis or if there is a significant change during the year.

Action owner: Chief Officer /IJB Audit & Risk Committee **Due date:** June 2025

Control Objective 2: The risk management framework is consistently applied for the accurate and timely identification, evaluation and reporting of risks.

Yellow

2.1 Strategic Risk Register

We reviewed WIIJB's Strategic Risk Register (SRR) alongside the Corporate operational risk registers (CRR) of its partner organisations - Comhairle nan Eilean Siar and NHS Western Isles. Through this review we identified that all current risks in the SRR were originally raised in December 2022 and have been tracked consistently since then. The five strategic risks are broadly aligned with WIIJB's strategic priorities. For example:

- Comhairle nan Eilean Siar and NHS Western Isles have identified financial sustainability as a critical risks, highlighting challenges in achieving financial balance and maintaining statutory duties. The WIIJB's SRR acknowledges this concern, reflecting a shared recognition of financial pressures across the organisation.

- Both CRRs highlight risks related to workforce availability and recruitment challenges that could impact service delivery. The WIIJB's SRR captures these concerns, indicating a cohesive understanding of workforce-related risks

We noted that no new risks have been added to the risk register over the past two years, however there is evidence that emerging risks are being actively identified, discussed and assessed. For example, Comhairle nan Eilean Siar experienced a significant cyberattack in November 2023, resulting in substantial data loss, including critical accounting records. Following their discussion, it was agreed that the risk does not currently pose a direct threat to IJB as a whole, and therefore did not land in the Strategic Risk Register. However, given the impact of the cyber event on the IJB including on the external audit opinion we would have expected this to form part of the SRR.

We also identified the following issues related to the SRR:

- The summary tab of the risk register is labelled as being last updated in September 2024, while the name of the risk register is marked as March 2025, therefore it is unclear if it has been fully updated.

- The risk appetite statement included in the risk register is dated September 2023. As such it is unclear whether the risk appetite statement recorded has been fully reviewed and updated since then.

- Although the risk register includes risk tolerance and scoring details, there are no explicit risk appetite categories assigned to individual risk as defined in the Risk Management Strategy e.g. hungry etc.

- We noted that the aim for one of the risks on the register is "tolerate" and "manage" rather than "reduce", despite having a current high risk score of 20, and a target score of 6. This indicates a significant gap between the current and target state of the risk.

- There is also a lack of clarity and consistency in how risk review dates and target dates are presented in the risk register. For four out of five risks, the target dates to achieve the target score had already passed at the time of the review. As such it is now unclear when management feel the risk will be

suitably managed down to the target risk score and whether the planned mitigating actions are sufficient to achieve this.

- All risks had a review date that had already passed at the time of our review. It is unclear whether these dates represent the last review date or the next review date.

Risk

There is a risk of ineffective risk management due to outdated or inconsistent information being presented in the risk registers, such as mismatched dates and the lack of clearly defined risk appetite categories for individual risk, resulting in confusion about the current status of risks and whether mitigating measures are being actively monitored or have been appropriately updated.

Recommendation

The Chief Officer should update the risk register, including:

- All date references, ensuring the last update, next update and target update dates are accurate and achievable.
- Updating the risk appetite statement to make clear the date it was last updated.
- Assign risk appetite categories to each risk in the register.
- Ensure the assigned 'aim' is aligned with the current and target risk scores.

In addition, per MAP 1.1 management should ensure there is a clear process for identifying and documenting emerging risks and that there is clear evidence of discussion by the ARC and Board. Further, management should consider the addition of a cyber incident risk on the IJB strategic risk register given the direct impact an incident may have on the IJB.

Management Action

Grade 2 (Operation)

The risk register will be updated to take account of and action the above recommendations through agreement/approval by the IJB risk management committee.

Action owner: Chief Officer **Due date:** June 2025

Control Objective 3: The risk management framework includes a clear process for the escalation and de-escalation of risks based on set criteria, which is consistently applied.

Amber

3.1 Escalation and de-escalation of risks

Effective risk management requires a clear process for escalating or de-escalating risks based on severity and impact. Escalation is the process of bringing to the attention of a higher authority or level of management that has the authority and the accountability to sign off that they are willing to accept that level of risk on behalf of the organisation. De-escalation is the process of delegating management of mitigation actions by a higher authority or level of management with stipulation of specific conditions that would trigger the need to bring the risk back to the attention of the accountable person or committee.

The Risk Management Strategy (2024) states that risks should be monitored and escalated through governance structures. However, it does not explicitly document a formal escalation or de-escalation process. It also does not include a clear trigger mechanism for when a risk should be escalated or de-escalated.

From a review of meeting minutes, there is evidence that certain risks were discussed at Board level, but there was no recorded instance of risk being escalated or de-escalated.

Risk

There is a risk of missing process due to no formal criteria exist for escalating or de-escalating risks, resulting in risks not being escalated in a timely manner.

Recommendation

The Chief Officer should include a formal risk escalation and de-escalation process in their Risk Management Strategy or Policy. This can include a specific thresholds that dictate when a risk should be escalated or de-escalated. If a risk identified by the IJB originates from or heavily impacts one of the partner organisations, there should be clear evidence retained of this being escalated to their risk management structures.

Management Action

Grade 3 (Design)

The Risk Management Strategy will be reviewed to reflect the recommendation

Action owner: Chief Officer **Due date:** June 2025

Control Objective 4: Mitigating actions are identified and monitored to manage residual risks within risk appetite, including clear timescales and a responsible officer.

Yellow

4.1 Lack of clarity of risk scoring terminology

Mitigating actions should actively reduce risk exposure over time, with clear timelines and responsible officers. The Strategic Risk Register (March 2025) tracks risk movements through initial score, current score, and target score.

Three of the five strategic risks were initially scored as high and two were initially scored as moderate. The latest scores indicated that one high risk has successfully reduced to moderate, while two remained unchanged. The remaining two risks have increased in score, meaning their exposure has worsened since last assessment.

All five risks still remain significantly higher than their target scores. This indicates that mitigating actions may not be effective in reducing risk exposure over time.

The register outlines control and gaps in control and further mitigation actions for each risks. It is assumed that these further mitigation actions are intended to address the gaps in control and drive the risk scores down to the target level. However, there is limited clarity on how these elements are tacked over time or how gaps influence risk scores. Best practice would involve distinguishing between inherent risk (before control) and residual risk (after controls) to allow a more transparent assessment of how effective the mitigating actions have been.

In additional, while the Chief Officer is the designated executive led for each risk, the register does not clearly outline the specific actions to be taken or the owners responsible for each mitigating actions.

Risk

There is a risk of ineffective mitigating actions due to a lack of risk appetite and mitigation strategies, resulting in a lack of movement and progress on key risks.

Recommendation

The Chief Officer should consider:

- Clarifying risk scoring terminology:
  - Inherent Risk: The level of risk in the absence of all but the most basic of control measures.
  - Residual Risk: The level of risk at the current stage of implementation of control measures.
  - Target Risk: The level of risk which it is expected to be achieved with full and effective implementation of available control measures/mitigating actions.
- Creating more detailed action plans that outline specific steps to be taken to mitigate each risk. Each risk should have a risk owner and a clear action owner. This will allow IJB to better track and manage the actions.

- Given the large gaps between current and target scores, it is important to assess whether these target scores and the target date to achieve aim are realistic. Review the mitigating actions and the timescale to ensure they are gradually reducing risk exposure.

Management Action

Grade 2 (Design)

Review of the RISK Management Strategy to reflect audit recommendations. It is to be noted that there are clear executive leads for each risk. The management of the risks is currently accounted for through quarterly board meetings and through assurance reporting.

The IJB Audit & Risk Committee will review the risk scores and assess the timescales to ensure that they are realistic

Action owner: Chief Officer/Audit and Risk Committee **Due date:** June 2025

Control Objective 5: Governance arrangements for risk management are adequate and appropriate, including clear reporting and escalation lines at board, committee and senior management levels.

Yellow

5.1 Inconsistent reporting of risk management

Effective risk governance ensures that risks are actively managed, reviewed and reported at the appropriate levels within WIIJB.

The governance structure within the IJB includes several layers of oversight, including the IJB Board, the Audit and Risk Committee (ARC) and senior management teams from both partner organisation.

It is stated in the Risk Management Strategy that the IJB Board has corporate responsibility for this Risk Management Strategy and for ensuring that significant risks are adequately controlled. The Audit and Risk Committee has a responsibility for overseeing the operation of this Risk Management Strategy. Senior management teams within Comhairle nan Eilean Siar and NHS Western Isles continued by managing operational risks within their respective organisation, escalating relevant risks to the IJB Board or ARC where required.

We reviewed the meeting minutes and agendas from the IJB Board and ARC from October 2023 to March 2025 and confirmed that the Strategic Risk Register is reviewed periodically, though the frequency of discussions appears inconsistent. In addition the frequency of risk review or risk reporting is not stated in the Risk Management Strategy.

Risk reporting is included in Board meeting agendas, however meeting minutes suggest that risk discussions are often limited, with no clear evidence of deep analysis or challenge or risk scores, mitigating actions, or emerging risks. The ARC receives risk-related reports, but there is limited evidence of structured discussion on risk mitigation or changes to the risk profile over time.

Risk

There is a risk of poor organisational decisions, negatively impacting on organisational performance and reputation, due to inconsistent reporting on risk management, resulting in leadership making decisions based on outdated, incomplete or unclear risk information.

Recommendation

Management should define the frequency of reporting on risk, and ensure this covers discussion on new risks identification, changes in exciting risks, and the effectiveness of mitigating actions. We recommend the risk register is presented to each meeting of the ARC and at least every six months to the IJB Board.

Management Action

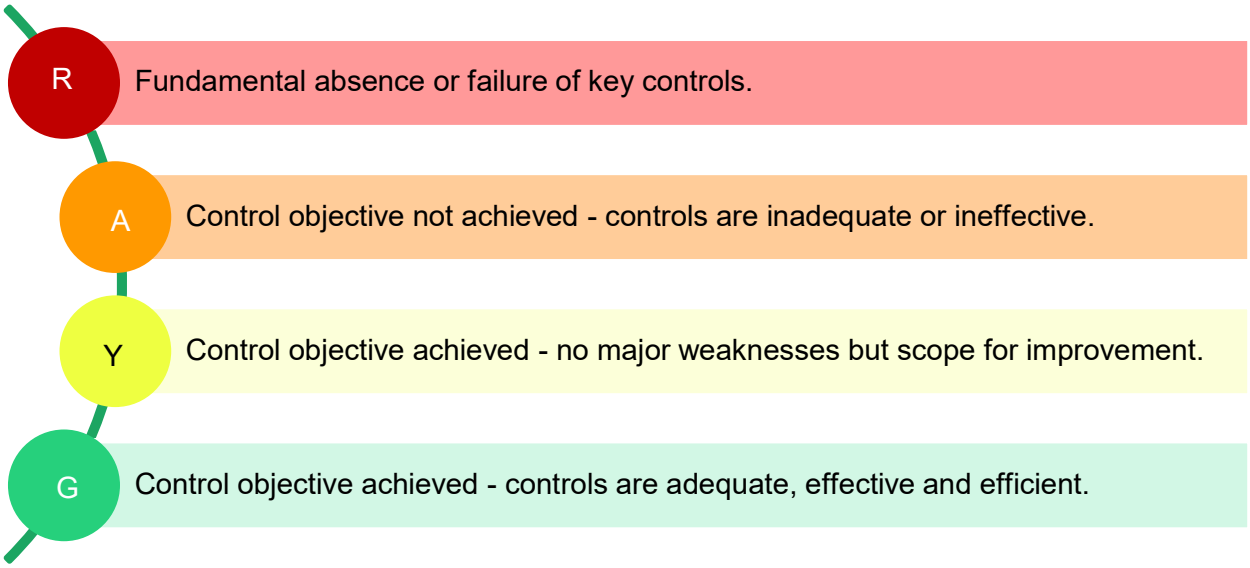
Grade 2 (Operation)

The recommendation will be actioned through amending IJB audit & risk committee agenda and onwards 6 monthly to the IJB.

Action owner: Chief Officer **Due date:** September 2025

Appendix A – Definitions

Control assessments



Management action grades

4	•Very high risk exposure - major concerns requiring immediate senior attention that create fundamental risks within the organisation.
3	•High risk exposure - absence / failure of key controls that create significant risks within the organisation.
2	•Moderate risk exposure - controls are not working effectively and efficiently and may create moderate risks within the organisation.
1	•Limited risk exposure - controls are working effectively, but could be strengthened to prevent the creation of minor risks or address general house-keeping issues.