

# Internal Audit Report

## West Midlands Fire Service

### Risk Management

**WEST MIDLANDS FIRE SERVICE**

**Report No: FS106**

**Date Issued: 17<sup>th</sup> March 2009**

**Report Author: Jenny Massey**

**Quality Review: Peter Farrow**

**Report Distribution:**

**Alan Brandon – Director of Corporate Planning & Support**

**Liz Butler – Corporate Planning Manager**

**Mick Lomas – D. O. Corporate Planning**

**Contents:**

- 1 Introduction**
- 2 Executive Summary**
- 3 Monitoring of Recommendations**
- 4 Action Plan**



Sandwell Audit Services are pleased to be making a positive contribution to saving our rare and endangered species from extinction by sponsoring Tangra the Snow Leopard (pictured above) who is based at Dudley Zoo as part of the European Species Survival Programme. Snow leopards are found in the high mountains of Central Asia, specifically the Himalayas. They are powerful, agile animals, unfortunately they are also an endangered species as they live in a harsh and dangerous environment and are illegally hunted. The total population of the snow leopard is now in hundreds rather than thousands.

## 1 Introduction

- 1.1 Responsibility for Risk Management falls under the Director, Corporate Planning and Support. The Chair of the Authority has overall political (Lead Member) responsibility for Risk Management and the Integrated Risk Management Action Plan, with overall responsibility resting with the Authority's Executive Committee. The Audit Committee monitors the process of risk management, as included within its terms of reference. A follow up audit of our work undertaken in 2007/8 on the risk management process within WMFS has been carried out, as part of the approved Internal Audit Periodic Plan for 2008/9. During the year regular meetings have been held with the officer with responsibility for risk management, to discuss progress made on the embedment of risk management, including training, further development of the Corporate Risk Register (CRR), and plans for introduction of departmental risk registers.

The framework for Comprehensive Area Assessment (CAA) takes effect from April 2009. The use of resources assessment comprises a number of underlying Key Lines of Enquiry (KLOE). KLOE 2.4 deals with the way that the organisation manages its risks, and the outcome of the CAA review will form the focus of our audit work in 2009/10.

## 1.2 Scope and Objectives of Audit Work

The objectives of our audit were to evaluate the adequacy of management action in implementing previous key audit recommendations, and to establish plans for further embedment of risk management within the Authority.

## 2 Executive Summary

### 2.1 Overall Conclusion

The risk management process is being driven forward within the Authority, with an established process of review and training for the corporate risk register and strategy. An assurance framework has also been introduced, showing sources and levels of assurance. Work is now continuing to further embed the process by focussing on establishing departmental risk registers and development of supporting strategy/procedure documents.

In our opinion the controls within the system, as currently laid down and operated, provide **substantial assurance** that risks material to the achievement of the organisation's objectives for the system are adequately managed and controlled. Whilst management **have** taken adequate action in implementing previous key internal audit recommendations, further recommendations have been made in this report to reinforce the progress being made by management.

### 2.2 Acknowledgement

A number of staff gave their time and co-operation during the course of this review. We would like to record our thanks to all of the individuals concerned, particularly D. O. Lomas.

## 3 Monitoring of Audit Recommendations

| Report: Risk Management |  |   |                                |                     |  |             |
|-------------------------|--|---|--------------------------------|---------------------|--|-------------|
| Ref                     | 2007/8 Recommendation  | Management comment  | Implementation date            | Manager responsible | Update Position  | Implemented |
| 3.1                     | The Risk Management Standing Order should be approved by members, and reviewed annually. The Authority needs to ensure that the Standing Order is complied with, by carrying out continuous monitoring and review. (Rec. 4.1)  | The existing Standing Order will be presented to the Audit Committee for information in June 2008. Following review of the Order, the revised document will be presented to the Committee in late 2008. | June 2008<br><br>November 2008 | M. Lomas            | The existing Order was presented to the Audit Committee for information purposes on June 9 <sup>th</sup> 2008. The Order has since been revised and is to be presented to the Audit Committee meeting on March 30 <sup>th</sup> 2009.  | Yes         |
| 3.2                     | All changes to the Corporate Risk Register (CRR) e.g. removing risks that are no longer applicable should be recorded and reported appropriately. This includes dating any changes so that there is an audit trail and evidence of review of the register. (Rec. 4.2)  | Noted. The revised CRR incorporates improved version control in addition to risk review dates.  | June 2008                      | M. Lomas            | An audit control process has now been established and amendments are documented.<br><br>Dates of reviews are shown, along with version numbers, and the reason for the new version being produced.   | Yes         |
| 3.3                     | A formal assurance framework should be introduced and maintained which draws together the strands of assurance. The proposed Corporate Risk Management Action Plan identifies sources of assurance for each risk, and could provide an effective framework if it is used to highlight gaps in assurance, and detail how they will be monitored and addressed. (Rec. 4.3) | Noted. Once implemented, the revised CRR will be extended, as appropriate, in order to ensure that gaps in assurance are identified and acted upon.   | November 2008                  | M. Lomas            | Sources and levels of assurance are now being included within individual risk action plans, where appropriate.<br><br>For future reference, to further embed the assurance framework, consideration could be given to producing a summary risk assurance map to show the types of assurance for each risk. This would highlight any gaps in assurance and show a range of sources. | Yes         |

| Report: Risk Management |  |  |   |   |  |                |
|-------------------------|--|--|---|---|--|----------------|
| Ref                     | 2007/8 Recommendation  | Management comment   | Implementation date                           | Manager responsible                                   | Update Position  | Implemented    |
| 3.4                     | The draft Departmental/Command Action Plan for Embedding risk management should be implemented and progress recorded, monitored and reported on a regular basis. (Rec. 4.4)  | The action plan is now live; progress is reported and subjected to quarterly review through the corporate planning cycle.  | Ongoing                                       | M.Lomas   | The action plan has been updated to reflect milestones to further embed risk management within the organisation.<br><br><b>It is recommended that risk management is further embedded, by the development of departmental risk registers in accordance with the Department/Command Action Plan 2009, Embedding Risk Management.</b>              | Ongoing        |
| 3.5                     | There should be an effective mechanism that ensures that any risks associated with new initiatives and projects are identified and links established to the CRR at the start of the project. The risk log should be submitted to Corporate Board for information. This includes opportunities/positive risks. (Rec. 4.5) | A phased approach has been adopted.<br><br>(1) Corporate Board reports now include a risk assessment<br><br>(2). Risk impacts are being developed as a part of the action planning process.<br><br>(3) Links with Programme Support QA systems are being assessed. | Ongoing<br><br>November 2008<br><br>July 2008 | M. Lomas<br><br>P. Murphy (Programme Support Manager) | 1. Reports to Corporate Board include a section on risk assessment.<br><br>2/3. An example of risks being identified as part of the action planning process has been provided, re. fire safety policy. Programme logs are forwarded to M.Lomas – updates are received monthly and risks raised are assessed against the Corporate Risk Register. | Yes<br><br>Yes |

| Report: Risk Management |   |   |                     |                     |   |             |
|-------------------------|---|---|---------------------|---------------------|---|-------------|
| Ref                     | 2007/8 Recommendation   | Management comment  | Implementation date | Manager responsible | Update Position   | Implemented |
| 3.6                     | A wider range of control owners should be identified. Also, progress reports and updates on existing control measures should be independently verified to ensure their accuracy and effectiveness. (Rec. 4.6) | Noted. This will form an integral part of the revised CRR | June 2008           | M.Lomas             | <p>A wide range of control owners have been identified across the various risks; levels of assurance have been indicated where appropriate</p> <p>Evidence of external verification of existing controls is shown for example in Risk 7 from the CRR, e.g. ISO assessment and accreditation.</p> <p>It is understood that this is work in progress as the first review of the CRR is due to take place in March/April 2009.</p> <p><b>It is recommended that the process for independently verifying existing control measures continues. When the CRR is reviewed, consideration should be given to the following presentational suggestions:</b></p> <ul style="list-style-type: none"> <li>• Make clear how the risk score is derived on the CRR Action plans,</li> <li>• Add the date of identification of the risk to the risk number on the CRR,</li> <li>• Use different colours for the Assurance Level on the Action Plan and on the level and rating risk level on the CRR, to avoid confusion when viewed together.</li> </ul> | Ongoing     |

| Report: Risk Management |   |   |                                     |                               |  |  |
|-------------------------|---|---|-------------------------------------|-------------------------------|--|--|
| Ref                     | 2007/8 Recommendation   | Management comment  | Implementation date                 | Manager responsible           | Update Position  | Implemented                              |
| 3.7                     | <p>Work should continue to embed risk management. This could include:</p> <ul style="list-style-type: none"> <li>A descriptor in key job descriptions and linking an element of the employee development process to the success in managing relevant risks for which the post holder is responsible.</li> <li>Officers and staff involved in the risk management process should continue to be provided with suitable risk management training. Consideration should be given to holding future workshops to cover the embedment of the proposed CRR.</li> <li>Reviewing the terms of reference of the Risk Management Group. The group could act as a focal point for risk management activity, thereby assisting in the embedment of risk management by providing a cohesive approach to risk management.<br/>(Rec. 4.7)</li> </ul> | <p>Noted. Various activities to assist in the process of embedding risk management are programmed for 2008/9. These include workshops to support managers in various aspects of risk management (partnership, procurement, business continuity) as well as the development of i-learn training packages.</p> <p>Reviewing the constitution and Terms of Reference of the Insurance Risk Management Group is a fundamental part of this process.</p> | <p>Ongoing</p> <p>November 2008</p> | <p>M.Lomas</p> <p>M.Lomas</p> | <p><b>If not already done so, it is recommended that consideration is given to including a descriptor in key job descriptions, and linking an element of the employee development process to the success in managing relevant risks for which the post holder is responsible.</b></p> <p>Risk Workshops were delivered at 5 venues, to approx 60 Managers/Directors across the organisation in November 2008. These covered the basic fundamentals of risk management, the structure of risk management within WMFS, partnership risk, procurement risk etc. Several members of the Audit Committee also attended. In addition, a series of i-learn packages were produced for use by all staff. The first package was made available across the organisation in November 2008.</p> <p>It is understood that information from ALARM is circulated to officers and members of the Audit Committee.</p> <p><b>The Terms of Reference of the Insurance RM group are to be reviewed in April 2009 in accordance with the Department/Command Action Plan: Embedding risk management. The intention is that membership will be more representative of the organisation and will become a focal point for risk management activity. The work of the group will be publicised via a newsletter, and the minutes of the meetings made available to all.</b></p> | <p>Ongoing</p> <p>Yes</p> <p>Ongoing</p> |

| Report: Risk Management |  |   |   |                        |   |             |
|-------------------------|--|---|---|------------------------|---|-------------|
| Ref                     | 2007/8 Recommendation  | Management comment  | Implementation date                       | Manager responsible    | Update Position   | Implemented |
| 3.8                     | The member committee with responsibility for risk management should receive reports at least quarterly, and take appropriate action to ensure that corporate business risks are being actively managed. (Rec. 4.8) | The revised risk register, noting existing control measures, will be presented to the Audit Committee in June/July 2008.<br>Exception reports and updates on changes in assurance will be presented thereafter. | June/July 2008<br><br>Ongoing / Quarterly | M.Lomas<br><br>M.Lomas | The revised register and an example CRR Risk Management Action Plan was presented to Audit Committee in January 2009, following approval by Corporate board in December 2008. | Yes         |



## 4 Action Plan

| Para | Recommendation  | Categorisation   | Accepted Y/N | Management comment  | Implementation date | Manager responsible         |
|------|---|------------------|--------------|---|---------------------|-----------------------------|
| 4.1  | As identified in the Departmental/Command Action Plan 2009, Embedding Risk Management, the terms of reference of the Insurance Risk Management Group should be reviewed and the work of the group publicised, as this is considered to be integral to the embedment process. <i>Para. 3.7</i>   | Significant      | Y            | Work has already begun in order to progress this recommendation. The group already takes a more pro-active role in dealing with risk management issues; the terms of reference and composition of the group are currently being reviewed in order to meet the deadline indicated. | July 2009           | Group Manager<br>Mick Lomas |
| 4.2  | It is recommended that risk management is further embedded, by the development of departmental risk registers in accordance with the Department/Command Action Plan 2009, Embedding Risk Management. <i>Para 3.4</i>  | Merits Attention | Y            | An action plan relating to 'Embedding Risk Management' has been developed for the period 2009/10. This identifies the key milestones surrounding departmental registers, further training etc. and builds upon work completed during the last financial year.                     | Mar 2010            | Group Manager<br>Mick Lomas |
| 4.3  | It is recommended that the process for independently verifying existing control measures continues. When the CRR is reviewed, consideration should be given to the following presentational suggestions: <ul style="list-style-type: none"> <li>• Make clear how the risk score is derived on the CRR Action plans,</li> <li>• Add the date of identification of the risk to the risk number on the CRR,</li> <li>• Use different colours for the Assurance Level on the Action Plan and on the level and rating risk level on the CRR, to avoid confusion when viewed together. <i>Para.3.6</i></li> </ul> | Merits Attention | Y            | These actions will be incorporated along with other minor amendments in order to ensure that the existing process remains fit for purpose and reflects existing best practice.  | July 2009           | Group Manager<br>Mick Lomas |



## 4 Action Plan

| Para | Recommendation   | Categorisation   | Accepted Y/N | Management comment   | Implementation date | Manager responsible      |
|------|--|------------------|--------------|--|---------------------|--------------------------|
| 4.4  | If not already done so, it is recommended that consideration is given to including a descriptor in key job descriptions, and linking an element of the employee development process to the success in managing relevant risks for which the post holder is responsible. <i>Para. 3.7</i> | Merits Attention | Y            | <p>Uniformed personnel already work to role maps, within which the management and reporting of risk is included.</p> <p>The Human Resources Dept will be consulted in order to progress this recommendation for all key personnel.</p> | Dec 2009            | Group Manager Mick Lomas |