

AUDIT AND RISK MANAGEMENT

INTERNAL AUDIT REPORT

BUCKINGHAMSHIRE & MILTON KEYNES FIRE AUTHORITY

RISK MANAGEMENT 2014/15

October 2014





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Audit Control:

Closing meeting:	1 October 2014
Draft report:	9 October 2014
Management responses:	15 October 2014
Final report:	21 October 2014

Auditors:	Maggie Gibb – Audit Manager Mary-Anne Stanford – Senior Auditor
Report Distribution:	
Draft Report	Corporate Planning Manager Head of Service Transformation Director of Legal and Governance Director of Finance and Assets
Final Report as above plus:	Chief Fire Officer Chair, Bucks and Milton Keynes Fire Authority External Audit



1. Executive Summary

1.1 Overall Audit Opinion

In our opinion **substantial** assurance can be provided that relevant risks are effectively identified, managed and controlled.

1.2 The overall audit assurance is made up of three supporting judgements:

- a) Our assurance on the adequacy of the risk management techniques employed within the auditable area is reasonable. This relates to the extent to which relevant risks have been identified, monitored and managed.
- b) Our assurance on the adequacy of the existing control framework to reduce identified risks to an acceptable level is substantial.
- c) Our assurance on the adequacy of compliance with the existing control framework is substantial.

1.3 The Buckinghamshire and Milton Keynes Fire Authority (BMKFA) has a robust Risk Management process in place, with risks being recorded, analysed, mitigated and monitored at a service, directorate and corporate level. Members and senior officers have good visibility of key risks and these are monitored on a regular basis. There is a Risk Management Policy in existence, however this is out of date and does not reflect the current process operating within the Authority. The revised policy/strategy should be approved in accordance with the Financial Regulations. The roles of Committees, Senior Management Teams and officers are defined in existing documents but will require review. All directorates have a risk register in place which are subject to regular review and update, with the exception of Service Development which has not been updated since July 2014.

1.4 In addition to the findings summarised below, we also found the following examples of good practice:

- There is an established process for escalating high risks from the Directorate Risk registers to the Corporate Risk Register.
- The Corporate Risk Register is presented to the Senior Management Board and Overview and Audit Committee on a regular basis for review and challenge.

1.5 Some areas for improvement were identified and are detailed in Section 3. There are no High priority recommendations.



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1.6 Recommendations summary:

In order to provide an assurance on the extent to which the risks identified are managed, our review focussed on the main business objectives within Risk Management.

Progress in implementing these recommendations will be tracked and reported to the Overview & Audit Committee.

Business Objective	Risk	Recommendations		
		High	Medium	Low
Risk Management Strategy/Framework and system	There is no effective risk management system in place that could result in risks being over or under managed, which could lead to a significant financial loss or reputational damage.		1	
Identification and management of risks	Risks are not identified and managed in accordance with the corporate Risk Management Strategy that may result in the Authority being exposed to a significant financial loss, but also to reputational damage or negative press.		2	
Management reporting of risks	Senior Management not kept informed of high level risks that may result in the risk being realised. If the risk becomes realised there's the potential for the Council to make both a financial loss and a reputational loss.			
TOTAL			3	

The detailed findings are summarised in Section 3 of this report. All findings have been discussed with the Corporate Planning Manager and the Head of Service Transformation who have agreed all the recommendations and produced an action plan to implement them.

- 1.7 There were no aspects of this audit which were considered to have value for money implications for the Authority or which indicated instances of over control. Any relevant findings will have been included in the findings and recommendations section of this report.



2. Background

- 2.1 The audit review of Risk Management formed part of the agreed audit programme for 2014/15. The review was carried out during August and September 2014.
- 2.2 The Risk Management area was categorised as high risk as part of the audit needs assessment exercise based on its relative importance to the achievement of the Authority's corporate objectives. The Authority's objective for the area is to provide assurance that the Fire Authority has in place a robust risk management system and that the approach to corporate risk management is co-ordinated to enable effective identification, mitigation and monitoring of key risks. The objective of our audit was to evaluate the 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. A detailed summary of the scope of this review can be seen in Appendix A. There has not been a previous Risk Management audit.
- 2.3 The area of Risk Management has previously been included within the scope of the Corporate Governance audits, and previous recommendations have been followed up.



3. Recommendations and Action Plan

The control description column details the actual controls that should be established to mitigate identified risk. The Findings & Consequences column details the results of analysis and tests carried out.

The priority of the findings and recommendations are as follows:

- High** immediate action is required to ensure that the objectives for the area under review are met.
- Medium** action is required within six months to avoid exposure to significant risks in achieving the objectives for the area under review.
- Low** action advised within 9 months to enhance control or improve operational efficiency.

	Control description	Issues & Consequences	Priority H/M/L	Management Action Plan	Task owner and target date for implementation
	Key Area	Risk Management Strategy/Framework			
1	There is an approved and up to date Risk Management Strategy in place which is available to all staff and members of the Authority.	<p>Financial Regulations section C states that the Executive Committee is responsible for approving a Corporate Risk Management Policy after considering recommendations from Overview and Audit Committee.</p> <p>There is a Draft Corporate Risk Management Policy that went to the Authority meeting on 15/09/10 item 8. There is a second draft Risk Management Policy that went to the Authority meeting on 15/12/10 Item 9.</p>	Medium	<p><i>The Risk Management Policy will be reviewed, updated and formally approved by Executive. Once approved the document will be brought to the attention of relevant staff and made available on the I-Drive.</i></p> <p><i>Roles and responsibilities of members and officers will be considered as part of this review, and if necessary the relevant Terms of Reference documents will be amended.</i></p>	<p>Who to be actioned by: Corporate Planning Manager</p> <p>When to be actioned by: 31 March 2015</p>



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	Control description	Issues & Consequences	Priority H/M/L	Management Action Plan	Task owner and target date for implementation
		<p>There is no evidence that either Policy has been formally approved.</p> <p>Neither of the draft Risk Management Policies are available for staff on the Intranet (I-Drive)</p> <p>There is a risk that staff are not working to the correct document that may result in an ineffective risk management process.</p>		<i>When the Risk Management Policy has been approved it will be made available for staff on the I-Drive.</i>	
2	Risk Registers are in place for each Directorate, where high level risks are escalated to the Corporate Risk Register.	<p>The risk registers for each directorate were requested to establish that they were in place and monitored on a regular basis. It was found that the last review of the risk register for Service Development Directorate was July 2014.</p> <p>If a directorate does not have a risk register there is a possibility that risks have not been identified and considered and therefore appropriate mitigating actions not put in place to reduce</p>	Medium	<i>The Service Development risk register will be reviewed on a regular basis by the Service Development Senior Management Team.</i>	<p>Who to be actioned by: <i>Head of Service Development</i></p> <p>When to be actioned by: <i>30 November 2014</i></p>



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	Control description	Issues & Consequences	Priority H/M/L	Management Action Plan	Task owner and target date for implementation
		the risk.			
3	Each risk has an assigned owner who is responsible for ensuring that their risk information is up to date, risks are re-evaluated and that their risk controls are being implemented and monitored.	<p>All risk registers were reviewed for completion and quality of data. It was found that the Information Management risk register does not record an owner for two of the risks identified.</p> <p>If risks do not have an owner there is a possibility risks are not effectively managed and monitored.</p>	Medium	<p><i>Owners will be assigned to the two risks on the Information Management risk register that do not currently have owners.</i></p> <p><i>Managers will be reminded of the requirement to record an owner for each risk identified to enable effective monitoring.</i></p>	<p>Who to be actioned by: <i>Information Governance & Compliance Manager</i></p> <p>When to be actioned by: <i>30 November 2014</i></p>

Appendix A

AUDIT SCOPE AND FRAMEWORK

4. Specific Audit Scope

4.1 We have evaluated the area against the following identified risks which we agreed with management:

- There is no effective risk management system in place that could result in risks being over or under managed, which could lead to a significant financial loss or reputational damage.
- Risks are not identified and managed in accordance with the corporate Risk Management Strategy that may result in the Authority being exposed to a significant financial loss, but also to reputational damage or negative press.
- Senior Management not kept informed of high level risks that may result in the risk being realised. If the risk becomes realised there's the potential for the Council to make both a financial loss and a reputational loss.

4.2 Following preliminary risk assessments, the following processes were not included within the scope of this review and will be considered for inclusion within future audits of the area:

- None

5. Staff Interviewed

- Stuart Gowanlock, Corporate Planning Manager
- Lynne Swift, Director of People and Organisational Development
- Gerry Barry, Information Governance & Compliance Manager

6. Audit Methodology and Opinions

- a. The audit was undertaken using a risk-based methodology in a manner compliant with the CIPFA Code of Practice. The audit approach was developed with reference to the Internal Audit Manual and by an assessment of risks and management controls operating within each area of the scope. Where we consider that a risk is not being adequately managed, we have made recommendations that, when implemented, should help to ensure that the system objective is achieved in future and risks are reduced to an acceptable level.
- b. The matters raised in this report are only those, which came to our attention during the course of our audit and are not necessarily a comprehensive statement of all the risks that exist or all improvements that might be made.
- c. Each audit will result in an overall ‘audit assurance’. A detailed summary will be provided to the Overview and Audit Committee for all ‘limited’ assurance opinion reports. The range of audit opinions is outlined below:

ASSURANCE	SUBSTANTIAL	REASONABLE	LIMITED
Adequacy of risk management techniques employed within the area.	Thorough processes have been used to identify risks. Action being taken will result in risks being mitigated to acceptable levels. No more monitoring is necessary than is currently undertaken.	The action being taken will result key risks being mitigated to acceptable levels. Some additional monitoring is required.	No action is being taken, OR insufficient action is being taken to mitigate risks. Major improvements are required to the monitoring of risks and controls.
Adequacy of the existing control framework to reduce identified risks to an acceptable level.	Controls are in place to give assurance that the system’s risks will be mitigated.	Most controls are in place to give assurance that the system’s key risks will be managed but there are some weaknesses.	The control framework does not mitigate risk effectively. Key risks are not identified or addressed.
Adequacy of compliance with the existing control framework.	The control framework is generally complied with. Emerging risks are identified and addressed in a timely manner.	Compliance with the control framework mitigates risk to acceptable levels, except for the risks noted.	Compliance is poor so risks are not being mitigated to acceptable levels and it is probable that some objectives will not be, OR are not being achieved.

- d. The responsibility for a sound system of internal control rests with management. Internal audit procedures are designed to focus on areas identified by management as being of greatest risk and significance. Effective implementation of our recommendations by management is important for the maintenance of a reliable internal control system.