

WEST MIDLANDS FIRE AND RESCUE AUTHORITY

AUDIT COMMITTEE

24TH MARCH 2014

1. **CORPORATE RISK QUARTER 3 UPDATE**

Report of the Chief Fire Officer.

RECOMMENDED

- 1.1 THAT the Committee approves the Corporate Risk Assurance Map Summary (Appendix 1) and notes the quarter 3 Position Statement (Appendix 2) for each risk.

2. **PURPOSE OF REPORT**

This quarterly update is provided to ensure Members remain informed about all aspects relating to the management of the Authority's corporate risks.

3. **BACKGROUND**

- 3.1 In accordance with the Service's risk management strategy, the Corporate Risk Assurance Map Summary is submitted for approval by the Audit Committee on a quarterly basis, following its submission and discussion at the Corporate Performance Review Meeting.
- 3.2 Corporate risks are those risks which if they occurred would seriously affect the Authority's ability to carry out its core functions or deliver its strategic objectives as set out in The Plan. Currently, the Service maintains 11 corporate risks.
- 3.3 Each corporate risk has assigned to it a Risk Owner, who is a member of Corporate Board. The Risk Owner has the overall responsibility for monitoring and reviewing the progress being made in managing the risk.

- 3.4 To enable for effective risk management the Risk Owner will periodically undertake an assessment of each corporate risk. The frequency of this review will be based upon the estimated risk rating undertaken on the basis of likelihood x impact. The likelihood is a measure of probability of a given risk occurring using a scale of 1(low) to 4 (high). The impact is a measure of the severity or loss should the risk occur again, using a scale of 1 (low) to 4 (high). This review will be undertaken in accordance with the following schedule:-

LIKELIHOOD	4				
	3				
	2				
	1				
		1	2	3	4
		IMPACT			

	HIGH RISK - periodic review every 6 weeks
	MEDIUM RISK - periodic review every 3 months
	LOW RISK - periodic review every 6 months
	VERY LOW RISK - periodic review every 12 months

- 3.5 In order to ensure that Members are kept informed of corporate risk matters a Position Statement (Appendix 2) and the overall Corporate Risk Assurance Map Summary are attached (Appendix 1).
- 3.6 In undertaking a review of corporate risks, the Risk Owner has reviewed the Corporate Risk Assurance Map. The Assurance Map provides details of:-
- The strategic objectives and performance indicators relevant to the risk.
 - The current risk score.
 - A description of events that could lead the corporate risk to be realised.

- The control measures in place designed to reduce the likelihood of risk realisation or its impact should the risk be realised.
- Additional control measures currently being implemented to further reduce the likelihood or impact.
- Control Owners who are responsible for the implementation, maintenance and review of individual control measures.

3.7 As part of the review the Risk Owner has considered the risk score and rating and updated the Assurance Map. The Risk Owner has provided assurance that the control measures identified are still effective in the management of risk and identified whether any new risk events or controls have been implemented or are required. Where ongoing additional controls are being implemented, Risk Owners have confirmed the progress in implementing such controls.

Reduction in Overall Risk Score- Corporate Risk 4

3.8 The overall risk score for Corporate Risk 4 *The Fire Authority would be unable to ensure that proper controls are established whilst working in partnership with other agencies/groups, resulting in a significant impact upon the organisation's financial standing, reputation and ability to deliver key objectives*, has been reduced from 6 to 4. This is because the Risk Owner has reduced the likelihood score associated with this risk from 3 to 2 as a consequence of strengthening partnership governance arrangements. Specifically, terms of reference/service level agreements enabling the ongoing management of risk within partnerships has been introduced for all partnerships which are centrally recorded on the partnership database. Also a recent organisational restructure of prevention based resources has created four partnership officer roles, further strengthening the control and governance arrangements of partnerships.

Industrial Action

- 3.9 The risk score for Corporate Risk 1, *'The Fire Authority would be unable to maintain the positive engagement of its employees, resulting in an inability to deliver its key priorities and objectives'* and Corporate Risk 5 *'The Fire Authority would be unable to deliver the core objectives of preventing, protecting and responding effectively as a result of extensive disruption to normal working methods'* remain high risk with both likelihood and impact generating an score of likelihood 4 x impact 3 =12. This is as a consequence of the ongoing trade dispute between the Government and the Fire Brigades' Union regarding pension reform. Industrial Action has taken place on a number of occasions. However, on all occasions the Service has put in place effective pre-planned contingency arrangements to enable for an emergency response service to be maintained. However, it should be noted that during industrial action to date there has not been a significant incident or incidents to test the response model in operation during these periods.
- 3.10 All other risk scores and ratings remain unchanged in this quarter when compared to the previous quarter.

Risk Owners Confidence Opinion

- 3.11 Risk Owners provide a 'Confidence Opinion' on the Corporate Risk Assurance Map summary. The opinion is the Risk Owners judgement as to the effectiveness of the control environment in managing each particular risk. The opinion is awarded using a red, amber or green rating system. The confidence opinion provides a useful overview to Members as to the effectiveness of the Service's risk management arrangements.
- A green rating is given when the collective control environment is judged to be robust in managing risk and the majority of controls detailed on the assurance map are applied continuously or with minor lapses.

- An amber rating is given when the collective control environment is judged to be sufficient in managing risk but improvements to strengthen the overall control environment have been identified.
- A red rating will be given when the Risk Owner believes that the collective control environment does not enable for the management of risk.

3.12 Risk Owners have provided the following confidence opinions:-

- Corporate Risks 1, 4, 7, 8, 9, 10, 11 and 13 have been awarded a green confidence opinion.
- Corporate Risks 2, 5, 6 and have been awarded an amber confidence opinion.
- No red confidence opinions were awarded.

3.13 In respect of all corporate risks awarded an amber confidence opinion, additional controls designed to strengthen the management of each of these risks has been identified and is ongoing. Following the implementation of and embedding of these additional controls the Risk Owner will reconsider the confidence opinion. The Position Statement (Appendix 2) details the additional work ongoing.

3.14 The outcome of the latest review was reported to officers at the Corporate Performance Review meeting on 6th February 2014.

Annual Review of Corporate Risk Arrangements

3.15 Notification has been received from Sandwell MBC's Internal Audit function that the review of our corporate risk arrangements has begun. The focus of the audit will be upon the effectiveness of the control arrangements in place to enable for the management of Corporate Risk 5.
'The Fire Authority would be unable to deliver the core objectives of preventing, protecting and responding effectively as a result of extensive disruption to normal working methods'.

Given that we are in a period of ongoing industrial action this audit is particularly timely in terms of providing an assurance of our controls and identifying opportunities for improvement.

4. **EQUALITY IMPACT ASSESSMENT**

In preparing this report an initial Equality Impact Assessment is not required and has not been carried out. The matters contained in this report do not relate to a policy change.

5. **LEGAL IMPLICATIONS**

The course of action recommended in this report does not raise issues which should be drawn to the attention of the Authority's Monitoring Officer.

6. **FINANCIAL IMPLICATIONS**

There are no direct financial implications arising with this report.

BACKGROUND PAPERS

Corporate performance Review papers, 6th November 2013.

The contact name for this report is Phil Loach, Chief Fire Officer,
0121 380 6909

PHIL LOACH
CHIEF FIRE OFFICER