Sandwell
Strategic Resources

Internal Audit Report

West Midlands Fire Service

Risk Management

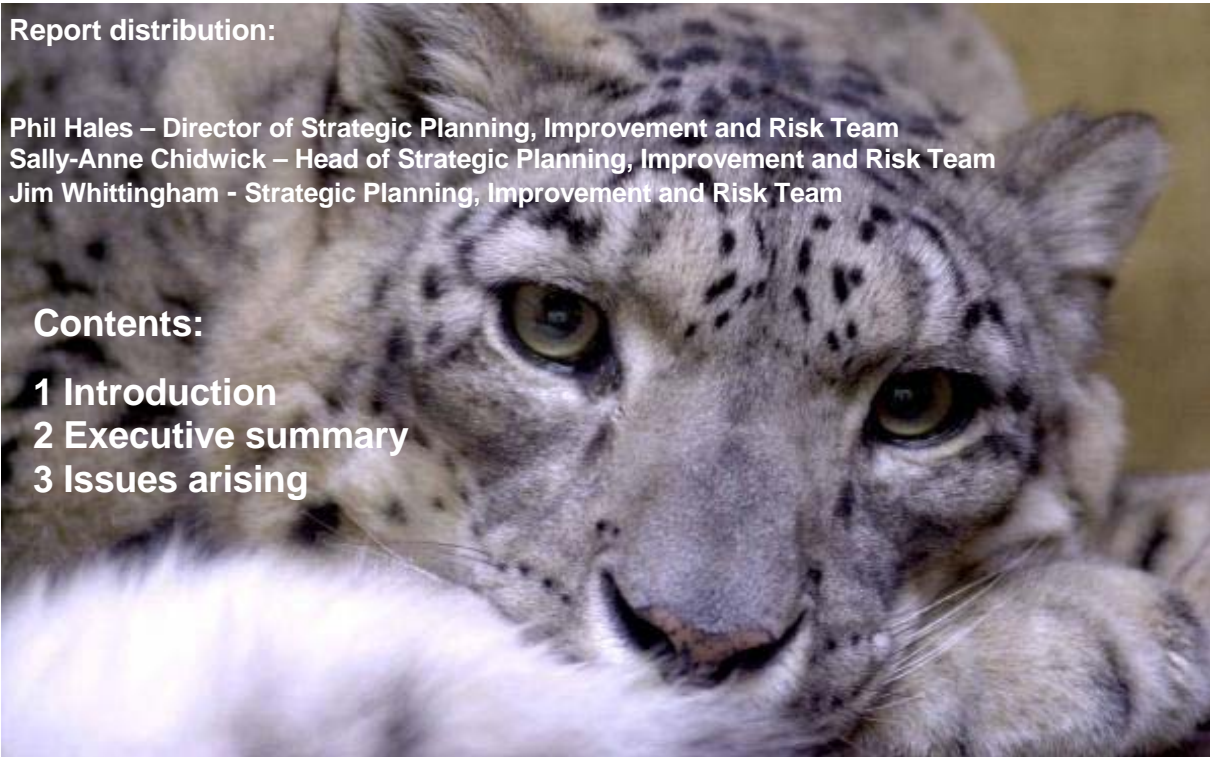**WEST MIDLANDS FIRE SERVICE**

Report No: FS 233
Date Issued: March 2012

Report distribution:

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1   Introduction

An audit of the risk management framework was undertaken as part of the approved Internal Audit Periodic Plan for 2011/12.

In previous years, we have considered the development and embedment of the corporate risk register (CRR) of the Authority. The audit for 2011/12 was extended to include a review of the risk management framework and how risk management is embedded within the Authority and its operations. Meetings have been held with a number of officers who have responsibility for risk management, to discuss the progress being made on the embedment of risk management.

1.1   Scope and objectives of audit work

The objective of our audit was to deliver reasonable assurance on the adequacy and application of the risk management and internal control system. The control system is put in place to ensure that risks to the achievement of the Fire Service's objectives in this area are managed effectively.

Limitations to the scope of the audit:	The review was limited to the process and framework in place for risk management throughout the Authority and did not involve providing an opinion on the assessment of individual risks.
Audit Needs Assessment risk rating:	High
Frequency of audit:	Annual

Our audit considered the Fire Service's objectives for the area under review and the potential risks to the achievement of those objectives.

Objective	Potential Risks
The risk management framework complies with best practice and guidelines.	• Failure to embed an enterprise wide risk management framework in respect of organisational, partnership and program risks.

2 Executive summary

2.1   Overall conclusion

Taking account of the issues identified in paragraphs 2.2 to 2.3 below, in our opinion:

- The controls within the system, as currently laid down and operating, provide **satisfactory assurance** that risks material to the achievement of the Fire Service's objectives for the system are adequately managed and controlled.

Definitions for the levels of assurance that can be given:

	Level	System Adequacy	Control Application
positive opinions	Substantial Assurance	Robust framework of controls ensures objectives are likely to be achieved.	Controls are applied continuously or with minor lapses.
	Satisfactory Assurance	Sufficient framework of key controls for objectives to be achieved but, control framework could be stronger.	Controls are applied but with some lapses.
negative opinion	Limited Assurance	Risk of objectives not being achieved due to the absence of key internal controls.	Significant breakdown in the application of controls.

2.2 Evaluation of the adequacy and application of controls

Based on the evidence obtained, we have concluded that the adequacy and effectiveness of the risk management and control environment is adequate. We have identified three significant issues where improvements could be made to the risk management framework, as follows:

- Consideration of implementing an enterprise wide risk management framework, with risk registers being developed below corporate level.

- Inclusion of target dates within risk registers and action plans.

- Adopting a systematic and consistent approach to project and partnership risk management.

Suggested actions have been made for these areas and they are shown in the main body of the report.

Also, the key findings and recommendations from this report may be included in the Audit Service's Quarterly Progress or Annual Internal Audit Report, which are presented to the Authority's Audit Committee.

2.3 Other issues arising

We have also raised four issues classified as "merits attention". These are also detailed in the main report.

2.4 Examples of good practice

We also found the following examples of good practice in the management of risk, achieved through the effective design and application of controls:

- The Corporate Risk Register is reviewed on a regular basis by risk owners.

- All decision making reports to Corporate Board set out the risk implications of the decisions being sought.

- The Authority has identified its key programmes and projects and Project Boards are responsible for reviewing project risk registers.

- The Authority has identified the need to further develop the risk management framework through an assurance mapping process.

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2.5 Outcome of previous audit:

Date of last audit	April 2011
Number of recommendations agreed	3
Number of recommendations implemented	1

In early 2011, the Authority had commenced work to develop a corporate assurance map (this required the Authority to identify all the sources of assurance available to it and to assess the quality of each in providing assurance that its risk management, control and governance processes are likely to ensure the achievement of its objectives). The proposed framework was presented to the Audit and Performance Management Committee in early 2012. A recommendation to complete this work has been included in this report at paragraph 3.4.

A series of i-learn training packages were produced and made available across the organisation for use by all staff in 2008. These packages were to be refreshed and reissued to all staff by October 2011. However, i-learn has recently been replaced by eCademy to provide the risk management training instead. The eCademy electronic learning platform will be rolled out to staff over the next six months. In addition to this, risk management training for members will be taking place in 2012.

2.6 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.

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3   Issues arising and agreed actions

Priority rating for issues identified		
Fundamental – Action is imperative to ensure that the objectives for the area under review are met.	**Significant** – requires action to avoid exposure to significant risks in achieving the objectives for the area under review.	**Merits attention** – action is advised to enhance risk, control or operational efficiency.

No	Issues arising	Priority	Agreed action	Responsibility	Target date
3.1	The Authority's corporate risk management strategy (CRMS) is detailed in standing order 22/7 and sets out the framework to support the assessment and treatment of its corporate risks. Although there are varying aspects of a risk management process at other levels of the organisation, the risk framework currently adopted by the Authority has a significant focus on corporate risks. It does not necessarily support an enterprise wide risk management framework which would require the maintenance of a structured framework to the identification, assessment, prioritisation, reporting and management of risk , which would include the consideration of operational/ departmental, partnership and program risks in a systematic manner, to assist in the achievement of objectives at these levels. **Implication:** By focussing on corporate risks alone, the Authority may be unaware of significant risks that exist at other levels of the organisation which could impact on the achievement of objectives. If these risks are not identified, assessed and evidenced within risk registers, monitored and reported to senior officers, they may not have a clear or correct indication of the level of risk or control that currently exists and of any risks that may require escalation to the corporate register.	**Significant**	The CRMS is currently under review and should consider the application of a structured enterprise wide risk management framework with the inclusion of risk registers to exist at levels other than at corporate level, which are reviewed, monitored and reported in line with a clearly defined and simple risk management process.	Jim Whittingham	June APMC

No	Issues arising	Priority	Agreed action	Responsibility	Target date
3.2	The Authority's risk management framework requires the identification of further actions to mitigate risks to a target risk score. However, there is no indication of when these further actions will be undertaken and therefore when the target score will be achieved. **Implication:** Without an indication of when actions are to be undertaken and completed, it is not possible to assess whether sufficient and timely progress is being made by control and risk owners to implement the action and reduce the risk to an acceptable level in a timely manner.	**Significant**	The Authority should include target dates within its risk action plans to enable it to performance manage the risk management process. This will provide assurance that actions are being implemented and risks are being managed on a timely basis or identify and report any significant delays being experienced.	Jim Whittingham	September 2012
3.3	The Authority has identified its major programs/ projects and its key partnerships. In respect of partnerships, discussions suggest that there appears to be an element of risk management associated with these. However, we have been unable to evidence the extent of the arrangements in place to manage risks associated with partnerships and the consistency with which these are recorded and reported. During the year, the Authority has been involved with four major programs/ projects, each of which has a project risk register in place to manage the risks associated with the successful delivery of the project. The level of information included within these registers and thus available to the respective project boards is varied and in some instances has not been updated. **Implication:** Without comprehensive and up date partnership and project risk registers the Authority and project boards may be unable to assure themselves that all significant risks associated with its partnerships and projects have been identified and are being managed.	**Significant**	The Authority should adopt a systematic and consistent approach to recording, managing, updating and reporting risks associated with its major programs/ projects and significant partnerships.	Partnerships GC Vincent Progs/Projects - Programme Support Office	September 2012 September 2012

No	Issues arising	Priority	Agreed action	Responsibility	Target date
3.4	A Senior Operations Manager has been seconded to the SPIRiT team to produce a corporate assurance map. Although an initial assurance map template has been developed this is to be presented to the Audit and Performance Management Committee in early 2012, prior to the template being populated with the necessary information. From an initial review of the template, the level of information to be included in the assurance map appears to be detailed and complex. **Implication:** Without a corporate assurance map the Authority is unable to identify all the sources of assurance available to it and to assess the quality of each in providing assurance, that its risk management, control and governance processes are likely to ensure the achievement of its objectives. If the assurance map is too detailed and complex it may not be easily understood by officers and members. Also, the information gathering exercise, analysis and updating of the assurance map may not be sustainable.	**Merits attention**	Work should continue to ensure the timely development and completion of a corporate assurance map by the end of the financial year. The assurance map template should be designed to enable the Authority and members of the Audit and Performance Management Committee to understand how it can obtain the necessary assurances that risks are being managed. Consideration should also be given to the level of detail included in the assurance map template to ensure the assurance map can be sustained by the level of resources available to allow it to be reviewed, updated and reported on a regular basis.	GC Diamond	June 2012

No	Issues arising	Priority	Agreed action	Responsibility	Target date
3.5	Each quarter the Audit and Performance Management Committee receive a report setting out the Authority's performance information. Within this report is included a summary of the Authority's corporate risks and a brief commentary on any risks which have been reassessed. As a result of the risk report being presented as part of the performance report, the risk register may not always be reviewed by the Committee with the necessary rigour. In addition, the risk information included does not provide the Committee with sufficient details of why certain risks remain unchanged and the status of any actions that are being undertaken to manage these risks. It is understood that the approach to reporting risk to Members is currently being considered within a wider review of how and what corporate performance is reported. **Implication:** One of the roles of the Audit and Performance Committee is to seek assurance that corporate risks are being managed. In the absence of detailed information, the Committee may be unable to fulfil its role effectively.	**Merits attention**	The review of corporate performance reporting should consider the reporting of the corporate risk register to the Audit and Performance Management Committee on a quarterly basis as a separate agenda item. The Audit and Performance Management Committee should be provided with information about the status of each risk, the measures being taken to address risks and the timeliness of these. To improve the Committee's engagement with the risk management process, it may wish to consider the 'calling in' of a selected risk of particular concern from time to time whereby the risk owner provides further assurances on how the selected risk is being managed.	Karen Gowreesunker Jim Whittingham	Review to be complete by March 2012 and to be implemented by June 2012 APMC June APMC
3.6	The direction of travel reported to the Committee reflects the 'anticipated' direction of the risk score over the next 12 months and not the direction of how the risk score has changed over time. Given the risk score is an assessment of the likelihood of an event arising and its associated impact, the risk as reported should reflect the anticipated direction of travel in its assessment of the current score and level. **Implication:** By not taking into account the anticipated direction of travel of a risk, the likelihood of a risk arising and thereby the risk score and risk profile of the Authority may be understated.	**Merits attention**	When assessing the current risk, the likelihood of the risk arising should reflect the anticipated direction of travel.	Jim Whittingham	June 2012 APMC

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No	Issues arising	Priority	Agreed action	Responsibility	Target date
3.7	At present the Authority does not benchmark its risk management arrangements with similar organisations. **Implication:** Through benchmarking, the Authority will be able to assess how it is performing against its peers, identify strengths and areas for development and thereby ensuring the risk management framework is effective. Benchmarking risk registers with similar organisations will assist identification of risks that could be overlooked by the Authority.	**Merits attention**	As part of the assurance framework, the Authority should consider whether any benefits can be achieved through benchmarking its corporate risks and risk management arrangements. For example, through the ALARM/ CIPFA benchmarking club or other fire authorities.	Jim Whittingham	September 2012

Limitations inherent to the internal auditor's work

This report has been prepared solely for West Midlands Fire Service in accordance with the terms and conditions set out in the terms of reference. Internal audit does not accept or assume any liability of duty of care for any other purpose or to any other party. This report should not be disclosed to any third party, quoted or referred to without prior consent. Internal audit has undertaken this review subject to the limitations outlined below.

Internal control
- Internal control systems, no matter how well designed and operated, are affected by inherent limitations. These include the possibility of poor judgement in decision making, human error, control processes being deliberately circumvented by employees and others, management overriding controls and the occurrence of unforeseeable circumstances.

Responsibilities of management and internal auditors
- It is management's responsibility to develop and maintain sound systems of risk management, internal control and governance for the prevention and detection of irregularities and fraud. Internal audit work should not be seen as a substitute for management's responsibilities for the design and operation of these systems.

- Internal audit endeavours to plan audit work so that it has a reasonable expectation of detecting significant control weakness and if detected, will carry out additional work directed towards identification of consequent fraud or other irregularities. However, internal audit procedures alone, even when carried out with due professional care, do not guarantee that fraud will be detected.

- Accordingly, these examinations by internal auditors should not be relied upon solely to disclose fraud, defalcations or other irregularities which may exist.

SERVICE QUALITY QUESTIONNAIRE

Sandwell Strategic Resources

Audit Report No:	FS 233	To:	Jim Whittingham
Audit: Risk Management		Report Date: December 2011	

We would be pleased to receive any comments you may have on the above audit in order to help us monitor our performance, take account of our customer's views and seek to continuously improve the service we provide. Accordingly, we would be grateful if you could complete this questionnaire and return it (an electronic version will suffice) to **peter_farrow@sandwell.gov.uk**) Thank you.

	Very good	Good	Satisfactory	Unsatisfactory	Poor
General					
Usefulness of audit			*		
Value of recommendations			*		
Audit Planning					
Usefulness of initial discussions		*			
Fulfilment of scope and objectives		*			
Quality of audit report					
Clarity of report			*		
Accuracy of findings			*		
Presentation		*			
Timing					
Time span of audit		*			
Timeliness of audit report		*			
Communication					
Consultation on findings/recommendations		*			
Helpfulness of audit staff	*				

Any further comments:

Name	Jim Whittingham
Date	20 February 2012