

Internal Audit Report

West Midlands Fire Service

Risk Management

WEST MIDLANDS FIRE SERVICE

Report No: FS 156

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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

An audit of risk management arrangements was undertaken as part of the approved Internal Audit Periodic Plan for 2009/10. 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. Throughout the year, meetings have been held with the officer with responsibility for risk management, to discuss progress being made on the embedment of risk management.

During the year Corporate Board approved a revised approach to developing the Corporate Strategy document and the planning process, to support continuous improvement and integration of planning activities with corporate risk and performance management as key components of the Performance Management Framework. This included making a change to the structure, with the former PAIT (Performance Assessment and Improvement Team) becoming SPIRiT (Strategic Planning Improvement and Risk Team). Responsibility for Risk Management falls under the Deputy Chief Fire Officer.

It is understood that a risk management benchmarking club is being launched by CIPFA and ALARM. The Corporate Risk Manager is assessing the benefits of membership of such a club.

1.1 Scope and Objectives of Audit Work

The objective of our audit was to evaluate the auditable area with a view to delivering reasonable assurance as to the adequacy of the design of the internal control system and its application in practice. The control system is put in place to ensure that risks to the achievement of the Fire Service's objectives are managed effectively.

Limitations to the scope of the audit:	The review will be limited to the process involved in managing Corporate Business Risks. The review will not involve forming an opinion on any of the risks detailed in the risk register or the actual score allocated to that risk.
Audit Needs Assessment risk rating:	High
Frequency of audit:	Annual

The 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
Identify, assess and manage the risks to achieving the organisation's objectives for the area under review.	<ul style="list-style-type: none"> Lack of commitment, ownership and accountability for the Risk management Process.
	<ul style="list-style-type: none"> Poor understanding of risk and (facilitation of) risk management processes.
	<ul style="list-style-type: none"> Failure to link/map risks to strategic objectives.
	<ul style="list-style-type: none"> Appropriate risk scoring, allocation and control process (methodology) are not in place.
	<ul style="list-style-type: none"> Risk Management is not embedded as part of the normal governance and management processes.
	<ul style="list-style-type: none"> Failure to manage risks relating to partners.

2 Executive Summary

2.1 Overall Conclusion

Taking account of the issues identified in paragraphs 2.2 to 2.4 below, in our opinion the controls within the system, as currently laid down and operated, provide **satisfactory assurance** that risks material to the achievement of the organisation'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 control environment is adequate. We have made four significant recommendations arising from the following:

- Finalising and implementing the proposed organisational action/improvement plan for "Embedding risk management".
- Risk Management training should be provided for all members of the Authority.
- A member should be identified who will champion risk management.
- The Corporate Risk Register should be presented to the Audit Committee on a more regular basis.

Consideration should be given to, where appropriate, feeding the significant issues raised in this report into the relevant risk management process.

2.3 Other Findings

We have also made two recommendations classified as "merits attention". These are detailed in the main report and accompanying action plan.

This report has been prepared by exception. Therefore, we have only reported on those areas with scope for improvement of controls or examples of lapses in control identified from our testing and not the outcome of all the audit testing undertaken.

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

- The corporate risk register is reviewed on a regular basis.
- Corporate Board considers risk information when making strategic decisions.
- The Authority has a capable facilitator in place to progress risk management.

2.4 Outcome of the Previous Audit:

Date of last audit:	March 2009
Number of significant recommendations agreed with Management:	1
Number of significant recommendations implemented by Management:	1

The significant recommendation made by Audit Services involved amending the terms of reference of the Insurance Risk Management Group. However, during the year a new group has been formed known as the Strategic Advisory Group (SAG). One of the group's terms of reference is: "*Identifying and ensuring effective management of Corporate Risks*".

As the formation of the SAG is recent (approved at Corporate Board in September 2009), its role in the embedment of the risk management process will be reviewed in the next audit.

2.5 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 M. Lomas, Group Commander.

3 Findings and Recommendations

The priority of the findings and recommendations are categorised as follows:

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 advised to enhance control or improve operational efficiency.

Review of the Risk Management Arrangements

No.	Issue	Test Result & Implications	Recommendation	Categorisation
3.1	The Terms of Reference for the Board and Committees set out their responsibilities for Risk Management.	<p>Result:</p> <p>Terms of Reference produced in 2007 for the Corporate Board do not specifically set out their responsibilities for risk management. However, they are detailed in the Strategy for Corporate Risk Management.</p> <p>Implication:</p> <p>Corporate Board may not be fully aware of their role in the risk management process.</p>	The Terms of Reference for the Corporate Board should be updated, and should include senior management responsibilities for risk management.	Merits Attention

Review of the Control Environment

Risk:				
No.	Control Issue	Test Result & Implications	Recommendation	Categorisation
3.3	<p>The risk management approach is reviewed periodically by the Audit Committee.</p> <p>A report is made to full Authority at least annually.</p>	<p>Result:</p> <p>Terms of reference for the Audit Committee include: 'monitor the effective development and operation of risk management and corporate governance in the Authority'. Suitable reports are received by the Audit Committee.</p> <p>There is no report to the full Authority, as required in Standing Order 22/7, section 2.4.7. However, as the Audit Committee receive and approve risk management reports on its behalf, a wording amendment to Standing Order 22/7 is required to acknowledge this.</p> <p>The CRR was seen by the Audit Committee in January 2009 and then when changes were made to it in January 2010. It is considered that the Committee should see the CRR on a more regular basis, in order to maintain an awareness of the ongoing risks the Authority faces. They could use it to inform their workload more, and maybe 'call in' the occasional risk for examination.</p> <p>It was noted that there is no member who has been identified to champion risk management.</p> <p>Implication:</p> <p>Members may not be fully aware of risk management arrangements within the Authority, and how these risks are being managed.</p>	<p>Standing Order 22/7, Corporate Risk Management should be amended to reflect the role of the Audit Committee in risk management.</p> <p>The Corporate Risk Register should be presented to the Audit Committee on a more regular basis so that it becomes more embedded in the work of the Committee. This could be in a summary format, showing all current risk scores, any movement in scores since the information was last presented (with a brief narrative), and the key sources of assurance.</p> <p>A member should be identified who will have responsibility to champion risk management across the Authority. It would be appropriate for this to be a member of the Audit Committee. We would be happy to provide training to such a post.</p>	<p>Merits Attention</p> <p>Significant</p> <p>Significant</p>

Risk:				
No.	Control Issue	Test Result & Implications	Recommendation	Categorisation
3.4	Key risks relating to partners have been identified.	<p>Result:</p> <p>In their Annual Audit Letter 2008/9, the Audit Commission note that:</p> <p><i>“Risk management of partnerships remains at an early stage”.</i></p> <p>Further to this they suggest:</p> <p><i>“regularly reviewing the effectiveness of its partnership working to ensure that all partnerships are providing effective outcomes and value for money”.</i></p> <p>This is an area that has been identified by the Corporate Risk Manager as a milestone on the draft Action Plan “Embedding Risk Management”.</p> <p>The milestone states: <i>“Implement improved partnership risk management arrangements”.</i> This has a target date of 10/10, and can be reviewed as part of the next audit of this area.</p> <p>Implication:</p> <p>Partnership risks will not be mitigated, and may affect the achievement of Authority objectives.</p>	See 3.2 above regarding the proposed organisational/improvement plan which includes plans for implementation of improved partnership risk management arrangements.	

4 Action Plan

Para	Recommendation	Categorisation	Accepted Y/N	Management comment	Implementation date	Manager responsible
4.1	<p>The proposed organisational action/improvement plan for “Embedding risk management” should be finalised and implemented, in particular:</p> <ol style="list-style-type: none"> 1. Support development of risk registers linked to corporate planning/objectives, 2. Implementation of improved partnership risk management arrangements, 3. Publishing of the proposed generic risk management strategy. <p>Progress should be recorded, monitored and reported on a regular basis. (3.2 and 3.4)</p>	Significant	Y	The action plan ‘Embedding risk management’ identifies milestones linked to the further development of existing activity. It also identifies areas of new activity required to support the Authority’s approach to risk management. As such, it provides a framework which will ensure that the recommendations contained within this report are implemented.	<p>1. Oct 2010</p> <p>2. Oct 2010</p> <p>3. Aug 2010</p>	M Lomas
4.2	Risk Management training should be provided for all members. Management could consider providing training at a future Policy Planning Forum. (3.2)	Significant	TBC	This recommendation will require discussion at the Audit Committee meeting on 29 March 2010.	TBC	M Lomas
4.3	A member should be identified who will have responsibility to champion risk management across the Authority. It would be appropriate for this to be a member of the Audit Committee. We would be happy to provide training to such a post. (3.3)	Significant	TBC	This recommendation will require discussion at the Audit Committee meeting on 29 March 2010.	TBC	M Lomas
4.4	The Corporate Risk Register should be presented to the Audit Committee on a more regular basis so that it becomes more embedded in the work of the Committee. This could be in a summary format, showing all current risk scores, any movement in scores since the information was last presented (with a brief narrative), and the key sources of assurance. (3.3)	Significant	TBC	This recommendation will require discussion at the Audit Committee meeting on 29 March 2010 in order to determine the revised reporting arrangements. Such arrangements will then be incorporated within the Corporate Risk Management Strategy (Standing Order 22/7).	TBC	M Lomas

4 Action Plan

Para	Recommendation	Categorisation	Accepted Y/N	Management comment	Implementation date	Manager responsible
4.5	The Terms of Reference for the Corporate Board should be updated, and should include senior management responsibilities for risk management. (3.1)	Merits Attention	Y	This recommendation will be incorporated into any future amendments to the Terms of Reference for Corporate Board	Oct 2010	A Brandon
4.6	Standing Order 22/7, Corporate Risk Management should be amended to reflect the role of the Audit Committee in risk management. (3.3)	Merits Attention	Y	Completed. The strategy has already been amended to reflect the role of the Audit Committee. The strategy will be re-issued once responses to other recommendations contained in this report have been agreed.	April 2010	M Lomas

Service Quality Questionnaire

Audit Report No: FS156	To: Sally-Anne Chidwick
Audit: Risk Management	Report Date: 3 rd March 2010
Auditor(s): Jenny Massey	

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	
Date	