



Internal Audit Report

West Midlands Fire Service

Risk Management Follow Up

WEST MIDLANDS FIRE SERVICE

Report No: FS258

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Report distribution:

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1 Introduction

A follow up review has been undertaken on the agreed actions resulting from significant control issues identified in the 2011/12 risk management audit report:

1.1 Scope and objectives of audit work

The objective of our audit was to evaluate the adequacy of management action in implementing previous audit recommendations. A full risk based audit of risk management was not re-performed, instead limited testing of the recommendations made was undertaken.

2 Executive summary

2.1 Overall Conclusion

We found that whilst good progress had been taken in most areas two significant recommendations had yet to be fully implemented relating to:

- The inclusion in risk registers of target dates for actions to further mitigate risk (Significant progress has been made in introducing target dates for additional controls designed to strengthen the control environment, with 80% of additional controls now having target dates.
- The compilation of a partnership risk register.

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.

3 Monitoring of Audit Recommendations

Priority rating for issues identified

Fundamental (F) – Action is imperative to ensure that the objectives for the area under review are met.

Significant (S) – requires action to avoid exposure to significant risks in achieving the objectives for the area under review.

Merits attention (MA) – action is advised to enhance risk, control or operational efficiency.

Ref	Finding	Recommendation	Priority	Implementation date	Manager responsible	Update Position	Implemented
3.1	<p>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.</p> <p>Implication:</p> <p>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</p>	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.	Significant	June APMC	Jim Whittingham	<p>The revised CRMS was considered by the Audit Committee on 7 January 2013 and approved by the Fire Authority at its meeting on 18 February 2013 .</p> <p>The CRMS was not presented to the Audit Committee in June, as it was decided to provide Members with some risk management training prior to them reviewing the CRMS. The training was delivered in November 2012.</p> <p>Within the planning process there are five tiers of planning. Level 1 is the plan around which corporate risks are identified.</p> <p>Level 2 plans are the cross functional plans designed to deliver key priorities and strategic objectives as set out in the plan. Within each level 2 action plan the risks pertinent to the delivery of each strategic objective are logged and monitored. This is reviewed at quarterly performance review meetings and then by the Scrutiny Committee.</p> <p>A narrative position statement is also included for level two risk registers. There are no risk registers below this level, e.g. departmental registers.</p> <p>The corporate view is that level two is the appropriate base level for risk registers to be devolved to.</p>	Yes

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3.2	<p>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.</p> <p>Implication:</p> <p>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.</p>	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.	Significant	September 2012	Jim Whittingham	<p>At the time of the audit approximately 80% of further actions identified on the corporate risk register had been allocated target dates. .</p> <p>It is expected that dates will be included for all further actions by the time the risk register is next reviewed in March 2013.</p>	In Progress
3.3	<p>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.</p> <p>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.</p> <p>Implication:</p> <p>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.</p>	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.	Significant	September 2012	<p>Partnerships GC Vincent (now being dealt with by Jon Waterman, Head of Community Safety)</p> <p>Progs/Projects - Programme Support Office</p>	<p>A Partnership Risk Register has not yet been developed. This will be addressed as part of the recommendations from the on-going review of Partnership governance.</p> <p>Currently there is only one program,(the BUS programme), under which there are four projects supporting service transformation. There is a combined register for Admin; Service Delivery and Service Support and one for Management Review. Any red risks are reported to SPIRIT to be considered for inclusion in the corporate risk register. This is incorporated into Standing Order 22/7.</p>	<p>No</p> <p>Yes</p>

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3.4	<p>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.</p> <p>Implication:</p> <p>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.</p> <p>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.</p>	<p>Work should continue to ensure the timely development and completion of a corporate assurance map by the end of the financial year.</p> <p>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.</p> <p>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.</p>	Merits attention	June 2012	GC Diamond	<p>A Risk Assurance Map has been produced for corporate risks. A summary is included in reports to members.</p> <p>However a judgement of overall confidence is yet to be included. Individual risk owners have been asked to provide this information. It is envisaged overall confidence will be included in the June 2013 update to Audit Committee.</p>	Yes

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3.5	<p>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.</p> <p>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.</p> <p>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.</p> <p>Implication:</p> <p>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.</p>	<p>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.</p> <p>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.</p> <p>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.</p>	Merits attention	<p>Review to be complete by March 2012 and to be implemented by June 2012 APMC</p> <p>June APMC</p>	<p>Karen Gowreunker</p> <p>Jim Whittingham</p>	<p>Regular risk management reports are now presented to the Audit Committee.</p> <p>The risk register report contains a summary risk register and a position statement. This information provides detailed information regarding the status of each risk, the measures being taken to address risk and their timeliness.</p> <p>"Calling in" of risk was suggested to the Audit Committee members by the Head of SPIRIT at the members training session on 26 November 2013. She suggested in particular that if the direction of travel gave cause for concern, then members might wish to call in that particular risk.</p>	<p>Yes</p> <p>Yes</p> <p>Yes</p>
3.6	<p>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.</p> <p>Implication:</p> <p>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.</p>	<p>When assessing the current risk, the likelihood of the risk arising should reflect the anticipated direction of travel.</p>	Merits attention	June 2012 APMC	Jim Whittingham	<p>In respect of Corporate Risk the risk owners consider and estimate the risk score on at least a quarterly basis. This includes considering both the likelihood of risk realisation and the potential impacts should risk realisation occur. In doing this the risk owners take into account the direction of travel, which is based on what has actually happened between the previous and current quarter.</p>	Yes

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3.7	<p>At present the Authority does not benchmark its risk management arrangements with similar organisations.</p> <p>Implication:</p> <p>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.</p> <p>Benchmarking risk registers with similar organisations will assist identification of risks that could be overlooked by the Authority.</p>	<p>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.</p>	Merits attention	September 2012	Jim Whittingham	Benchmarking has been considered and a decision was made not to proceed. However SPIRIT continue to monitor developments within the sector.	Consideration completed.

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