

East Lothian  
Integration Joint Board



# Risk Management Strategy

December 2017

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## 1. Background

East Lothian Integration Joint Board has been delegated a range of Health and Social Care functions by NHS Lothian and East Lothian Council.

Although the responsibility for the operational delivery of these functions continues to rest with the partners (NHS Lothian and East Lothian Council) the responsibility for preparing and delivering a Strategic Plan rests with the IJB. The IJB must then consider a risk management strategy to identify and manage the risks associated with the preparation and delivery of the Strategic Plan

When risk is well managed it often goes unnoticed. If it is poorly managed or not managed at all the consequences can be significant and high profile. Effective risk management is needed to prevent such failures.

## 2. Policy Statement

- 2.1 The members of the Integration Joint Board and the members of the partnership management team who support them are encouraged to develop new initiatives, improve performance and achieve their goals safely, effectively and efficiently by consistent application of tried and tested methodologies for identifying and managing opportunity and risk.
- 2.2 In doing so the IJB aims to make the most of opportunities to:
- achieve high standards of performance;
  - deliver high quality services for service users;
  - Support the partners in providing an environment that meets Health & Safety requirements for the people it employs;
  - Support the partners to protect assets and liabilities against potential losses, and
  - minimise uncertainty in achieving its goals and objectives.

## 3. Scope

- 3.1 The Chief Officer has overall accountability for risk management.
- 3.2 The IJB's risk management will centre on the business of the IJB. That is the preparation and delivery of the IJB's Strategic Plan. The IJB's risk register will not contain operation risks unless these risks may impact on the business of the IJB
- 3.3 Operational risks – that is the risks around service delivery managed by the partners and implemented through the IJB's directions - will continue to be managed by the appropriate partner. The appropriate partner being the partner delivering the service or the East Lothian Health and Social Care partnership if the service is being delivered by both partners.
- 3.4 The Chief Officer, Chief Finance Officer, Chief Internal Auditor, members of the IJB and partnership staff who support the IJB will be responsible for identifying any operational risks that are sufficiently significant to impact upon the business of the IJB and which can then be entered on the IJB's risk register. However, such a risk will continue to be managed by the appropriate partner(s) and the IJB will require the partner(s) for assurance around the management of that risk.
- 3.5 The IJB is signatory to an Internal Audit information sharing agreement between NHS Lothian, Edinburgh IJB, West Lothian IJB and Midlothian IJB. This agreement will also provide intelligence to the IJB around any other operational or IJB specific risks which can then be added to the IJB's risk register as required.

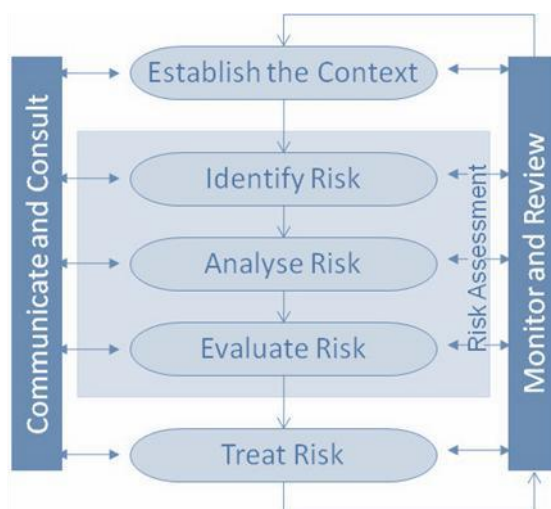
- 3.5 All risk will be analysed in terms of impact on the IJB, the functions delegated to it and the likelihood of occurrence. This analysis will produce an evaluation of risk as being Low, Medium, High or Very High. The IJB's response in relation to adverse risk, or 'risk appetite' is such that:
- 'Low' risk is broadly acceptable without any further action to prevent or mitigate risk;
  - 'Medium' risk is tolerable with control measures that are cost effective;
  - 'High' risk may be tolerable providing the IJB is assured that adequate and effective control measures are in place; and,
  - 'Very High' risk is unacceptable and measures should be taken to reduce, transfer or treat the risk to a more tolerable position.

High and Very High risk will be subject to closer scrutiny by the Audit and Risk Committee.

#### 4. Risk Management Philosophy and Objectives

4.1 Risk Management is about the culture, processes and structures that are directed towards realising potential opportunities whilst managing adverse effects<sup>1</sup>. It is pro-active in understanding risk and uncertainty, it learns and builds upon existing good practice and is a continually evolving process that has an important role to play in ensuring that defensible and beneficial 'risk-aware' not 'risk-averse' decisions are made. It ensures that the IJB support its partners to provide high quality services and all staff are aware that every effort has been made to maximise their opportunities to succeed.

4.2 The IJB uses the risk management process shown below<sup>2</sup>.



#### 4.3 Risk Management Objectives

The specific risk management objectives of the IJB are to:

- (i) integrate governance and risk management into the planning and oversight of the operational delivery of the functions delegated to the IJB;
- (ii) create a consistent approach to risk across all services using the adopted process;
- (iii) promote practical measures to reduce the IJB's exposure to risk and potential loss;

<sup>1</sup> Australia/ New Zealand Risk Management Standard, AS/NZS 4360: 2004

<sup>2</sup> Australia/ New Zealand Risk Management Standard, AS/NZS 4360: 2004 and ISO 31000 (2009)

- (iv) define clear lines of responsibility for the management of risk.
- (v) provide a system for monitoring the effectiveness of the risk management framework;
- (vi) provide a system for feedback on the management of key risks to the IJB;
- (vii) comply with legislative requirements; and
- (viii) comply with the requirements of Corporate Governance

4.4 The fundamental principles of Risk Management are to:

- ensure that the Risk Management process takes account of and links to the IJB's objectives;
- to keep the IJB and appropriate senior managers advised of any significant risk management issues;
- to promote an open and fair reporting culture;
- agree clear roles and definitions relating to the accountability, management, escalation and communication of key risks; and
- approach the assessment of risks and opportunities consistently.

## 5. Benefits of Effective Risk Management

5.1 Effective risk management will contribute to delivering significant benefits for the IJB. The primary benefit is that appropriate, defensible, timeous and best value decisions are made. Such 'risk-aware' decisions should be based on a balanced appraisal of strengths, weaknesses, opportunities and threats, and should enable acceptance of a certain level of risk in order to achieve a particular goal or reward.

5.2 Defensible decision-making means that:

- all reasonable steps in the decision-making process will have been taken;
- all relevant information will have been collected and thoroughly evaluated;
- reliable assessment methods will have been used;
- decisions (and supporting rationales) will have been clearly documented, and
- processes will have been put in place to monitor the effectiveness of the decision outcomes.

5.3 Other benefits would include:

- high achievement of objectives and targets;
- better use and prioritisation of the IJB's resources;
- high levels of user experience/ satisfaction with a consequent reduction in adverse incidents, claims and/ or litigation;
- avoid duplication of Risk Management issues which affect the partners and bring them together to benefit from good practice.

## 6. Standard Procedures

6.1 Standard procedures should be fulfilled in order to achieve a consistent approach to effectively implementing risk management.

6.1.1 Full implementation of the continuous risk management process, embedding risk management within IJB's processes so that an assessment of risk as well as costs and benefits becomes routine wherever possible.

- 6.1.2 Identification of risk using standard methodologies and involving managers throughout the service with detailed knowledge of the service and the environment in which it operates.
- 6.1.3 Routine reporting of risk information to the Audit and Risk committee with appropriate escalation to the IJB as required.
- 6.1.4 Periodic re-assessment of individual risks, proportionate to significance of risks (i.e. low and medium risks fully reassessed every two years and significant [high and very high] risks annually) including routine audit of robustness of measures implemented to control risks.
- 6.1.5 Fully document the risks in the risk register and to monitor and carry out an annual review of corporate and service risk registers to ascertain progress and to check for contextual changes affecting the risks.
- 6.1.6 Ongoing proactive identification of new and/or potential risks as a general responsibility of all service areas specifically those where risk is inherently discussed as part of their remit.

## 6.2 **Formal Groups**

- 6.2.1 **The IJB** will receive a report from the Audit and Risk committee annually laying out the risk register, the risks and the management actions to mitigate them and confirmation that this process is providing an appropriate level of assurance.
- 6.2.2 **Audit and Risk Committee** will scrutinise and review the effectiveness of the implementation of the risk management processes within the IJB. It will also scrutinise and review the Risk Register.
- 6.2.3 Internal Audit is an independent appraisal function within the IJB. Internal Audit will:
  - review, appraise and report on the adequacy and effectiveness of Risk Management arrangements within the IJB, and
  - take into account the IJB's Risk Register when identifying areas to be included in the Annual Audit Plan.

## Structural Arrangement and responsibilities

### **Individuals**

#### 7.4.1 Chief Officer

The Chief Officer has ultimate responsibility for ensuring that there are suitable and effective arrangements in place to manage the Council's risks.

#### 7.4.2 IJB Members and any partnership officers supporting the IJB

All IJB members and any partnership officers supporting the IJB should be encouraged to be involved at all levels in identifying current and potential risks where they work. They should make every effort to be aware of situations which place themselves or others at risk, report identified hazards and implement risk reduction measures developed by their service. Risk assessments should encompass all facilities used to deliver services and be completed using the knowledge and experience of all relevant staff and where appropriate service users. This approach will support the formal risk review conducted annually by all services and enable staff to:

- understand the risks that relate to their roles and their activities;
- understand their accountability for particular risks and how they can manage them;
- understand how they can contribute to continuous improvement of risk management;
- understand that risk management is a key part of the IJB's culture;
- report systematically and promptly to the Chief Officer any perceived new risks or failures of

existing control measures

## 9. Risk Registers

- 9.1 The Chief Officer will establish a Risk Register and they will have responsibility for maintaining the Register.
- 9.2 The information to be contained in both the Corporate Risk Register and the respective Service Risk Registers will be:
- risk identification number;
  - risk description (linked to the achievement of business objectives);
  - likelihood/impact rating;
  - risk rating;
  - controls in place;
  - potential residual risk;
  - planned actions;
  - service or person responsible for planned actions/managing the risk;
  - timescale for completion of action, and
  - evidence of regular review.

## 10. Strategy Implementation an, communication and review

- 10.1 The IJB's Risk Management Strategy was first discussed by the IJB's Audit and Risk Committee at its December 2017 meeting and presented to the IJB at its February 2018 meeting. The Strategy accurately represents arrangements for managing risk within the IJB at the time of approval. Implementation of this strategy will be underpinned by Risk Management Guidance and the Risk Management Action Plan.
- 10.2 This strategy will be reviewed at periodic intervals of at least every 3 years to ensure that it reflects current standards and best practice in risk management and fully reflects the rapidly changing environment in local government.
- 10.3 This Strategy, having been adopted by the IJB, will be published on the IJB's website

## 11 . Outputs and Benefits of the Risk Management Strategy

- 11.1 Embedding a Risk Management culture throughout East Lothian IJB is vital to the success of this strategy. The anticipated outputs and benefits of the Risk Management Strategy are:
- Improved service delivery;
  - Better value for money;
  - Improved corporate governance and compliance systems;
  - Improved decision making;
  - Enhanced understanding of the IJB's vulnerabilities;
  - Improved use of resources;
  - Enhanced strategic awareness;
  - Compliance with legislation/ regulation;
  - Adds value to the activities of the organisation, and
  - Increases the probability of success in achieving business objectives.
- 11.2 These outputs and benefits will protect and enhance East Lothian IJB's reputation, which will in turn increase public trust.