

Public Document Pack

LANCASHIRE COMBINED FIRE AUTHORITY

AUDIT COMMITTEE

Thursday, 23 June 2016 in the Main Conference Room at Service Headquarters, Fulwood, commencing at 10:00 hours

AGENDA

PART 1 (open to press and public)

Chairman's Announcement – Openness of Local Government Bodies Regulations 2014

Any persons present at the meeting may photograph, film or record the proceedings, during the public part of the agenda. Any member of the press and public who objects to being photographed, filmed or recorded should let it be known to the Chairman who will then instruct that those persons are not photographed, filmed or recorded.

1. **Apologies for Absence**
2. **Disclosure of Pecuniary and Non-Pecuniary Interests**

Members are asked to consider any pecuniary and non-pecuniary interests they may have to disclose to the meeting in relation to matters under consideration on the agenda.
3. **Minutes of the Previous Meeting (Pages 1 - 6)**
4. **External Audit - Understanding How the Committee Gains Assurance from Management (Pages 7 - 12)**
5. **Internal Audit Annual Report 2015/16 (Pages 13 - 32)**
6. **External Audit - Audit Committee Update (Pages 33 - 44)**
7. **Annual Governance Statement 2015/16 (Pages 45 - 60)**
8. **Internal Audit Service Quality Assurance and Improvement Programme (Pages 61 - 70)**

9. Risk Management (Pages 71 - 90)

10. Amendment to Contract Standing Orders and Scheme of Delegation (Pages 91 - 92)

11. Urgent Business

An item of business may only be considered under this heading where, by reason of special circumstances to be recorded in the Minutes, the Chairman of the meeting is of the opinion that the item should be considered as a matter of urgency. Wherever possible, the Clerk should be given advance warning of any Member's intention to raise a matter under this heading.

12. Date of Next Meeting

The next meeting of the Committee will be held on Thursday 29 September 2016 at 1000 hours in the Main Conference Room at Lancashire Fire and Rescue Service HQ, Fulwood.

Further meetings are proposed for: 26 January 2017, 30 March 2017 and 22 June 2017.

13. Exclusion of Press and Public

The Committee is asked to consider whether, under Section 100A(4) of the Local Government Act 1972, they consider that the public should be excluded from the meeting during consideration of the following items of business on the grounds that there would be a likely disclosure of exempt information as defined in the appropriate paragraph of Part 1 of Schedule 12A to the Local Government Act 1972, indicated under the heading to the item.

LFRS
Fulwood

M NOLAN
Clerk to the CFA

LANCASHIRE COMBINED FIRE AUTHORITY

AUDIT COMMITTEE

Thursday 31st March 2016, at 1000 hours in the Main Conference Room at LFRS Service Headquarters, Fulwood

MINUTES

PRESENT:-

County Councillors

P Britcliffe
C Crompton
S Holgate (Chairman)
M Perks
J Shedwick (Vice-Chairman)

Blackburn with Darwen Council

M Khan
D Smith

Internal Audit

Judith Taylor – Senior Auditor (Lancashire County Council)

External Audit

Caroline Stead – Senior Audit Manager (Grant Thornton)

Officers

Justin Johnston – Deputy Chief Fire Officer (LFRS)
J Bowden – Head of Finance (LFRS)
D Brooks – Principal Member Services Officer (LFRS)

APOLOGIES FOR ABSENCE

None received.

DISCLOSURE OF PECUNIARY AND NON-PECUNIARY INTERESTS

None received.

MINUTES OF MEETING HELD ON THE 28TH JANUARY 2016

14/15 RESOLVED:- That the Minutes of the last meeting held on the 28th January 2016 be confirmed as a correct record and signed by the Chairman.

RISK MANAGEMENT

The report highlighted action taken in respect of corporate risk since the last Audit Committee meeting. The latest review of the Corporate Risk Register had identified no new risks that warranted inclusion.

The updated Register was considered by Members. Of the existing risks, 7 had been reviewed with changes summarised in the report.

15/15 RESOLVED:- That the Committee note the actions taken and endorse the revised Corporate Risk Register.

INTERNAL AUDIT MONITORING REPORT

The Internal Auditor's produced a summary of progress against the Annual Plan for each Audit Committee meeting, setting out progress to date and any significant findings. The report for the period up to 16 March 2016 was presented by Judith Taylor.

It was noted that work carried out during the period 1 April 2015 – 16 March 2016 was in accordance with the agreed audit plan. At the time of writing the report 61 days had been spent this financial year on completion of the 2015/16 plan, equating to 76% of the total planned audit activity of 80 days; the number of days that had currently been spent was now 68.

In addition a further 8 days during the first quarter of this financial year had been spent on completing and finalising 2 reviews outstanding from the 2014/15 audit plan. The findings from those reviews were reported in the 2014/15 Annual Report which was presented to the Audit Committee in June.

Details of the progress against the 2015/16 plan included assurance provided and key issues identified for each of the areas completed to date. Progress to date in relation to the Plan was provided and discussed by Members as follows: -

Key Financial Systems

Accounts payable, Accounts receivable and General ledger audits were finalised in September 2015. There were no significant points arising and an opinion of full assurance was provided.

Human Resources and Payroll processes audits were also finalised in January 2016 and an opinion of substantial assurance was provided.

The Pensions administration audit was currently ongoing and would be completed before the end of the financial year.

The Treasury management audit had been scoped and was currently ongoing although it was unlikely to be completed until April 2016.

Operational Reviews

The work on the review of the Corporate Programme Board arrangements had recently been completed and arrangements had been made to meet with management to discuss findings with a report expected to be issued before the end of March.

The audit of Provision of Risk Information to Staff was also ongoing, with the majority of fieldwork already complete. It was anticipated that this would be ready for discussion with management by the end of March.

Follow up reviews had also been completed in relation to the 2 operational audits of ICT disaster recovery and Corporate Risk Management arrangements. In both cases, findings would be reported to management by the end of March.

It was confirmed that from the work undertaken to date no key issues had been identified that would have implications for the Authority's internal control environment as a whole.

Members felt it important to note that although the report gave a variation of 19 audit days, the work had been done in year with the exception of the Treasury Management review, and finalising the PORIS recommendations and report which would roll over into the early part of April 2016.

16/15 RESOLVED:- That the Audit Committee note and endorse the report.

INTERNAL AUDIT PLAN 2016/17

The Committee considered the final proposed Internal Audit Plan for 2016/17, which was presented by Judith Taylor.

The Internal Auditors were required to produce an Annual Audit Plan, setting out areas they intended to review during the year.

The Audit Plan was formulated taking account of the risks faced by the Authority, and as such was designed to ensure that the Auditors reviewed how the Authority was managing these risks and provided an assurance on this.

A total of 80 days were planned at an overall cost of £20,800.

The breakdown of audit resources would be as follows:-

Operational reviews	19
Key financial system reviews	38
Contingency provision	8
Follow up of completed reviews	3
National Fraud Initiative	2
Audit management	10
Total	<u>80 days</u>

Detailed information in respect of the Scope of the audit in relation to each area was considered by Members.

17/15 RESOLVED:- That the Committee agree the Internal Audit Plan for 2016/17.

EXTERNAL AUDIT - AUDIT PLAN 2015/16

The External Auditors were required to produce an Annual Audit Plan, setting out areas it intended to review during the year. The Plan was considered by Members and was presented by Caroline Stead.

The audit fee was £30,739 in line with those previously reported and within the budget.

The External Audit Plan was formulated taking account of the risks faced by the Authority, and as such was designed to ensure that the External Auditor's reviewed how the Authority was managing those risks.

18/15 RESOLVED:- That the Committee agree the External Audit Plan now presented for 2015/16.

EXTERNAL AUDIT – AUDIT COMMITTEE UPDATE

The Committee considered a report from the External Auditors presented by Caroline Stead which detailed progress at 4 March 2016 in relation to the financial statements and value for money conclusion for 2015/16. The report also included a summary of general emerging issues and developments which had been identified as relevant to the sector but were not specific issues that related to the performance of this Authority.

19/15 RESOLVED: - That the Committee note and endorse the report.

SCHEME OF DELEGATION – PROPOSED AMENDMENTS

The Authority operated a Scheme of Delegation which specified the powers that were delegated to the Chief Fire Officer, Treasurer and Clerk to the Authority. These had been amended to reflect the revised contract standing orders and financial regulations that the Committee had previously approved.

Members considered the proposed revised version of the Scheme as now presented with changes highlighted. The main changes related to: -

- Section 2 Tenders and Contracts, where values had been amended to reflect revisions to contract standing orders and the approval limits for contract variations had been amended to reflect both a monetary and percentage value;
- Section 4 Finance, whereby:-
 1. The authentication of cheques had been removed as these were no longer used as payment was made via BACS wherever possible;
 2. Renewal of insurance policies was removed as if renewal terms were in line with agreed contracts then the Authority must accept these, and where renewal terms were not in line with these consultation with the Member Tender Panel would take place.

20/15 RESOLVED: - That the Committee agree the revised Scheme of Delegation.

AUDIT COMMITTEE SELF-ASSESSMENT 2015/16

The Audit Committee formed part of the corporate governance arrangements of the Authority. As such it was considered best practice to undertake a review of the effectiveness of the Committee on a regular basis and feed the results of this into the Annual Governance Statement.

An effective Audit Committee helped to raise the profile of internal control and risk management within the Authority as well as providing a forum for discussion with both Internal and External Auditors.

Members considered the self-assessment and noted compliance with requirements in the majority of cases and agreed there was reasonable assurance that the Committee was functioning effectively.

It was noted that a review of the terms of reference based on the latest guidance issued by CIPFA and an assessment of the committee membership against the core knowledge and skills framework identified by CIPFA would be undertaken in the coming financial year.

21/15 RESOLVED:- That the Committee note and endorse the self-assessment.

CHANGES TO ARRANGEMENTS FOR APPOINTMENT OF EXTERNAL AUDITORS

The Local Audit and Accountability Act 2014 brought to a close the Audit Commission and established transitional arrangements for the appointment of external auditors and the setting of audit fees for all local government and NHS bodies in England. On 5 October 2015 the Secretary of State for Communities and Local Government (CLG) determined that the transitional arrangements for local government bodies would be extended by one year to also include the audit of the accounts for 2017/18.

The Authority's current external auditor is Grant Thornton, this appointment having been made under at a contract let by the Audit Commission. Following closure of the Audit Commission the contract is currently managed by Public Sector Audit Appointments Limited (PSAA), the transitional body set up by the LGA with delegated authority from the Secretary of State CLG. Over recent years we have benefited from reduction in fees in the order of 50% compared with historic levels. This has been the result of a combination of factors including new contracts negotiated nationally with the firms of accountants and savings from closure of the Audit Commission. The Authority's current external audit fees were £31k per annum.

When the current transitional arrangements come to an end on 31 March 2018 the Authority would be able to move to local appointment of the auditor. There were a number of routes by which this could be achieved, each with varying risks and opportunities. Current fees were based on discounted rates offered by the firms in return for substantial market share. When the contracts were last negotiated nationally by the Audit Commission they covered NHS and local government bodies and offered maximum economies of scale.

The scope of the audit would still be specified nationally, the National Audit Office (NAO) was responsible for writing the Code of Audit Practice which all firms appointed to carry out the Authority's audit must follow. Not all accounting firms would be eligible to compete for the work, they would need to demonstrate that they have the required skills and experience and be registered with a Registered Supervising Body approved by the Financial Reporting Council. The registration process had not yet commenced and so the number of firms was not known but it was reasonable to expect that the list of eligible firms may include the top 10 or 12 firms in the country, including our current auditor. It was unlikely that small local independent firms would meet the eligibility criteria.

There were 3 broad options open to the Authority under the Local Audit and Accountability Act 2014 (the Act). The following options, including advantages and disadvantages of each were discussed by Members: -

- Option 1 - To make a stand-alone appointment;
- Option 2 - Set up a Joint Auditor Panel/local joint procurement arrangements;
- Option 3 - Opt-in to a sector led body.

It was noted that an appointment would need to be made before December 2017 which meant that one of the options outlined would need to be in place by spring 2017 in order that the contract negotiation process could be carried out during 2017.

Members viewed option 3 as the best option to pursue at the present time, minimising procurement costs and resource, maximising buying power and hence likely to result in the lowest fees.

22/15 RESOLVED:- That the Committee agree to support the Local Government Association in setting up a national Sector Led Body by indicating an intention to “opt-in”.

DATE OF NEXT MEETING

The next meeting of the Committee would be held on Thursday 23 June 2016 at 1000 hours in the Main Conference Room at Lancashire Fire and Rescue Service HQ, Fulwood. A further meeting date was noted for 29 September 2016.

EXCLUSION OF PRESS AND PUBLIC

23/15 RESOLVED: - That the press and members of the public be excluded from the meeting during consideration of the following items of business on the grounds that there would be a likely disclosure of exempt information as defined in the appropriate paragraph of Part 1 of Schedule 12A to the Local Government Act 1972, indicated under the heading to the item.

NATIONAL FRAUD INITIATIVE (NFI) UPDATE (Paragraphs 1 and 2)

Members considered a report that set out the background to the National Fraud Initiative and the outcome of data matches compared on behalf of the Authority. The report did not identify any new risk issues that the Authority needed to address.

24/15 RESOLVED: – That the Committee note and endorse the report.

LFRS
Fulwood

M NOLAN
Clerk to the CFA

LANCASHIRE COMBINED FIRE AUTHORITY

AUDIT COMMITTEE

Meeting to be held on 23 June 2016

EXTERNAL AUDIT – UNDERSTANDING HOW THE AUDIT COMMITTEE GAINS ASSURANCE FROM MANAGEMENT (Appendices 1 and 2 refer)

Contact for further information:

Keith Mattinson – Director of Corporate Services – telephone 01772 866804.

Executive Summary

In order to comply with International Auditing Standards, the External Auditors, Grant Thornton, are required to obtain an assurance as to how those charged with governance discharge their responsibilities in connection with the risk of fraud and breaches of internal controls. The letter requesting this is attached as appendix 1.

A draft response has been prepared and is attached as appendix 2. (It is worth noting that the Chairman of Resources Committee has provided a similar response in connection with the oversight of the annual accounts process and financial reporting.)

Decision Required

The Committee is asked to approve the submission of the response.

Information

As stated in the Executive Summary.

Financial Implications

None

Business Risk Implications

The internal controls operated within the Authority are designed to minimise business risk in general and in particular the risk of fraud.

Environmental Impact

None

Equality and Diversity Implications

None

Human Resource Implications

None

Local Government (Access to Information) Act 1985

List of Background Papers

Paper	Date	Contact
None		
Reason for inclusion in Part II, if appropriate:		

Councillor Stephen Holgate
Chair of the Audit Committee
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25 May 2016

Dear Councillor Holgate

Lancashire Combined Fire Authority Financial Statements for the year end 31 March 2016. Understanding how the Audit Committee gains assurance from management

To comply with International Auditing Standards, each year we need to refresh our understanding of how the Audit Committee gains assurance over management processes and arrangements.

I have written separately to the Chair of the Resources Committee in respect of the management processes in place for the Resources Committee to:

- oversee management's processes in relation to carrying out an assessment of the risk the financial statements may be materially misstated due to fraud or error?; and
- satisfy itself that it is appropriate to adopt the going concern basis in preparing the financial statements?

If you have any comments on the questions I have asked the Chair of the Resources Committee please include these in your response.

I would be grateful, therefore, if you could write to me with your responses to the following questions.

- 1 How does the Audit Committee oversee management's processes in relation to:
 - identifying and responding to the risk of breaches of internal control
 - identifying and responding to risks of fraud in the organisation (including any specific risks of fraud which management have identified or that have been brought to its attention, or classes of transactions, account balances, or disclosure for which a risk of fraud is likely to exist)
 - communicating to employees its views on appropriate business practice and ethical behavior (for example by updating, communicating and monitoring against the codes of conduct)?
- 2 Do you have knowledge of any actual, suspected or alleged frauds? If so, please provide details.
- 3 How does the Audit Committee gain assurance that all relevant laws and regulations have been complied with?

4 Are you aware of any actual or potential litigation or claims that would affect the financial statements?

Please could you provide a response by the Audit Committee of the 23 June 2016 and please contact me if you wish to discuss anything in relation to this request.

Yours sincerely

Karen Murray
Director
For Grant Thornton UK LLP

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4 Hardman Square
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Manchester M3 3EB

:
Date: 23 June 2016

Dear Mrs Murray

**LANCASHIRE COMBINED FIRE AUTHORITY FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2016 - UNDERSTANDING HOW THE
AUDIT COMMITTEE GAINS ASSURANCE FROM MANAGEMENT**

Further to your letter, I confirm the following.

How does the Audit Committee oversee management's processes in relation to:

- *identifying and responding to the risk of breaches of internal control*
- *identifying and responding to risks of fraud in the organisation (including any specific risks of fraud which management have identified or that have been brought to its attention, or classes of transactions, account balances, or disclosure for which a risk of fraud is likely to exist)*
- *communicating to employees its views on appropriate business practice and ethical behaviour (for example by updating, communicating and monitoring against the codes of conduct)?*

I believe that the Audit Committee adequately discharges its duties in respect of the above as it considers the following issues throughout the year:-

- The Code of Corporate Governance continues to be relevant
- Internal and external audit plans are in place, which are designed to ensure appropriate controls
- Relevant external and internal audit reports are reviewed by the committee, none of which have identified any significant issues which require addressing.
- Regular progress reports from internal audit which provide an assurance as to the adequacy and effectiveness of systems that have been reviewed. These have confirmed that all key financial systems have been reviewed and that the controls in place are both adequate and effective.
- Risk management arrangements, including the updated corporate risk register

- The Authority's Anti-Fraud Policy and Whistleblowing Policy, are in line with best practice and continue to be relevant
- The Authority participates in the National Fraud Initiative
- The Committee is aware that the Authority maintains an up to date Code of Conduct for both Members and Officers that requires all parties to declare relevant interests.
- The Committee will consider the Annual Governance Statement, prepared by the Service, at its June meeting, and in particular will review the process for reviewing this and the assurances on which the statement is based.

Do you have knowledge of any actual, suspected or alleged frauds? If so, please provide details

I am not aware of any instances of actual, suspected or alleged frauds which affect the authority at this moment in time, or of any related party relationships or transactions that could give rise to instances of fraud. Nor am I aware of any entries in the accounting records that I believe or suspect are false or misleading.

How does the Audit Committee gain assurance that all relevant laws and regulations have been complied with?

All Committee reports are reviewed by the Clerk to the Authority and the Treasurer to the Authority to ensure compliance with legal and financial regulations, and I am not aware of any instances of non-compliance with laws and regulations during 2015/16

Are you aware of any actual or potential litigation or claims that would affect the financial statements?

I am not aware of any actual or potential litigation that would affect the financial statements which is not already recorded in them

Yours sincerely

Mr C Crompton
Chair of the Audit Committee
Lancashire Combined Fire Authority

LANCASHIRE COMBINED FIRE AUTHORITY

AUDIT COMMITTEE

Meeting to be held on 23 June 2016

INTERNAL AUDIT ANNUAL REPORT 2015/16 (Appendix 1 refers)

Contact for further information:

Keith Mattinson – Director of Corporate Services – telephone 01772 866804.

<h4>Executive Summary</h4>

<p>The attached report summarises the work performed by the Internal Audit Service during 2015/16.</p>
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<p>The opinion of the Chief Internal Auditor is that the Committee can take substantial assurance that the Lancashire Fire and Rescue Service operate a generally sound system of risk management, governance and internal control.</p>

<h4>Decision Required</h4>

<p>The Committee is asked to note and endorse the report.</p>

Information

The Internal Audit Annual Report summarises the work that the Internal Audit Service undertook during 2015/16 and the key themes arising from it. It provides an opinion on the overall adequacy and effectiveness of the systems of governance, risk management and internal control. It is made under the Public Sector Internal Audit Standards issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Chartered Institute of Internal Auditors (IIA), with which the Internal Audit Service conforms.

On the basis of programme of work for the year, the Head of Internal Audit can provide substantial assurance over the framework of governance, risk management and control for 2015/16. It is their opinion that there is a generally sound system of internal control, adequately designed to meet the objectives of Lancashire Combined Fire Authority and the controls were generally applied consistently.

This opinion is based on the individual assurance levels they have provided for each of the individual audit reviews undertaken in 2015/16, as shown in the detailed report.

Financial Implications

None

Environmental Impact

None

Equality and Diversity Implications

None

Human Resource Implications

None

Business Risk Implications

The work of internal auditor is one of the key control measures in place within the Authority. As such the annual report provides an assurance to Members that risks are being managed and controlled and feeds the Authority's overall assessment of the internal controls that operate within the Service.

Local Government (Access to Information) Act 1985**List of Background Papers**

Paper	Date	Contact
None		
Reason for inclusion in Part II, if appropriate:		

Lancashire Combined Fire Authority

Internal Audit Service

**Annual report of the head of internal audit for the year
ended 31 March 2016**

Contents

	Page
1. Introduction	1
2. Overall opinion on governance, risk management and internal control	2
3. Internal audit work undertaken	2
4. Implications for the Annual Governance Statement	5
5. Internal audit inputs and performance	5
6. Summary of findings	6

Annex 1 – Scope, responsibilities and assurance

Annex 2 – Audit assurance levels and classification of agreed actions

1 Introduction

Purpose of this report

- 1.1 This report summarises the work that the Internal Audit Service undertook during 2015/16 and the key themes arising from it. It provides my opinion on the overall adequacy and effectiveness of the systems of governance, risk management and internal control. It is made under the Public Sector Internal Audit Standards issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Chartered Institute of Internal Auditors (IIA), with which the Internal Audit Service conforms.

The role of internal audit

- 1.2 The Internal Audit Service is an assurance function designed to evaluate and improve the effectiveness of risk management, control, and governance processes. The Public Sector Internal Audit Standards require the head of internal audit to provide an opinion on the framework of governance, risk management and control of Lancashire Combined Fire Authority and a written report to those charged with governance, timed to support the annual governance statement. This report is based upon the work the Internal Audit Service performed during 2015/16 in relation to the 2015/16 audit plan.
- 1.3 The scope of our work, management and audit's responsibilities, the basis of my assessment, and access to this report are set out in Annex 1 to this report. The levels of assurance the Internal Audit Service provides are set out in Annex 2.

Interim reports

- 1.4 This report builds on the matters reported previously to the Audit Committee as it has been completed during the year.

Acknowledgements

- 1.5 I am grateful for the assistance that has been provided to the Internal Audit Service by the staff of Lancashire Fire and Rescue Service in the course of our work during the year.

Ruth Lowry
Head of Internal Audit
Lancashire County Council

2 Overall opinion on governance, risk management and internal control

Overall opinion

- 2.1 On the basis of our programme of work for the year, I can provide **substantial** assurance over the framework of governance, risk management and control for 2015/16. It is my opinion that there is a generally sound system of internal control, adequately designed to meet the objectives of Lancashire Combined Fire Authority and controls were generally applied consistently.
- 2.2 This opinion is based on the individual assurance levels we have provided for each of the individual audit reviews undertaken in 2015/16. Definitions of the assurance levels used are included in Annex 2.

Wider sources of assurance available to the Combined Fire Authority

- 2.3 Assurance has been provided by Grant Thornton as the Authority's external auditor for the year. Grant Thornton issued its annual audit letter relating to 2014/15 in September 2015, and gave unqualified opinions on both the annual financial statements and the Authority's value for money arrangements.

3 Internal audit work undertaken

Key financial systems

- 3.1 Our audit of the key financial systems found that there is overall a strong control environment in place, and we provided either full or substantial assurance over the systems reviewed this year, which have included accounts receivable, accounts payable, general ledger, human resources and payroll, pension administration and treasury management.
- 3.2 A small number of actions were agreed with management to enhance the controls in operation across these financial systems, but no issues are sufficiently significant to impact on the overall internal control environment. The table below indicates the overall number of actions agreed.

Actions agreed	Total
Extreme risk	0
High risk	0
Medium risk	0
Low risk	4
Total	4

- 3.3 We have also confirmed that the agreed actions in our prior year reports on these systems have been appropriately addressed.

Operational reviews

Corporate Programme Board

- 3.4 Our work on the Corporate Programme Board (CPB) arrangements did not identify any significant areas of concern in either the sufficiency of the overall control environment or compliance with the suite of controls in place and a number of areas of good practice were identified. As a result, we provided substantial assurance over the adequacy and effectiveness of the controls in place.
- 3.5 We consider the independent reporting arrangements for CPB as well as the practical management and operation of the individual programme boards and the CPB to be effective mechanisms for ensuring that there is transparency and due consideration in the decision making process. However, given the large number of service developments currently ongoing, a review of the project governance arrangements has been conducted to ensure that the highest priority and high risk projects can be considered by the CPB, without limiting its capacity to scrutinise individual projects constructively.
- 3.6 Furthermore, management have recognised that there is scope for controls to be further enhanced to improve individual project management from development to delivery and to improve the quality of information available to manage capacity of individual project managers and staff from within support departments, and actions have been agreed in this regard.

Provision of Risk Information to Staff

- 3.7 Overall, we can provide substantial assurance that sufficient, appropriate controls are in place to ensure that LFRS is collating, assessing and deploying risk information relevant to significant hazards to staff on a timely basis.
- 3.8 The PORIS methodology has been developed and introduced over a number of years, and in our opinion, compliance with the project management framework and governance by the Corporate Programme Board has supported the identification and management of project risks and lessons learned, which we are satisfied have been taken forward and are being addressed as part of the PORIS3 project. It is clear however that the project is still in progress and therefore there are a number of areas where controls are still under development, including the quality assurance processes and a number of actions have been agreed in this regard.
- 3.9 Additionally, whilst all existing high level risks should have been transferred onto the PORIS methodology, the focus now needs to be on cataloguing the remaining properties across station areas and on strengthening the sharing of risk information between LFRS and other agencies, including cross border services.

Follow-up work

- 3.10 Work has been undertaken to ascertain progress in implementing agreed actions resulting from the 2014/15 operational reviews, which included Corporate Risk Management and IT disaster recovery arrangements. The table below indicates the current position across these reviews.

Agreed actions	Total	Implemented	Ongoing	Not to be implemented
Extreme risk	0	0	0	0
High risk	0	0	0	0
Medium risk	6	1	4	1
Low risk	4	3	1	0
Totals	10	4	5	1

- 3.11 In relation to our audit of corporate risk management arrangements, two actions were agreed to embed the profile of corporate risk management further into the culture of the Service and, based on the information and explanations provided to us, we are satisfied that progress has been made in implementing the agreed actions. Additionally, we are satisfied that the revised approach to corporate risk management, approved by the Audit Committee in June 2015 is operating effectively.
- 3.12 In relation to our follow-up of ICT disaster recovery arrangements, we found that whilst progress has been made in implementing the agreed actions, this has been slower than anticipated based on the agreed implementation dates. Additionally, the non-technical IT disaster recovery policy has not been produced as originally intended, although we understand that the ICT disaster recovery plans are being updated for incorporation into the overall LFRS Business Continuity Plan which is currently being refreshed.

Fraud/ special investigations

- 3.13 Except for a couple of instances whereby scam e-mails sent to the Chief Fire Officer have been notified to us, no incidences of fraud or irregularity have been brought to our attention.

National Fraud Initiative

- 3.14 The NFI is part of the statutory audit process for health, local government and other public sector providers. The NFI flags inconsistencies in data within payroll, pensions and creditors which may indicate fraud or highlight emerging fraud risks. The Director of Corporate Services presented a report to the Audit Committee in March 2016 in respect of the data matches released in 2015 for investigation, and the results of those investigations.

4 Implications for the Annual Governance Statement

- 4.1 In making its annual governance statement the Combined Fire Authority should consider this report in relation to internal control, risk management and corporate governance.
- 4.2 We have agreed actions in a number of areas to enhance the controls in place for the planned audit reviews, and no high risk areas for improvement have been identified. There are therefore no matters arising from our work that should be identified in the annual governance statement as requiring improvement.

5 Internal audit inputs and performance

Internal audit plan 2015/16

- 5.1 Work carried out during 2015/16 was in accordance with the audit plan presented and approved by the Audit Committee in March 2015. Details of the assurance provided, and key issues identified for each of the areas covered is set out in the 'Summary of findings and assurance' table which forms part of Section 6. This shows that 77 days have been spent delivering the audit plan against a provision of 80 days. Of this, 69 days were undertaken during the 2015/16 financial year, with the remaining 8 days being conducted in the first quarter of 2016/17.
- 5.2 Action plans have been agreed in respect of all final audit reports. Positive action has been, or will be taken to address any areas for improvement identified. Implementation of these plans will be followed up as part of our 2016/17 audit plan.

Internal audit quality assurance and improvement

- 5.3 The head of internal audit operates a quality assurance and improvement programme that both monitors the on-going performance of internal audit activity and periodically assesses the Internal Audit Service's compliance with the PSIAS. This includes both internal and external assessments and is set out in a separate Quality Assurance and Improvement Programme which has recently been approved by the Audit and Governance Committee of Lancashire County Council, and which has been circulated to the Audit Committee for information.
- 5.4 The results of the quality assurance and improvement programme including any areas of non-conformance with PSIAS will be reported annually to the Audit Committee.
- 5.5 There are no areas of non-conformance with PSIAS to report.

6 Summary of findings

Overall summary and assurance provided

- 6.1 The table on the following pages sets out a brief summary of each review undertaken during the year. This sets out the planned and actual days we have spent on each review, the variance between the days reported, and a summary of the assurance we have been able to provide in relation to each system or operational area of your business. This also sets out the level and number of actions agreed for each review. They reflect the findings at the time the work was carried out.
- 6.2 We have distilled the assurance into an assessment of the adequacy of each system, and its effectiveness in operation.

System adequacy: We have defined a system as adequate if its design enables it to achieve its core control objectives which, if operating as intended, serve to manage its inherent risks.

System effectiveness: We have defined a system as operating effectively if, after testing or other supporting evidence has been found, it is operating as intended.

Summary of our findings and assurance – 2015/16 Audit programme

Review area	Audit days			Assurance		Key issues/ Comments
	Planned	Actual	Variation	Adequacy	Effectiveness	
Key Financial Systems						
General ledger	5	5	0	✓	✓	Our composite audit report was issued in September 2015. One action (low risk/ priority) was agreed relating to the need for regular reminders to be issued to LCC in relation to the appropriate procedure to follow for the set-up of LFRS suppliers.
				Full assurance		
Accounts payable	10	10	0	✓	✓	
				Full assurance		
Accounts receivable	5	5	0	✓	✓	Our report was issued in January 2016 and three actions (low risk/ priority) have been agreed relating to : (i) The review and agreement of the updated service level agreement with GMFRS regarding the provision of payroll services; (ii) The recording of meetings with GMFRS, with a log of issues to be maintained; and (iii) A formal record of the review of payroll access rights being maintained.
				Full assurance		
Human resources and payroll processes	10	10	0	✓	✓	
				Substantial assurance		

Review area	Audit days			Assurance		Key issues/ Comments
	Planned	Actual	Variation	Adequacy	Effectiveness	
Pensions administration	5	5	0	✓	✓	Our report was issued in March 2016 and no actions were raised. We did however report that the employer monthly files for the first six months of 2015/16 were only submitted by LFRS to Your Pensions Service in October 2015, with the remaining files only recently having been submitted. The data verification and processing of these files has been delayed at Your Pension Service but is being undertaken as a matter of priority.
				Substantial assurance		
Treasury management	5	5	0	✓	✓	Our report was issued in May 2016 with no actions raised.
				Substantial assurance		

Review area	Audit days			Assurance		Key issues/ Comments
	Planned	Actual	Variation	Adequacy	Effectiveness	
Operational reviews						
Corporate Programme Board	10	11	(1)	✓	✓	<p>Our final report was issued in June 2016 with 4 medium and 4 low actions agreed, which included:</p> <ul style="list-style-type: none"> (i) Re-visiting the governance arrangements applied to individual projects within the CPB; (ii) Developing an over - arching resource and project delivery timetable and central log of lessons learned; (iii) Delivering additional project management training; (iv) Introducing additional review stages into the existing project governance arrangements; and (v) Making minor changes to some of the project management framework documentation.
				Substantial assurance		

Review area	Audit days			Assurance		Key issues/ Comments
	Planned	Actual	Variation	Adequacy	Effectiveness	
Provision of Risk Information to Staff	15	14	1	✓	✓	<p>Our report was agreed in June 2016, and 5 medium and 4 low actions have been agreed which include:</p> <ul style="list-style-type: none"> (i) The development of formal guidelines to support Service Delivery Managers through the QA process currently being established; (ii) The alignment of the QA, operational debrief and the station review processes to ensure they each complement and inform each other; (iii) The strengthening of the arrangements for the receipt and transfer of cross border information, and for the sharing of risk information between different internal teams and other external agencies; and (iv) Conducting a review of the appropriateness of the review periods.
				Substantial assurance		

Review area	Audit days			Assurance		Key issues/ Comments
	Planned	Actual	Variation	Adequacy	Effectiveness	
Other areas						
Follow up reviews: Corporate Risk Management ICT disaster recovery	2	2	0	-	-	Our reports were issued in March 2016 and April 2016 respectively. In both cases, we were satisfied that progress has been made in implementing the agreed actions, although progress had been slower than originally envisaged.
National Fraud Initiative	2	1	1	-	-	Work relating to the monitoring of progress in relation to the processing of data matches.
Ad hoc advice and support	2	0	2	-	-	None utilised during the year.
Audit management	9	9	0	-	-	Compilation of the 2014/15 Annual Report; Attendance and reporting for meetings of the Audit Committee; Development of the Internal Audit Charter; and Production of the 2016/17 Audit Plan.
Total Days	80	77	3			

Summary of time spent during 2015/16

Work performed	Days spent
Completion of outstanding audit work from the 2014/15 audit plan	8
Time spent during 2015/16 on completing items from the 2015/16 audit plan	69
Total time spent during 2015/16	77
Completion of 2015/16 audit plan during 2016/17	8

Annex 1: Scope, responsibilities and assurance

Approach

- 1 In accordance with Public Sector Internal Audit Standards, the scope of internal audit encompasses all of the governance, risk management and control processes of the Combined Fire Authority including where they are provided by other organisations on their behalf.

Responsibilities of management and internal auditors

- 2 It is management's responsibility to maintain systems of risk management, internal control and governance. Internal audit is an element of the internal control framework assisting management in the effective discharge of its responsibilities and functions by examining and evaluating controls.
- 3 Lancashire Combined Fire Authority has taken the decision to outsource their internal audit provision, and Lancashire County Council's Internal Audit Service was the appointed service provider for 2015/16.
- 4 It is the role of the Internal Audit Service to provide independent assurance that these risk management, control and governance processes are adequately designed and effectively operated. The PSIAS makes clear that the provision of this assurance is internal audit's primary role and that this requires the head of internal audit to provide an annual opinion based on an objective assessment of the framework of governance, risk management and control.
- 5 This assessment will be supported by the identification, analysis, evaluation and documentation of sufficient information on each individual audit assignment, and the completion of sufficient assignments to support an overall opinion for the organisation as a whole.
- 6 Internal auditors cannot be held responsible for internal control failures, however, we have planned our work so that we have a reasonable expectation of detecting significant control weaknesses. We have reported all such weaknesses to you as they have become known to us, without undue delay, and have worked with you to develop proposals for remedial action.
- 7 The requirement to be independent and objective means that the Internal Audit Service cannot assume management responsibility for risk management, control or governance processes. However the Internal Audit Service may support management by providing consultancy services. These are advisory in nature and are generally performed at the specific request of the organisation, with the aim of improving governance, risk management and control and will also contribute to the overall assurance opinion.
- 8 Accountability for responses to the Internal Audit Service's advice and recommendations for action lies with the Senior Management Team, which either accepts and implements the advice or accepts the risks associated with not taking action. Audit advice, including where the Internal Audit Service has been consulted about significant changes to internal control systems, is given without prejudice to the right of the Internal Audit Service to review and recommend further action on the relevant policies, procedures, controls and operations at a later date.

- 9 The head of internal audit will provide an annual report incorporating an overall opinion, a summary of the work that supports that opinion, and a statement of conformity with the PSIAS and the results of the quality assurance and improvement programme.
- 10 The Internal Audit Service is not responsible for the prevention or detection of fraud and corruption. Managing the risk of fraud and corruption is the responsibility of management. Internal auditors will, however, be alert in all their work to risks and exposures that could allow fraud or corruption and to any indications that fraud and corruption may have occurred. Internal audit procedures alone, even when performed with due professional care, cannot guarantee that fraud or corruption will be detected.

Basis of our assessment

- 11 Our opinion on the adequacy of control arrangements is based upon the result of internal audit reviews undertaken and completed during the period in accordance with the plan approved by the Audit Committee. We have obtained sufficient, reliable and relevant evidence to support the improvements that we proposed and that have been accepted by management.

Limitations to the scope of our work

- 12 There have been no limitations to the scope of our audit work.

Limitations on the assurance that internal audit can provide

- 13 There are inherent limitations as to what can be achieved by internal control and consequently limitations to the conclusions that can be drawn from our work as internal auditors. These limitations include the possibility of faulty judgement in decision making, of breakdowns because of human error, of control activities being circumvented by the collusion of two or more people and of management overriding controls. Also there is no certainty that internal controls will continue to operate effectively in future periods or that the controls will be adequate to mitigate all significant risks which may arise in future.
- 14 Decisions made in designing internal controls inevitably involve the acceptance of some degree of risk. As the outcome of the operation of internal controls cannot be predicted with absolute assurance any assessment of internal control is judgmental.

Access to this report and responsibility to third parties

- 15 This report has been prepared solely for the Combined Fire Authority. This report forms part of a continuing dialogue between the Internal Audit Service, senior officers within Lancashire Fire and Rescue Service and the Audit Committee. It is not therefore intended to include every matter that came to our attention during each internal audit review.
- 16 We acknowledge that this report may be made available to other parties, such as the external auditors. We accept no responsibility to any third party who may receive this report for any reliance that they may place on it and, in particular, we expect the external auditors to determine for themselves the extent to which they choose to utilise our work.

Annex 2: Audit assurance levels and classification of agreed actions

Audit assurance

The assurance we can provide over any area of control falls into one of four categories as follows:

Full assurance: there is a sound system of internal control which is adequately designed to meet the service objectives and is effective in that controls are being consistently applied.

Substantial assurance: there is a generally sound system of internal control, adequately designed to meet the service objectives, and controls are generally being applied consistently. However some weakness in the design and/ or inconsistent application of controls put the achievement of particular objectives at risk.

Limited assurance: weaknesses in the design and/ or inconsistent application of controls put the achievement of the service objectives at risk.

No assurance: weaknesses in control and/ or consistent non-compliance with controls could result/ has resulted in failure to achieve the service objectives.

Actions proposed by the Internal Audit Service

All actions proposed by the Internal Audit Service and agreed by management are stated in terms of the residual risk they are designed to mitigate.

Extreme residual risk: Critical and urgent in that failure to address the risk could lead to one or more of the following occurring: catastrophic loss of the county council's services, loss of life, significant environmental damage or huge financial loss, with related national press coverage and substantial damage to the council's reputation.

High residual risk: Critical in that failure to address the issue or progress the work would lead to one or more of the following occurring: failure to achieve organisational objectives, disruption to the business, financial loss, fraud, inefficient use of resources, failure to comply with law or regulations, or damage to the council's reputation.

Medium residual risk: Less critical, but failure to address the issue or progress the work could impact on operational objectives and should be of concern to senior management.

Low residual risk: Areas that individually have no major impact on achieving the service objectives or on the work programme, but where combined with others could give cause for concern.

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**LANCASHIRE COMBINED FIRE AUTHORITY
AUDIT COMMITTEE**

Meeting to be held on 23 June 2016

**EXTERNAL AUDIT - AUDIT COMMITTEE UPDATE
(Appendix 1 refers)**

Contact for further information:

Keith Mattinson - Director of Corporate Services - Telephone 01772 866804.

Executive Summary

Attached as appendix 1 is an Audit Committee Progress and Update produced by Grant Thornton, our external auditors.

Recommendation

The Committee is asked to note and endorse the report.

Information

Attached as Appendix 1 is an Audit Committee Progress and Update produced by the Grant Thornton, our external auditors.

The report sets out the following:-

- Progress at June 2016 – in relation to the financial statements and value for money conclusion for 2015/16;
- Emerging Issues and Developments, it is worth noting that these are general issues which have been identified as relevant to the sector, i.e. Fire Authorities, they are not specific issues relating to the performance of this Authority.

Members may wish to consider which, if any, of the emerging issues they would like further information on, which could be provided for the next Audit Committee.

Financial Implications

None

Human Resource Implications

None

Equality and Diversity Implications

None

Environmental Impact

None

Business Risk Implications

None

Local Government (Access to Information) Act 1985

List of Background Papers

Paper	Date	Contact
None		
Reason for inclusion in Part II, if appropriate:		

Audit Committee
Progress and Update Report for
Lancashire Combined Fire Authority
Year ended 31 March 2016

June 2016

Page 35

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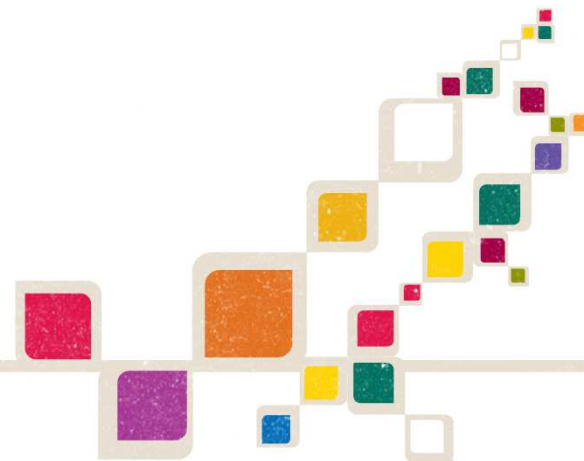
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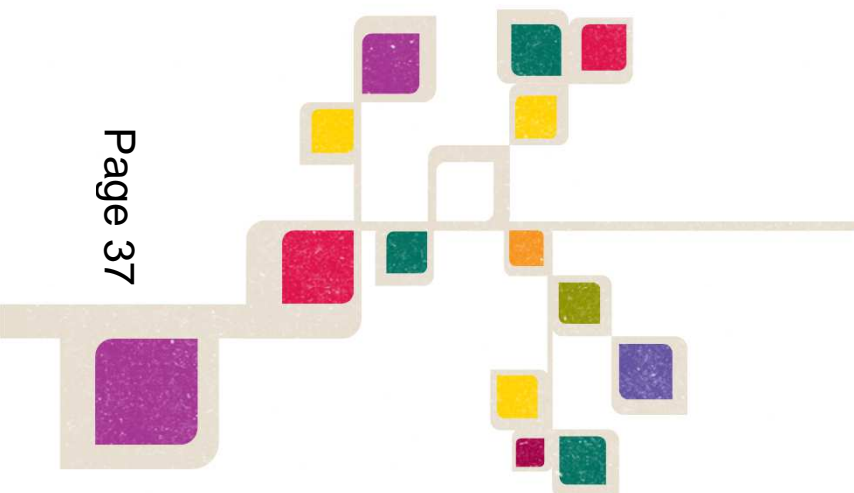


The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect your business or any weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.



Contents

Page 37



Contents	Page
Introduction	4
Progress at June 2016	5
Emerging issues and developments:	
Grant Thornton reports	7
Other publications	12

Introduction

This paper provides the Audit Committee with a report on progress in delivering our responsibilities as your external auditors.

Members of the Audit Committee can find further useful material on our website www.grant-thornton.co.uk, where we have a section dedicated to our work in the public sector. Here you can download copies of our publications including:

- Better Together: Building a successful joint venture company;
<http://www.grantthornton.co.uk/en/insights/building-a-successful-joint-venture-company/>
- Knowing the Ropes – Audit Committee; Effectiveness Review ;
www.grantthornton.co.uk/en/insights/knowing-the-ropes--audit-committee-effectiveness-review-2015/
- Making devolution work: A practical guide for local leaders (October 2015)
www.grantthornton.co.uk/en/insights/making-devolution-work/

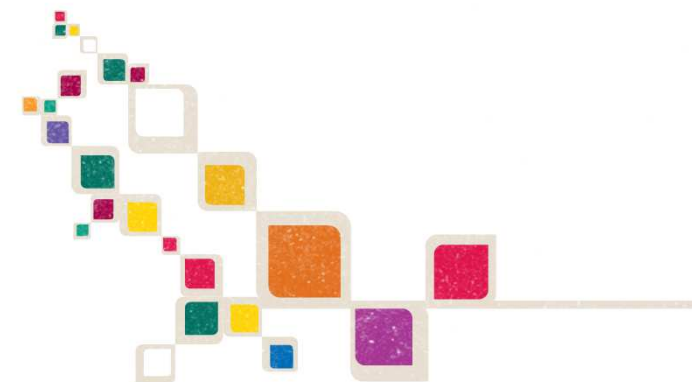
If you would like further information on any items in this briefing, or would like to register with Grant Thornton to receive regular email updates on issues that are of interest to you, please contact either your Engagement Lead or Engagement Manager.



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Progress at June 2016



 **Progress against plan**
On track

 **Opinion and VfM conclusion**
Plan to give before deadline of 30 September 2016

 **Outputs delivered**
Fee letter, Progress Reports, delivered to plan

Page 39

2015/16 work

Fee Letter

We issued the 'Planned fee letter for 2015/16 in April 2015.

April 2015

We have also recently issued the fee letter for 2016/17.

Accounts Audit Plan

We are required to issue a detailed accounts audit plan to the Authority setting out our proposed approach in order to give an opinion on the Authority's 2015-16 financial statements.

April 2016

This was presented to the Audit Committee in March.

We also inform you of any subsequent changes to our audit approach.

Interim accounts audit

Our interim fieldwork visit includes:

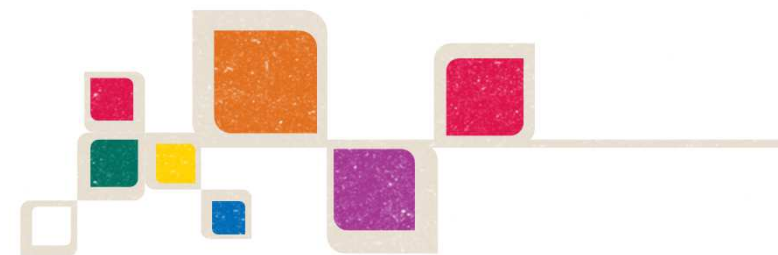
- updating our review of the Authority's control environment
- updating our understanding of financial systems
- review of Internal Audit reports on core financial systems
- early work on emerging accounting issues
- early substantive testing

March 2016

We have documented our understanding of the Authority's control environment and your financial systems. We have completed walkthroughs of the key financial systems. We have begun early substantive testing covering the following areas:

- Employee remuneration
- Operating expenses
- Firefighter pensions benefits payable

Progress at June 2016



Page 40

2015/16 work	Completed	Comments
<p>Final accounts audit Including:</p> <ul style="list-style-type: none"> • Audit of the 2015-16 financial statements • proposed opinion on the Authority's accounts 	<p><i>Planned for July - August</i></p>	<p>We are planning to complete our audit by 31st August as part of the transition to the earlier closedown and audit cycle that is required from 2018.</p> <p>We have discussed with your finance team the best way of ensuring we meet this earlier deadline.</p>
<p>Value for Money (VfM) conclusion The scope of our work has changed and is set out in the final guidance issued by the National Audit Office in November 2015. The Code requires auditors to satisfy themselves that; "the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources".</p> <p>The guidance confirmed the overall criterion as; "in all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people".</p> <p>The three sub criteria for assessment to be able to give a conclusion overall are:</p> <ul style="list-style-type: none"> • Informed decision making • Sustainable resource deployment • Working with partners and other third parties 	<p><i>Formal conclusion reported by 30 September 2016</i></p>	<p>We reported the results of our initial risk assessment to the Audit Committee in our audit plan.</p> <p>The results of our VfM audit work and the key messages arising will be reported in our Audit Findings Report.</p> <p>We will include our conclusion as part of our report on your financial statements which we will give by 30 September 2016.</p>

Better Together: Building a successful joint venture company

Grant Thornton reports

Local government is evolving as it looks for ways to protect front-line services. These changes are picking up pace as more councils introduce alternative delivery models to generate additional income and savings.

Page 41

'Better together' is the next report in our series looking at alternative delivery models and focuses on the key areas to consider when deciding to set up a joint venture (JV), setting it up and making it successful.

JVs have been in use for many years in local government and remain a common means of delivering services differently. This report draws on our research across a range of JVs to provide inspiring ideas from those that have been a success and the lessons learnt from those that have encountered challenges.

Key findings from the report:

- JVs continue to be a viable option – Where they have been successful they have supported councils to improve service delivery, reduce costs, bring investment and expertise and generate income
- There is reason to be cautious – Our research found a number of JVs between public and private bodies had mixed success in achieving outcomes for councils
- There is a new breed of JVs between public sector bodies – These JVs can be more successful at working and staying together. There are an increasing number being set up between councils and wholly-owned commercial subsidiaries that can provide both the commercialism required and the understanding of the public sector culture.

Our report, Better Together: Building a successful joint venture company, can be downloaded from our website: <http://www.grantthornton.co.uk/en/insights/building-a-successful-joint-venture-company/>



ALTERNATIVE SERVICE DELIVERY MODELS IN LOCAL GOVERNMENT

Better together
Building a successful
joint venture company



Joining up the dots, not picking up the pieces

Partnership working in mental health

Summary report of our mental health collaboration summit

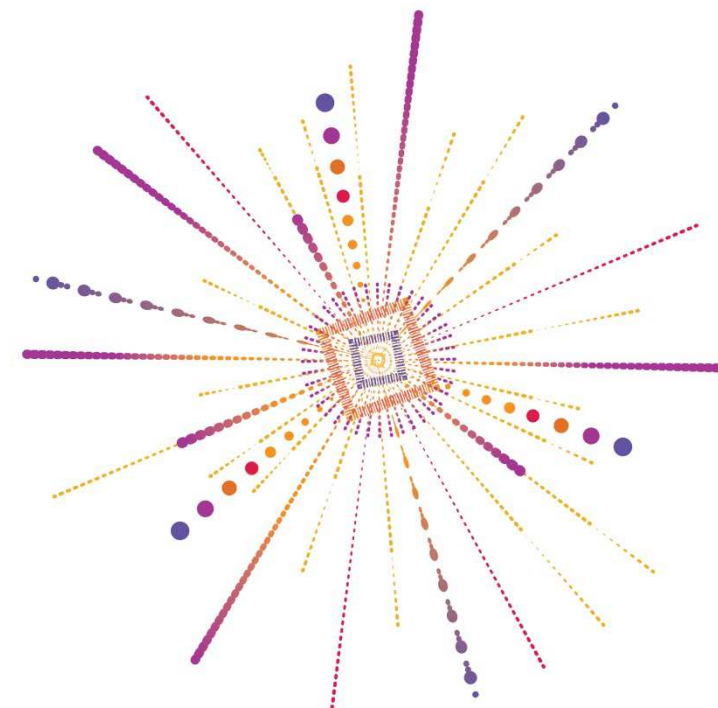
Mental ill health costs the economy over £100 million each year and affects one in four people. However, responding to issues related to an underlying mental illness does not solely sit within the remit of health professionals. With many parts of the public sector needing to respond, and each facing significant financial pressures, collaboration around this issue is essential to provide high quality care and make savings to the wider public purse.

This paper draws together examples of successful collaboration between public services and feedback from a Midlands round table discussion – where the West Midlands Combined Authority has set up a mental health commission – to look at how different services have overcome some of the traditional barriers and demarcation lines between organisations.

The key messages are:

- The unpredictable nature of mental health symptoms can mean that the first point of contact is via emergency services, with ambulance, fire and rescue or police officers being present. The cost of services not being available at the right place at the right time can be huge, in terms of the personal suffering of individuals and costs to the wider system
- Often relatively modest amounts of money targeted at specific initiatives such as street triage or community cafes can make a huge difference in improving the availability of important services
- An impact can be made without the need for expensive structural change. Most importantly, it requires a genuine approach to collaboration and a culture of putting the patient first
- Investing in collaborative initiatives focussing on the needs of mental health patients were undoubtedly resulting in savings elsewhere to the public purse. Examples include:
 - 92% reduction in detentions under section 136 of the Mental Health Act in Cheshire and Wirral; 50% reduction in Birmingham and Solihull; 39% in Nottinghamshire; 30% in Kent
 - 647 A&E attendances avoided by one street triage team in one year in Birmingham and Solihull
 - 80% remission in psychosis through early intervention in Derbyshire
 - 25% of unemployed users of the café run by the Manchester Mind Young Adults Services and Projects team have gone on to find employment.

Grant Thornton reports



Fighting Fraud and Corruption Locally

CIPFA publication

Fighting Fraud and Corruption Locally is a strategy for English local authorities that is the result of collaboration by local authorities and key stakeholders from across the counter fraud landscape .

Page 43

This strategy is the result of an intensive period of research, surveys, face-to-face meetings and workshops. Local authorities have spoken openly about risks, barriers and what they feel is required to help them improve and continue the fight against fraud and to tackle corruption locally.

Local authorities face a significant fraud challenge. Fraud costs local authorities an estimated £2.1bn a year. In addition to the scale of losses, there are further challenges arising from changes in the wider public sector landscape including budget reductions, service remodelling and integration, and government policy changes. Local authorities will need to work with new agencies in a new national counter fraud landscape.

The strategy:

- calls upon local authorities to continue to tackle fraud with the dedication they have shown so far and to step up the fight against fraud in a challenging and rapidly changing environment
- illustrates the financial benefits that can accrue from fighting fraud more effectively
- calls upon central government to promote counter fraud activity in local authorities by ensuring the right further financial incentives are in place and helping them break down barriers to improvement
- updates and builds upon Fighting Fraud Locally 2011 in the light of developments such as The Serious and Organised Crime Strategy and the first UK Anti-Corruption Plan
- sets out a new strategic approach that is designed to feed into other areas of counter fraud and corruption work and support and strengthen the ability of the wider public sector to protect itself from the harm that fraud can cause.

The strategy can be downloaded from

<http://www.cipfa.org/services/counter-fraud-centre/fighting-fraud-and-corruption-locally>



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LANCASHIRE COMBINED FIRE AUTHORITY

AUDIT COMMITTEE

Meeting to be held on 23 June 2016

ANNUAL GOVERNANCE STATEMENT 2015/16 (Appendices 1 and 2 refer)

Contact for further information:-

Keith Mattinson - Director of Corporate Services – Telephone Number 01772 866804

Executive Summary

The Accounts and Audit Regulations 2003 require the Authority to publish an Annual Governance Statement along with the Authority's financial statements, following a review of the effectiveness of the internal controls in place. The report and the draft statement attached as appendix 2, set out the key elements of the Authority's governance framework, how these have been evaluated, the outcome of the assessment of effectiveness and any areas for improvement.

The overall conclusion of the Annual Governance Statement is that the system of internal controls is adequate, and that no significant governance issues have been identified.

Recommendation

The Committee is asked to approve the self-assessment and the the Annual Governance Statement based on this.

Background

The Authority is required to produce an Annual Governance Statement as part of the year end process for 2015/16.

The Audit Committee has previously approved a revised Code of Corporate Governance, in line with guidance produced jointly by CIPFA (Chartered Institute of Public Finance Accountants) and SOLACE (Society of Local Authority Chief Executives).

The Code defines corporate governance as the way an Authority ensures that it is doing the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner.

Included within the Code are the following core principles:-

1. Focusing on the purpose of the Authority and on outcomes for the community and creating and implementing a vision for the local area;
2. Members and officers working together to achieve a common purpose with clearly defined functions and roles;
3. Promoting values for the Authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour;
4. Taking informed and transparent decisions which are subject to effective scrutiny and managing risk;
5. Developing the capacity and capability of members and officers to be effective;
6. Engaging with local people and other stakeholders to ensure robust public accountability

In order to assess the effectiveness of the Authority's current arrangements a self-assessment has been undertaken by the Executive Board, considering the various sources of assurance which support the core principles outlined above, and the outcome of this is attached as appendix 1. One of the key elements of this is external assurance on our systems, and this is provided by our auditors, both of whom provide positive reports, and by the previous years Operational Assessment undertaken by Peer Review Team, which found 'nothing of significance' that would cause problems.

The review has highlighted a number of other areas for further improvements:-

- Deliver a new model for the assurance of service delivery activities and review our station audit process;
- Review our operational debrief process and incident monitoring to increase learning from incidents and improve operational performance;
- Review our appraisal system to better align individual tasking with organisational priorities and values;
- Review progress against the Equality and Diversity National framework.

The assessment also considers recommendations made as part of last year's Annual Governance Statement, and the following table updates on progress against these:-

Area for Improvement	Action to date	Completed/ On-going
Develop revised Risk Management Strategy	New Risk Management Strategy agreed and implemented, incorporating removal of Directorate Risk Registers to reduce bureaucracy and reference to Corporate Programme Board process which includes risk assessments for all major projects/reviews.	Completed

<p>The Services Information Management Strategy needs to be reviewed and updated to take account of changing requirements.</p>	<p>The Business process and Information programme Board has commissioned work on developing the underpinning policies and strategies needed to create the overarching Information Strategy:-</p> <ul style="list-style-type: none"> • Knowledge Management Strategy. • Records Management Strategy. • Information Governance Strategy. • System Integration Strategy. • User Support Strategy. <p>The Project has now completed work on an initial Information Strategy and a number of underpinning policies. There is a road map of work to be undertaken, and the initial phases of this work are now being undertaken.</p>	<p>On-going</p>
<p>Improvements highlighted in the Services Operational and Organisational Assessment Improvement Plans need to be completed.</p>	<p>All improvements have been completed.</p>	<p>Completed</p>
<p>The Workforce Development Strategy to be reviewed in light of changing age profile.</p>	<p>An updated Workforce Development Strategy was agreed in March. Incorporating updated retirement profiles.</p>	<p>Completed</p>
<p>Undertake a Governance review, including reviewing Terms of Reference for Committees, Standing Orders, Scheme of Delegation and Financial Regulations.</p>	<p>This work remains outstanding.</p>	<p>On-going</p>
<p>Undertake a new Audit Committee self-assessment based on latest CIPFA guidance (self-assessment undertaken in 2014/15 based on old guidance).</p>	<p>An updated self-assessment was agreed in March.</p>	<p>Completed</p>
<p>Review partnership engagement and opportunities.</p>	<p>Following work streams being progressed:-</p> <ul style="list-style-type: none"> • Safe and Well visits – identified 6 key areas that have been re-occurring themes to date; falls prevention, social isolation, diabetes, dementia, home security, healthy homes; 	<p>On-going</p>

	<ul style="list-style-type: none"> • Information sharing work stream to consider LPRES (Lancashire Patient Record Exchange System); meeting to be progressed with suppliers, internal stakeholders and with other services; • Fire Safety Model for social care work stream is progressing the development of a jointly owned action plan; • Volunteer work stream is progressing with the use of volunteers in delivering Fire Cadets; • Group Manager has been seconded within Lancashire Constabulary to consider opportunities for joint working. 	
Develop a more flexible way of ensuring the delivery of our business continuity arrangements.	<p>A new process has been agreed. All departments have completed Business Impact Assessments and are finalising recovery plans.</p> <p>The strategic plan is near completion with input outstanding from tactical plans.</p> <p>The tactical plan for the displacement of staff from SHQ is in development.</p>	On-going
Deliver services digitally to the public using web technology.	<p>A new Internet site has been introduced. The HFSC project has delivered services digitally to the public using web technology.</p> <p>Further work is required in order to agree other areas for development</p>	On-going
Develop a staff engagement strategy and improvement action plan.	<p>A strategy and action plan was produced and has delivered a number of items e.g. Staff barometer, development of a strategic narrative, introduction of revised annual service plan with programme of team briefs.</p> <p>Further work required to look at reviewing staff recognition and developing staff sounding boards</p>	On-going
Introduce a formal coaching and mentoring programme.	<p>Coaching & mentoring training rolling out to Supervisory Managers.</p> <p>Managers in development have mentors appointed.</p> <p>Coaching programme being developed.</p>	On-going

As part of our review, we are required to identify and disclose any significant internal control issues, of which there have been none, hence the overall conclusion is that the system of internal controls is adequate.

The above position is reflected in the Annual Governance Statement, attached as appendix 2.

Financial Implications

None

Human Resource Implications

None

Equality and Diversity Implications

None

Environmental Impact

None

Business Risk Implications

The Annual Governance Statement and the review of effectiveness of the Authority's arrangements for complying with its Code of Corporate Governance forms a key element of the Authority's overall assessment of how well it is managing its business risks.

**Local Government (Access to Information) Act 1985
List of Background Papers**

Paper	Date	Contact
Code of Corporate Governance	Mar 2016	Keith Mattinson, Director of Corporate Services
External Auditors Annual Audit Letter	Jan 2016	Keith Mattinson, Director of Corporate Services
Internal Audit Annual Report	May 2016	Keith Mattinson, Director of Corporate Services
Reason for inclusion in Part II, if appropriate:		

Lancashire Fire & Rescue Service Statement of assurance on governance arrangements, including risk management and internal control

Lancashire Fire & Rescue Service (LFRS) is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded, properly accounted for and used economically, efficiently and effectively.

In discharging this overall responsibility, LFRS is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions which includes arrangements for the management of risk.

The governance framework comprises the systems and processes, and culture and values, by which the authority is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the Authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level.

As the Executive Board, we have responsibility for maintaining a system of sound internal control including risk management that supports the achievement of the Authority's and the Service's objectives, and for reviewing its effectiveness. The system of internal control is based on an ongoing process designed to identify the principal risks to the achievement of these objectives, to evaluate the nature and extent of those risks and to manage them efficiently, effectively and economically.

However, the system of internal control is designed to manage rather than eliminate the risk of failure to achieve these objectives; it can therefore provide only reasonable and not absolute confidence that the risks of failure have been mitigated.

As Executive Directors, we are responsible for reviewing the effectiveness of the governance arrangements including system of internal control and risk management processes operating within the Service. The review of the effectiveness of the governance arrangements including the system of internal control has taken into account the following:

- The adequacy and effectiveness of management review processes;
- Outcomes from the formal risk assessment and evaluation (the risk register);
- Relevant self-assessments of key service areas within the Service;
- Relevant internal audit reports and the implementation of recommendations made by the Audit Service; and
- Outcomes from reviews by other bodies including external and statutory inspectorates and the external auditors.

Last year's assessment identified several areas for improvement and the current position regarding these is set out below:-

Area for Improvement	Action to date	Completed/ On-going
Develop revised Risk Management Strategy	New Risk Management Strategy agreed and implemented, incorporating removal of Directorate Risk Registers to reduce bureaucracy and reference to Corporate Programme Board process which includes a risk assessments for all major projects/reviews	Completed
The Services Information Management Strategy needs to be reviewed and updated to take account of changing requirements.	<p>The Business process and Information programme Board has commissioned work on developing the underpinning policies and strategies needed to create the overarching Information Strategy:-</p> <ul style="list-style-type: none"> • Knowledge Management Strategy. • Records Management Strategy. • Information Governance Strategy. • System Integration Strategy. • User Support Strategy. <p>The Project has now completed work on an initial Information Strategy and a number of underpinning policies. There is a road map of work to be undertaken, and the initial phases of this work are now being undertaken.</p>	On-going
Improvements highlighted in the Services Operational and Organisational Assessment Improvement Plans need to be completed.	All improvements have been completed.	Completed
The Workforce Development Strategy to be reviewed in light of changing age profile.	An updated Workforce Development Strategy was agreed in March. Incorporating updated retirement profiles.	Completed
Undertake a Governance review, including reviewing Terms of Reference for Committees, Standing Orders, Scheme of Delegation and Financial Regulations.	This work remains outstanding.	On-going
Undertake a new Audit Committee self-assessment based on latest CIPFA guidance (self-assessment undertaken in 2014/15 based on old guidance).	An updated self-assessment was agreed in March.	Completed

Review partnership engagement and opportunities.	<p>Following work streams being progressed:-</p> <ul style="list-style-type: none"> • Safe and Well visits – identified 6 key areas that have been re-occurring themes to date; falls prevention, social isolation, diabetes, dementia, home security, healthy homes. • Information sharing work stream to consider LPRES (Lancashire Patient Record Exchange System); meeting to be progressed with suppliers, internal stakeholders and with other services • Fire Safety Model for social care work stream is progressing the development of a jointly owned action plan • Volunteer work stream is progressing with the use of volunteers in delivering Fire Cadets. • Group Manager has been seconded within Lancs Police to consider opportunities for joint working. 	On-going
Develop a more flexible way of ensuring the delivery of our business continuity arrangements.	<p>A new process has been agreed. All departments have completed Business Impact Assessments and are finalising recovery plans. The strategic plan is near completion with input outstanding from tactical plans. The tactical plan for the displacement of staff from SHQ is in development.</p>	On-going
Deliver services digitally to the public using web technology.	<p>A new Internet site has been introduced. The HFSC project has delivered services digitally to the public using web technology. Further work is required in order to agree other areas for development</p>	On-going
Develop a staff engagement strategy and improvement action plan.	<p>A strategy and action plan was produced and has delivered a number of items e.g. Staff barometer, development of a strategic narrative, introduction of revised annual service plan with programme of team briefs. Further work required to look at reviewing staff recognition and developing staff sounding boards</p>	On-going
Introduce a formal coaching and mentoring programme.	<p>Coaching & mentoring training rolling out to Supervisory Managers. Managers in development have mentors appointed. Coaching programme being developed.</p>	On-going

This year's assessment is attached as appendix 2, setting out the key control areas within our governance arrangements, how we assess performance against these and what our evidence for this is. As can be seen our assessment is that we have good arrangements in the majority of cases, with the only adequate assessment relating to compliance with the data transparency code, where we meet requirements but do not publish all recommended data sets due to the time involved in doing so, and partnership arrangements, which we are continuing to review. We do not have any areas where we believe we do not have adequate controls in place.

However a number of further improvements have been identified as part of this year's assessments process, highlighted in bold on the attached self-assessment:-

- Deliver a new model for the assurance of service delivery activities and review our station audit process;
- Review our operational debrief process and incident monitoring to increase learning from incidents and improve operational performance;
- Review our appraisal system to better align individual tasking with organisational priorities and values;
- Review progress against the Equality and Diversity National framework.

We are satisfied that, except for the matters identified above, effective governance arrangements are in place, including a sound system of internal control throughout the year ended 31 March 2016 and which are on-going.

We propose to take steps to address the matters identified to enhance the adequacy of the Service's internal controls. We are satisfied that these steps will enhance the system of internal control and the overall governance arrangements and we will be monitoring their implementation and operation.

STATEMENT ON ANNUAL GOVERNANCE ARRANGEMENTS BY THE CHAIRMAN OF THE COMBINED FIRE AUTHORITY, THE TREASURER TO THE COMBINED FIRE AUTHORITY AND THE CHIEF FIRE OFFICER

Scope of Responsibility

Lancashire Combined Fire Authority (the Authority) is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Authority also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, the Authority is responsible for putting in place proper arrangements for the governance of its affairs facilitating the effective exercise of its functions, and which includes arrangements for the management of risk.

The Authority has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government*. Included within the Code are the following core principles:-

1. Focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area;
2. Members and officers working together to achieve a common purpose with clearly defined functions and roles;
3. Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour;
4. Taking informed and transparent decisions which are subject to effective scrutiny and managing risk;
5. Developing the capacity and capability of members and officers to be effective;
6. Engaging with local people and other stakeholders to ensure robust public accountability.

(A copy of the code, setting out the core and supporting principles, what the Authority commits itself to do and how it will do this can be found on our website at <http://www.lancsfirerescue.org.uk/sites/lancs/Pages/ContentDocuments/Code-of-Corporate-Governance.pdf>)

This statement explains how the Authority has complied with the code and also meets the requirements of regulation 4(2) of the Accounts and Audit Regulations 2003 as amended by the Accounts and Audit (Amendment) (England) Regulations 2006 in relation to the publication of a statement on internal control.

The Purpose of the Governance Framework

The governance framework comprises the systems and processes, and culture and values, by which the Authority is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the Authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an on-going process designed to identify and prioritise the risks to the achievement of the Authority's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place at the Authority for the year ended 31 March 2016 and up to the date of approval of the 2015/16 Statement of Accounts.

The Governance Framework

The Governance framework describes the key elements of the systems and processes that comprise the Authority's governance arrangements in accordance with the six principles of Corporate Governance included in our Code and include:-

- The Integrated Risk Management Plan sets out the strategic focus and medium term ambitions for the Authority including its objectives; how these will be achieved and measured; key projects and strategies to be developed out of the Plan and description of how we conduct our business. The current plan covering 2013-2017 was approved this year and can be found on our website at <http://www.lancsfirerescue.org.uk/sites/lancs/Pages/ContentDocuments/Integrated%20Risk%20Management%20Plan.pdf>
- Annual Service Plan, setting out Vision, Activities, Priorities and Values. The current plan covering 2016-17 was approved this year and can be found on our website at <http://www.lancsfirerescue.org.uk/sites/lancs/Pages/ContentDocuments/Annual-Service-Plan.pdf>
- A Communication Strategy and the Consultation Strategy;
- A comprehensive performance management framework, with the Performance Committee and Service Management Team receiving regular reports on performance against targets and any corrective action taken to address any variances. On an annual basis the Authority publishes an Annual Performance Report, setting out its overall performance against key performance indicators and including summary financial information;
- A Corporate Programme Board to provide oversight across 3 areas:-
 - Business Process Improvement Programme;
 - Workforce Development Programme;
 - Service Delivery Change Programme.

All major projects and reviews follow a similar format and report to Corporate Programme Board.

- The Authority operates a Committee Structure aligned to strategic objectives, within agreed Terms of Reference, as follows:-
 - The Audit Committee - To advise on the adequacy and effectiveness of the Authority's Internal and External Audit Service and risk management arrangements, which operates in line with the core functions identified in CIPFAs Audit Committees – Practical Guidance for Local Authorities;
 - The Resources Committee - To consider reports and make decisions relating to financial, human resources and property related issues;

- The Planning Committee - To consider reports and make decisions relating to all aspects of planning arrangements, including consultation and communication arrangements;
 - The Performance Committee - To consider reports and make recommendations on all aspects of performance management,
 - The Appeals Committee -To hear relevant appeals, grievances and complaints.
- Clear management structure within the Service. The Executive Board, comprising the Chief Fire Officer (head of paid service), and 4 Executive Directors, is responsible for determining policy, monitoring performance and developing service plans in line with the Authority's overall strategic objectives and is assisted in this process by the Service Management Team;
 - The Combination Scheme Order, Standing Orders, Terms of Reference of individual Committees, Scheme of Delegation and Financial Regulations establish overall arrangements for policy setting and decision making and the delegation of powers to members and officers;
 - Comprehensive suite of strategies and policies in place and regularly reviewed;
 - Codes of Conduct for members and officers, and member/officer protocol, that set out clear expectations for standards of behaviour;
 - Both the Monitoring Officer and Treasurer are involved in the Authority's decision making process, and ensure compliance with established policies, procedures, laws and regulations; All Authority reports are considered for human resource, financial, business risk, environmental and equality and diversity implications in order to identify key issues;
 - The Treasurer's role and financial management arrangements align with requirements set out in CIPFAs Statement on the Role of the Chief Financial Officer in Local Government (2010);
 - Well publicised arrangements for dealing with complaints and whistle-blowing, and for combating fraud and corruption;
 - A Risk Management Strategy and framework which ensures that risks to the Service's objectives are identified and appropriately managed;
 - Comprehensive Business Continuity arrangements in place, and tested on a regular basis;
 - A Partnership Protocol which sets out arrangements for entering into partnerships;
 - Compliance with data transparency requirements, including publication of all key documents, committee agenda and minutes, pay policy and publication scheme on the internet;
 - Regular assessment of training & development needs of both members and officers, including appropriate appraisal system. Sufficient budget to meet relevant training requirements;
 - Comprehensive service review process in place, comprising external views in the form of Peer Assessment/Operational Assurance review, External Audit reviews, Internal Audit reviews and internal reviews undertaken by our own staff. Ultimately these culminate in the production, and publication, of an Annual Assurance Statement.

Review of effectiveness

The Authority has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the executive managers within the Authority who have responsibility for the development and maintenance of the governance environment, the Internal Auditors annual report, and also by comments made by the external auditors and other review agencies and inspectorates.

A statement of assurance has been discussed and approved by the Executive Board as to the effectiveness of the governance arrangements for which it is responsible, including the system of internal control. The statement of assurance covers all the principles set out in the Authority's Code of Corporate Governance. The statement of assurance reveals no areas of weakness in the Authority's corporate governance arrangements; the arrangements are in all cases at least adequate and in the majority of areas good.

In maintaining and reviewing the effectiveness of the Authority's governance arrangements the following have been considered:-

- The introduction of the Annual Service Plan has provided greater clarity, both internally and externally, on our four priorities set out in the IRMP and describes what our ambitions are for each priority, as well as setting out the projects and actions that will be delivered, developed or reviewed during the coming year against each of our priorities.
- The introduction of the Corporate Programme Board arrangements has driven further improvements in terms of delivering our objectives and managing projects and reviews.
- Revised Risk Management arrangements have been implemented, focusing more on key risks and the link to Corporate Programme Boards and major projects.
- Business Continuity arrangements have been tested throughout the year, due to the major flooding that occurred in December, an area currently being updated to provide a more flexible response.
- An updated Workforce Development Strategy has been agreed.
- The Audit Committee has undertaken a self-assessment exercise to ensure it discharges its requirements in an effective manner. This did not identify any significant weaknesses.
- Internal Audit services were provided by Lancashire County Council, who complies with CIPFA's Code of Internal Audit Practice. The service is designed to give assurance that the Authority maintains adequate systems of internal control and to make recommendations on ways to enhance these where felt necessary.

As part of the 2015/16 audit plan the auditors undertook various reviews and gave the overall opinion that they can provide substantial assurance over the internal control environment, governance and risk management arrangements for 2015/16, and that there is a generally a sound system of internal control, adequately designed to meet the objectives of Lancashire Combined Fire Authority and Lancashire Fire and Rescue Service and controls were generally applied consistently.

- Grant Thornton provides an external audit service to the Authority, and as such the effectiveness of the system of internal controls is also informed by their work. The latest Annual Audit letter did not identify any significant weaknesses in internal control arrangement and provided the following audit conclusions in relation to 2014/15:

- an unqualified opinion on the accounts which give a true and fair view of the Authority's financial position as at 31 March 2015 and its income and expenditure for the year;
- an unqualified conclusion in respect of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources;
- an unqualified short form assurance statement on the Authority's Whole of Government Accounts submission.

Last year's Annual Governance Statement identified the following areas for improvement:-

Area for Improvement	Action to date	Completed/ On-going
Develop revised Risk Management Strategy.	New Risk Management Strategy agreed and implemented, incorporating removal of Directorate Risk Registers to reduce bureaucracy and reference to Corporate Programme Board process which includes a risk assessments for all major projects/reviews.	Completed
The Services Information Management Strategy needs to be reviewed and updated to take account of changing requirements.	<p>The Business process and Information programme Board has commissioned work on developing the underpinning policies and strategies needed to create the overarching Information Strategy:-</p> <ul style="list-style-type: none"> • Knowledge Management Strategy. • Records Management Strategy. • Information Governance Strategy. • System Integration Strategy. • User Support Strategy. <p>The Project has now completed work on an initial Information Strategy and a number of underpinning policies. There is a road map of work to be undertaken, and the initial phases of this work are now being undertaken</p>	On-going
Improvements highlighted in the Services Operational and Organisational Assessment Improvement Plans need to be completed.	All improvements have been completed.	Completed
The Workforce Development Strategy to be reviewed in light of changing age profile.	An updated Workforce Development Strategy was agreed in March. Incorporating updated retirement profiles.	Completed
Undertake a Governance review, including reviewing Terms of Reference for Committees, Standing Orders, Scheme of Delegation and Financial Regulations.	This work remains outstanding.	On-going

Undertake a new Audit Committee self-assessment based on latest CIPFA guidance (self-assessment undertaken in 2014/15 based on old guidance).	An updated self-assessment was agreed in March.	Completed
Review partnership engagement and opportunities.	<p>Following work streams being progressed:-</p> <ul style="list-style-type: none"> • Safe and Well visits – identified 6 key areas that have been re-occurring themes to date; falls prevention, social isolation, diabetes, dementia, home security, healthy homes. • Information sharing work stream to consider LPRES (Lancashire Patient Record Exchange System); meeting to be progressed with suppliers, internal stakeholders and with other services • Fire Safety Model for social care work stream is progressing the development of a jointly owned action plan • Volunteer work stream is progressing with the use of volunteers in delivering Fire Cadets. • Group Manager has been seconded within Lancashire Constabulary to consider opportunities for joint working. 	On-going
Develop a more flexible way of ensuring the delivery of our business continuity arrangements.	<p>A new process has been agreed. All departments have completed Business Impact Assessments and are finalising recovery plans.</p> <p>The strategic plan is near completion with input outstanding from tactical plans.</p> <p>The tactical plan for the displacement of staff from SHQ is in development.</p>	On-going
Deliver services digitally to the public using web technology.	<p>A new Internet site has been introduced. The HFSC project has delivered services digitally to the public using web technology.</p> <p>Further work is required in order to agree other areas for development</p>	On-going
Develop a staff engagement strategy and improvement action plan.	<p>A strategy and action plan was produced and has delivered a number of items e.g. Staff barometer, development of a strategic narrative, introduction of revised annual service plan with programme of team briefs.</p> <p>Further work required to look at reviewing staff recognition and developing staff sounding boards.</p>	On-going

Introduce a formal coaching and mentoring programme.	Coaching & mentoring training rolling out to Supervisory Managers Managers in development have mentors appointed. Coaching programme being developed.	On-going
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We have been advised on the implications of the result of the review of the effectiveness of the governance framework by the Audit Committee and a plan to address weaknesses and ensure continuous improvement of the system is in place.

Significant governance issues

On the basis of the review of the sources of assurance set out in this statement, we are satisfied that Lancashire Combined Fire Authority and Lancashire Fire and Rescue Service has in place a satisfactory system of internal control which facilitates the effective exercise of its functions and which includes arrangements for the management of risk.

Whilst no significant governance issues were identified, the review has highlighted a number of areas for further improvement, as well as the outstanding recommendation from last year’s statement, referred to earlier:

- Deliver a new model for the assurance of service delivery activities and review our station audit process;
- Review our operational debrief process and incident monitoring to increase learning form incidents and improve operational performance;
- Review our appraisal system to better align individual tasking with organisational priorities and values;
- Review progress against the Equality and Diversity National framework.

We propose over the coming year to take steps to address the above matter to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Signed:

County Councillor F DeMolfetta,
Chairman, Lancashire
Combined Fire Authority
29 June 2016

C Kenny,
Chief Fire Officer, Lancashire
Fire and Rescue Service
29 June 2016

K Mattinson CPFA,
Treasurer, Lancashire
Combined Fire Authority
29 June 2016

LANCASHIRE COMBINED FIRE AUTHORITY

AUDIT COMMITTEE

Meeting to be held on 23 June 2016

INTERNAL AUDIT CHARTER (Appendix 1 refers)

Contact for further information:

Keith Mattinson – Director of Corporate Services – telephone 01772 866804.

Executive Summary

The attached Internal Audit Service Quality Assurance and Improvement Programme sets out how the function will meet its obligations in this area.

Decision Required

The Committee is asked to note and endorse the proposed methodology.

Information

The Accounts and Audit Regulations 2015 refer to "public sector internal auditing standards or guidance". The Chartered Institute of Public Finance and Accountancy (CIPFA) is the relevant standard setter for internal audit in local government in the United Kingdom and has published Public Sector Internal Audit Standards ('PSIAS') which encompass the mandatory elements of the Global Institute of Internal Auditors' International Professional Practices Framework. These set out the requirement for a quality assurance and improvement programme:

"The chief audit executive must develop and maintain a quality assurance and improvement programme that covers all aspects of the internal audit activity."

The attached report by the Chief Internal Auditor sets out how this process will work. The outcome of this review, and progress against any improvement plans, are included in the head of internal audit's annual report to the Audit Committee.

Lancashire County Council's Internal Audit Service has joined the peer review process operated by a group of 20 local authorities across the North West of England. The Internal Audit Service will therefore be subject to external review by a team of at least two other heads of internal audit (one reviewer and at least one moderator), working under a memorandum of understanding that sets out a methodology that has been piloted and agreed by the North West Chief Audit Executive's Group. The first external review of Lancashire County Council's Internal Audit Service under this methodology will be undertaken by 31 March 2018.

Financial Implications

None

Human Resource Implications

None

Equality and Diversity Implications

None

Business Risk Implications

None

Environmental Impact

None

Local Government (Access to Information) Act 1985

List of Background Papers

Paper	<u>Date</u>	Contact
None		
Reason for inclusion in Part II, if appropriate:		

Lancashire County Council

Internal Audit Service Quality Assurance and Improvement Programme

April 2016

1 Introduction

- 1.1 Lancashire County Council's Internal Audit Service aims to serve the council effectively and efficiently, to meet its professional obligations under applicable professional standards and to continuously improve. Accordingly this quality assurance and improvement programme enables the Internal Audit Service to evaluate and demonstrate its conformance with the *Public Sector Internal Audit Standards* ('PSIAS') published by the Chartered Institute of Public Finance and Accountancy (CIPFA). It also assesses the efficiency and effectiveness of the Internal Audit Service's work and identifies opportunities for improvement.
- 1.2 It will be subject to periodic review by the Head of Service – Internal Audit ('head of internal audit') and presented to the council's Management Team and Audit and Governance Committee for approval.
- 1.3 Where the Internal Audit Service provides either the full internal audit function or ad hoc assurance for organisations external to the county council its work for those organisations will be subject to the same quality assurance and improvement set out in this programme.

2 Relevant professional standards and interpretation

- 2.1 The Accounts and Audit Regulations 2015 refer to "public sector internal auditing standards or guidance". The Chartered Institute of Public Finance and Accountancy (CIPFA) is the relevant standard setter for internal audit in local government in the United Kingdom and has published *Public Sector Internal Audit Standards* ('PSIAS') which encompass the mandatory elements of the Global Institute of Internal Auditors' International Professional Practices Framework.
- 2.2 The *PSIAS* sets out the requirement for a quality assurance and improvement programme:

"The chief audit executive must develop and maintain a quality assurance and improvement programme that covers all aspects of the internal audit activity."

PSIAS 1300 Quality Assurance and Improvement Programme
- 2.3 A number of other subsidiary standards follow from this that establish clear requirements of any quality assurance and improvement programme. The *PSIAS* also adds further interpretations and requirements for the public sector under the following standards:

- 1310: Requirements of the quality assurance and improvement programme;
- 1311: Internal assessments;
- 1312: External assessments;
- 1320: Reporting on the quality assurance and improvement programme;
- 1321: Use of “conforms with the *International Standards for the Professional Practice of Internal Auditing*”;
- 1322: Disclosure of non-conformance.

2.4 The *PSIAS* refers to the 'chief audit executive' who, under Lancashire County Council's Internal Audit Charter, is deemed to be the Head of Service – Internal Audit, or 'head of internal audit'.

2.5 CIPFA has also published a *Local Government Advisory Note* setting out additional interpretation and guidance for local government within the United Kingdom. The quality assurance and improvement programme set out in this document has been designed in accordance with applicable professional requirements, as well as supporting the Internal Audit Service's own drive for continuous improvement.

3 The framework for quality assurance and improvement

3.1 The *PSIAS* standards referred to above require that all aspects of internal audit activity are considered by a combination of ongoing internal monitoring, periodic self-assessments or internal assessments by others with sufficient knowledge, and independent external review at least once every five years.

Type of review	Internal review		External review
	Ongoing	Periodic	At least 5-yearly
Audit assignment quality	✓		✓
Professional and operational framework		✓	✓

4 The quality assurance and improvement programme

4.1 Following this framework, the quality assurance and improvement programme consists of internal ongoing monitoring of audit assignment quality, periodic internal assessment of the professional and operational framework, and external review.

Internal ongoing monitoring of audit assignment quality

"Ongoing monitoring is an integral part of the day-to-day supervision, review and measurement of the internal audit activity. Ongoing monitoring is incorporated into the routine policies and practices used to manage the internal audit activity and uses processes, tools and

information considered necessary to evaluate conformance with the *Definition of Internal Auditing*, the *Code of Ethics* and the *Standards*."

PSIAS 1311: Interpretation – Internal assessments

- 4.2 The Internal Audit Service has designed procedures and an audit methodology that conform with *PSIAS* and are regularly reviewed. Every auditor in the team is required to comply with these or document the reasons why not, and to demonstrate this compliance on every audit assignment. The team meets regularly and routinely considers any technical issues arising through its work, both to ensure that individual interpretations of our procedures and methodology are consistent, and to identify any technical areas that should be reconsidered.
- 4.3 The Internal Audit management team ensures that audit work is allocated to staff with the appropriate skills, experience and competence. Ongoing monitoring and supportive coaching is built into the planning, execution and completion of every audit assignment through the managers' supervision and structured review of working papers and reports. Feedback is sought from auditees as each assignment is completed.
- 4.4 The Internal Audit management team routinely assesses the team's performance against its performance targets, which are set out at Appendix B. Any matters arising from the periodic self-assessment and external assessment processes are considered and promptly addressed.

Periodic internal assessment of the professional and operational framework

"Periodic assessments are conducted to evaluate conformance with the *Definition of Internal Auditing*, the *Code of Ethics* and the *Standards*."

PSIAS 1311: Interpretation – Internal assessments

- 4.5 The Internal Audit Service operates to a *Charter* that mandates compliance with relevant professional standards and specifically the *Definition of Internal Auditing*, the *Code of Ethics* and the *PSIAS* and is regularly reviewed.
- 4.6 Reports on progress against the annual audit plan are presented to each meeting of Lancashire County Council's Audit and Governance Committee, and to the audit committees of each external client.
- 4.7 The head of internal audit assesses the Service, and specifically its conformance with *PSIAS*, at least annually. This is considered by the Internal Audit management team and shared with the whole team to ensure that all understand where any changes or improvement are necessary. The outcome of this review, and progress against any improvement plans, are included in the head of internal audit's annual report to the Audit and Governance Committee.

External review

"External assessments must be conducted at least once every five years by a qualified, independent assessor or assessment team from outside the organisation. The chief audit executive must discuss with the board:

- The form of external assessments;
- The qualifications and independence of the external assessor or assessment team, including any potential conflict of interest."

PSIAS 1312: External Assessments

4.8 Lancashire County Council's Internal Audit Service has joined the peer review process operated by a group of 20 local authorities across the North West of England. The Internal Audit Service will therefore be subject to external review by a team of at least two other heads of internal audit (one reviewer and at least one moderator), working under a memorandum of understanding that sets out a methodology that has been piloted and agreed by the North West Chief Audit Executive's Group. This methodology addresses the following areas:

- The Internal Audit Service's purpose and positioning within the organisation;
- Structure and resources;
- Execution of internal audit assignments;
- The impact of the Internal Audit Service's work on the organisation's governance, risk and control environment.

4.9 Under *PSIAS*, external assessments can take the form of a full external assessment or a self-assessment with independent external validation and this second option has been adopted by the North West Chief Audit Executive's Group. The first external review of Lancashire County Council's Internal Audit Service under this methodology will be undertaken by 31 March 2018.

Appendix A: Relevant standards within *PSIAS*

Each of the relevant standards within *PSIAS* is set out in full below.

1310: Requirements of the quality assurance and improvement programme

The quality assurance and improvement programme must include both internal and external assessments.

1311: Internal assessments

Internal assessments must include:

- Ongoing monitoring of the performance of the internal audit activity; and
- Periodic self-assessments or assessments by other persons within the organisation with sufficient knowledge of internal audit practices.

Interpretation:

Ongoing monitoring is an integral part of the day-to-day supervision, review and measurement of the internal audit activity. Ongoing monitoring is incorporated into the routine policies and practices used to manage the internal audit activity and uses processes, tools and information considered necessary to evaluate conformance with the *Definition of Internal Auditing*, the *Code of Ethics* and the *Standards*.

Periodic assessments are conducted to evaluate conformance with the *Definition of Internal Auditing*, the *Code of Ethics* and the *Standards*.

Sufficient knowledge of internal audit practices requires at least an understanding of all elements of the International Professional Practices Framework.

1312: External assessments

External assessments must be conducted at least once every five years by a qualified, independent assessor or assessment team from outside the organisation. The chief audit executive must discuss with the board:

- The form of external assessments;
- The qualifications and independence of the external assessor or assessment team, including any potential conflict of interest.

Interpretation:

External assessments can be in the form of a full external assessment, or a self-assessment with independent external validation.

A qualified assessor or assessment team demonstrates competence in two areas: the professional practice of internal auditing and the external assessment process. Competence can be demonstrated through a mixture of experience and theoretical learning. Experience gained in organisations of similar size, complexity, sector or industry and technical issues is more valuable than less relevant experience. In the case of an assessment team, not all members of the team need to have all the competencies; it is the team as a whole that is qualified. The chief audit executive uses professional

judgment when assessing whether an assessor or assessment team demonstrates sufficient competence to be qualified.

An independent assessor or assessment team means not having either a real or an apparent conflict of interest and not being a part of, or under the control of, the organisation to which the internal audit activity belongs.

Public sector requirement:

The chief audit executive must agree the scope of external assessments with an appropriate sponsor, eg the Accounting/Accountable Officer or chair of the audit committee as well as with the external assessor or assessment team.

1320: Reporting on the quality assurance and improvement programme

The chief audit executive must communicate the results of the quality assurance and improvement programme to senior management and the board.

Interpretation:

The form, content and frequency of communicating the results of the quality assurance and improvement programme is established through discussions with senior management and the board and considers the responsibilities of the internal audit activity and chief audit executive as contained in the internal audit charter. To demonstrate conformance with the *Definition of Internal Auditing*, the *Code of Ethics* and the *Standards*, the results of external and periodic internal assessments are communicated upon completion of such assessments and the results of ongoing monitoring are communicated at least annually. The results include the assessor's or assessment team's evaluation with respect to the degree of conformance.

Public sector requirement:

The results of the quality and assurance programme and progress against any improvement plans must be reported in the annual report.

1321: Use of "conforms with the *International Standards for the Professional Practice of Internal Auditing*"

The chief audit executive may state that the internal audit activity conforms with the *International Standards for the Professional Practice of Internal Auditing* only if the results of the quality assurance and improvement programme support this statement.

Interpretation:

The internal audit activity conforms with the Standards when it achieves the outcomes described in the *Definition of Internal Auditing*, *Code of Ethics* and *Standards*.

The results of the quality assurance and improvement programme include the results of both internal and external assessments. All internal audit activities will have the results of internal assessments. Internal audit activities in existence for at least five years will also have the results of external assessments.

1322: Disclosure of non-conformance

When non-conformance with the *Definition of Internal Auditing*, the *Code of Ethics* or the *Standards* impacts the overall scope or operation of the internal audit activity, the chief audit executive must disclose the non-conformance and the impact to senior management and the board.

Public sector requirement:

Instances of non-conformance must be reported to the board. More significant deviations must be considered for inclusion in the governance statement.

Appendix B: Internal Audit Service performance targets

Quality

- Achieve 90% satisfaction with the overall quality of the audit process in questionnaires completed by auditees.
- Achieve positive feedback overall from the Management Team and Audit and Governance Committee regarding the value of internal audit work.

Productivity

- Achieve 85% of the *Strategic internal audit plan: 2015/16, 2016/17 and beyond* by 31 March 2017, by number of reviews completed.

Compliance

- Achieve full compliance with the *Public Sector Internal Audit Standards*, demonstrated through annual self-assessment and five-yearly external assessment.

Operational

- Deliver an internal audit service to Lancashire County Council within the agreed budget.
- Fully comply with any other operational requirements determined by the county council.

LANCASHIRE COMBINED FIRE AUTHORITY

AUDIT COMMITTEE

Meeting to be held on 23 June 2016

RISK MANAGEMENT (Appendix 1 refers)

Contact for further information:

Keith Mattinson – Director of Corporate Services– telephone 01772 866804.

Executive Summary

The report highlights action taken in respect of corporate risk since these were last reported to the Audit Committee.

Decision Required

The Committee is asked to note the actions taken and endorse the revised corporate risk register.

Information

The latest review of the corporate risk register has identified two new risks which warrant inclusion on the corporate risk register:-

Failure to maximise the opportunities that technological advances present due to a lack of capacity within the ICT department, and an inability of staff to keep pace with new developments that are implemented.

The following controls are already in place:-

1. ICT Asset Management Plan in place, which identifies replacement timeframes for existing systems;
2. Business Process Improvement Programme (BPIP) consider all new ICT systems/developments, as part of this consideration is given to capacity planning in terms of ICT resource and impact on end users;
3. Corporate Programme Board consider outcomes from BPIP.

Further improvements planned are:-

1. Additional ICT resources identified in 2016/17 budget;
2. Development of social networking site for staff to support each other and share knowledge of ICT systems is planned for 2016/17.

It is proposed that the risk is scored as a medium risk (a score of 12).

Loss of support for Vector Incident Command product with the product name Command Support System (CSS) leading to ineffective management of large incidents (CSS is the software system used on the Mobile Fire Stations/Command Support Units deployed at large scale incidents (6 or more pumps) which allows incident commanders to manage their resources and log critical decisions and map the resources on the incident ground.

The CSS software application we currently run on our command units to manage the incident command system has gone into administration and will no longer be able to support the software system.

The following controls are already in place:-

1. We can still use on each Command unit; there will not be any support should this cease to operate.
2. If that was the case we would need to utilise an alternative means of incident command, i.e. white board and pen.

Further improvements planned are:-

1. Review what other options the market has to offer;
2. Review whether this system can be supported in a different way;
3. Talk to all Vector customs to share any dealings with each other, and look to support each other in any technical issues with existing installs.

It is proposed that the risk is scored as a medium risk (a score of 12).

Existing Risks

Of the existing risks 3 have been reviewed, and an updated corporate risk register is attached as appendix 1, with changes summarised below:-

		Update since last meeting	Proposed Risk Score	
1	Insufficient resources due to poor funding settlement, inability to make required savings, additional financial pressures such as RDS pensions etc., plus council tax limits via local referendum resulting in Authority being unable to set a balanced budget.	No change, not due to report till 31/3/17	9	Medium
2	Premises Risk Information: That operational staff do not have available adequate and reliable premises information to efficiently resolve operational incidents: Risk information is provided to operational staff based on premises information and premises risk are identified on a continuous basis although this is not consistent throughout the Service.	Previously discharged		

3	Insufficient staffing resources, due to Industrial Action, to deal with operational demand and fulfil statutory responsibilities.	Previously discharged		
4	Lack of availability of water supplies for fire fighting prevents effective fire fighting resulting in additional damage to property and increased risk to life.	Previously discharged		
5	The increasing age profile of operational staff could adversely affect our ability to deliver effective emergency response.	Previously discharged		
6	Operational staff do not have the required skills to operate safely at an incident with the potential to result in F/F injuries or fatalities.	Previously discharged		
7	Failure of key ICT systems resulting in disruption to services	<p>Testing of our Business Continuity plans highlighted a number of areas for improvement, while the plans were complete and would recover the organisation it was felt that their execution placed a lot of pressure on the ICT staff in what might not be their particular area of expertise. To mitigate this all associated documentation has been updated, knowledge transfer is ongoing, and a number of processes have been automated. Further investment into the infrastructure has been identified to improve resilience all with a focus on ease of recovery in the event of an issue.</p> <p>We now have a tiered approach to recovery and the underlying architecture has been re-aligned to support this, services have been separated into categories (essential services, mission critical external (e.g. Gartan), mission critical internal, business critical, business as usual) and would be brought back up in a sequential order each with different recovery objectives.</p>	Remains at 9 pending completion of all action points	Medium

		<p>There were some networking resilience issues that were also brought to light, affecting things like email and telephony - corrective measures have been identified and work is progressing with LCC / BT Lancashire for completion by end of June 2016.</p> <p>Further consideration is being given to relocating some services to NWFC in order to make use of the intrinsic resilience built into the comm's and the building there, as a possible alternative to STC. It would also add further geographical separation to the sites and additional working space for us in the event of an incident.</p>		
8	Loss of corporate reputation through negative publicity.	No change, not due to report till 31/12/16.	9	Medium
9	Retention and recruitment of RDS staff impacts on RDS appliance availability.	Six work streams set up under the RDS Recruitment & Improvement Group specifically aimed at improving the Retained Duty System for personnel. It is anticipated that these work streams will deliver options which will improve appliance availability and retention rates.	Remain at 12	Medium
10	Lack of workforce planning resulting in significant over/under provision of staff and resulting impact on service and finances.	No change, not due to report till 31/3/17.	9	Medium
11	Lack of compliance with legislation resulting in prosecution or compliance order.	Previously discharged.		
12	Ineffective Health and Safety in the workplace, resulting in prosecution, intervention fees etc.	No change, not due to report till 31/12/16.	9	Medium

13	Lack of effective Information management impacting on service delivery and support or leading to a breach of data protection/freedom of information or a loss of sensitive/personal information.	No change, not due to report till 31/12/16.	9	Medium
14	Delayed mobilisation, impacting on service delivery.	No change, not due to report till 31/12/16.	9	Medium
15	High levels of staff absence due to outbreak of ebola.	Previously discharged.		
16	Lack of clarity on future of FRS, leading to inertia.	No change, not due to report till 30/9/16.	9	Medium
17	Failure of ESMCP to deliver a viable communication facility.	No change, not due to report till 30/9/16	9	Medium
18	Inability to maintain service provision in spate conditions.	Comprehensive debrief process undertaken and SMT approved Action Plan agreed: <ul style="list-style-type: none"> • Revise planning assumptions in LFRS Integrated Risk Management Plan to recognise potential for, and impacts of, wide area flooding in Lancs. • Ensure ESMCP specification recognises communication needs identified. • Refine training for LFRS FDOs regarding National Resilience Asset. mobilisation and associated Command Support and test via exercise. • Refine LFRS vehicle fleet with additional multi-purpose (4x4) vehicles suitable for use in wide area flooding. • Enhance staff PPE with provision of flood suits and provide necessary training to safely operate in type 1 water. 	Remain at 9	Medium

Financial Implications

None

Human Resource Implications

None

Equality and Diversity Implications

None

Environmental Impact

None

Business Risk Implications

The improvement in risk management arrangements should result in reduced business risk

Local Government (Access to Information) Act 1985

List of Background Papers

Paper	Date	Contact
None		
Reason for inclusion in Part II, if appropriate:		

CORPORATE RISK REGISTER

Mar 16

KEY RISKS	RISK MITIGATION/CONTROLS IN PLACE	LIKELIHOOD	IMPACT	RESIDUAL RISK	ACTIONS RECOMMENDED	BY WHEN	BY WHOM	RISK OWNER	DIRECTORATE
1 Insufficient resources due to poor funding settlement, inability to make required savings, additional financial pressures such as RDS pensions etc., plus council tax limits via local referendum resulting in Authority being unable to set a balanced budget.	Local Govt Finance settlement better than anticipated and included indicative figures for 4 years. This was used as a basis for 16/17 budget agreed by FA in Feb 16 and for MTFS presented in same report. Potential funding gap of up to £1.5m identified by 19/20. ECR and other reviews moved back to target implementation in April 2018 to address updated funding gap. The Authority holds significant reserves which will enable it to phase the impact of reductions in funding.	3	3	9	Currently awaiting details to determine whether to sign up to a 4 year settlement to increase funding certainty	31/03/2017	DoCS	DoCS	Corp Serv
2 Premises Risk Information: That operational staff do not have available adequate and reliable premises information to efficiently resolve operational incidents: Risk information is provided to operational staff based on premises information and premises risk are identified on a continuous basis although this is not consistent throughout the Service.	Premises based risks are assessed using the ORA process and paperwork. These are then categorised as level 1, 2, or 3 risk and documented accordingly. RIEF process is in place for sharing risk information The Service now has an ability through its RADAR product to store and record/ amend Cat 2 & 3 risk information. Premises risks categorised as level 2 risk have a hazard statement on the mobilising system. We have assessed the method used to identify premises for assessment and are modifying that method, including audit and review aspects. We have developed, using RADAR, a method to record, store and retrieve.	2	3	6	Discharged				

CORPORATE RISK REGISTER

Mar 16

KEY RISKS	RISK MITIGATION/CONTROLS IN PLACE	LIKELIHOOD	IMPACT	RESIDUAL RISK	ACTIONS RECOMMENDED	BY WHEN	BY WHOM	RISK OWNER	DIRECTORATE
<p>3 Insufficient staffing resources, due to Industrial Action, to deal with operational demand and fulfil statutory responsibilities.</p>	<p>LFRS has a separate contingency plan in place that is specific to industrial action. This plan has been utilised throughout the current period of industrial action. Whilst overall levels of cover have been marginally reduced our resilience arrangements have ensured that we have been able to maintain our first pump attendance standards and ensured the same level of professional operational effectiveness throughout each of the periods of industrial action. Appropriate refresher training has been provided. There are 13 & 16 agreements in place with other NW FRSS. Regular dialogue takes place with key staff and representative bodies. In December the FBU announced that further industrial action has been put on hold until June 2017, pending the outcome of the employment tribunals relating to the modifications to the pensions scheme. As such it is proposed that the risk is discharged from the corporate risk register, until such time as the potential for further industrial action arises, i.e. June 2017.</p>	1	4	4	Proposal to discharge				

CORPORATE RISK REGISTER

Mar 16

KEY RISKS	RISK MITIGATION/CONTROLS IN PLACE	LIKELIHOOD	IMPACT	RESIDUAL RISK	ACTIONS RECOMMENDED	BY WHEN	BY WHOM	RISK OWNER	DIRECTORATE
<p>4 Lack of availability of water supplies for fire fighting prevents effective fire fighting resulting in additional damage to property and increased risk to life.</p>	<p>The Service commissions, adopts, systematically inspects and repairs mains fed fire fighting hydrants across the County. We maintain operational plans that display the location of available hydrants and open water supplies. Accurate hydrant information now provided to FES. Hydrant inspections moved to a risk based programme. New SSI Hydrant Manager update - Central system (within FES) is now up and running with current information being available on appliance MDT's. Hydrant tech's now moved over to Toughbook's for hydrant management and reporting of defects. We have Strategic Hydrants (those with a flow rate of above 1,500 litres per minute), then Risk Category 1, 2 and 3. Strategic are tested annually, Risk 1 annually, Risk 2 every two years, and Risk 3 every three years. Defects are repaired either in-house by the Hydrant Technicians, or reported to United Utilities (Strategic being marked urgent). Strategic Hydrants are always flow tested and this is recorded on the hydrant asset in SSI. Other hydrants are dry tested Increased use of HVP for larger incidents.</p>	2	3	6	Discharged				

CORPORATE RISK REGISTER

Mar 16

KEY RISKS	RISK MITIGATION/CONTROLS IN PLACE	LIKELIHOOD	IMPACT	RESIDUAL RISK	ACTIONS RECOMMENDED	BY WHEN	BY WHOM	RISK OWNER	DIRECTORATE
5 The increasing age profile of operational staff could adversely affect our ability to deliver effective emergency response.	Fitness Assessments introduced and included as part of the Crew Training as of 1st April 14. Remedial action to ensure that acceptable levels of fitness are developed and maintained. Provision of facilities for physical exercise and training on operational stations. Currently staff are timetabled to take a fitness test, are subject to health monitoring and managers can refer staff to OHU if they have concerns. The Service provides a physiotherapy service, critical incident debriefing and counselling if needed.	3	2	6	Discharged				

CORPORATE RISK REGISTER

Mar 16

KEY RISKS	RISK MITIGATION/CONTROLS IN PLACE	LIKELIHOOD	IMPACT	RESIDUAL RISK	ACTIONS RECOMMENDED	BY WHEN	BY WHOM	RISK OWNER	DIRECTORATE
<p>Operational staff do not have the required skills to operate safely at an incident with the potential to result in F/F injuries or fatalities.</p>	<p>Initial and Continuation training delivery based on National Standards. Role related competencies have been identified and recorded with in Red Kite with appropriate retraining frequencies identified. Initial and Refresher training devised and delivered to cover specialist skills. Risk Critical areas such as Breathing Apparatus are centrally assessed to ensure uniformity. Risks and deficiencies identified from service and nationwide incidents, including Rule 43 Letters result in training delivery where appropriate. Incident Monitoring and REC1 processes in place to identify learning from incidents and inform Crew Refresher training. Operational competence is observed during exercises and training audits. OGBA was formally adopted by LFRS on 1st October 2015 following a comprehensive training program. A review of Incident Command Competence against National Occupational Standards has been completed and a series of training sessions have been introduced , addressing Incident Command and Hazmat competencies. E-learning system introduced, allowing a comprehensive, role related annual training plan to be implemented for all personnel. Ongoing retention of skills is captured within the MOST system and is now an embedded component of LearnPro e-learning modules.</p>	2	3	6	Proposal to discharge				

CORPORATE RISK REGISTER

Mar 16

Page 82

KEY RISKS	RISK MITIGATION/CONTROLS IN PLACE	LIKELIHOOD	IMPACT	RESIDUAL RISK	ACTIONS RECOMMENDED	BY WHEN	BY WHOM	RISK OWNER	DIRECTORATE
7 Failure of key ICT systems resulting in disruption to services.	Separate BCP plans developed, including backup and recovery procedures, desktop exercise completed. Regular assessment of requirements. Asset replacement policy in place, regularly reviewed. IT Firewall to prevent inappropriate access, moisture detection loop installed in SHQ plant room to identify any early threat of flooding Secondary ICT site constructed at STC to provide enhanced resilience providing replicated file data and a means to recover core services to a small number of desktops, implementation of Active Directory to enhance security and control of user access, improved virus protection. Strategy to control use of USB devices implemented. Patch and update policy place to ensure servers and workstations are up to date with latest security developments. Wide Area Network (WAN) to all administrative and operations site. New Storage Area Network (SAN) to replicate all essential servers and data to the disaster recovery site at STC. Installed resilient link from STC to County Hall in order to maintain LCC/OCL supplied services in the event of a failure at SHQ or the link to County and also have extended the network to include the new control facility in Warrington.	3	3	9	Further investment into the infrastructure has been identified to improve resilience all with a focus on ease of recovery in the event of an issue. Networking resilience issues, affecting things like email and telephony, identified and corrective measures being progressed with LCC / BT Lancashire for completion by end of June 2016. Further consideration is being given to relocating some services to NWFC in order to make use of the intrinsic resilience built into the comm's and the building there, as a possible alternative to STC. It would also add further geographical separation to the sites and additional working space for us in the event of an incident	30/06/2017	HoICT	HoICT	Strategy & Planning

CORPORATE RISK REGISTER

Mar 16

KEY RISKS	RISK MITIGATION/CONTROLS IN PLACE	LIKELIHOOD	IMPACT	RESIDUAL RISK	ACTIONS RECOMMENDED	BY WHEN	BY WHOM	RISK OWNER	DIRECTORATE
8 Loss of corporate reputation through negative publicity.	Emergency communication plan in place, regularly revised and tested. Effective reactive press office. Proactive media activity to build positive reputation; including on-call arrangements. Scanning and planning function helps anticipate and plan for specific reputational risks. Communication plans include staff communication to reduce risk of 'leaks'. Communication strategy and action plan developed and implemented to support the business continuity arrangements relating to industrial action. Corporate use of social media is now embedded in communication plans with policy and guidance in place. Use across service delivery is increasing and training/guidance should now be integrated to the usual media training packages and extended to all flexi duty staff/watch managers.	3	3	9	The emergency communication plan and supporting toolkit needs to be reviewed to incorporate the new Lancashire Resilience Forum warning and informing plan.	31/12/2016	HoCC	HoCC	People & Development

CORPORATE RISK REGISTER

Mar 16

KEY RISKS	RISK MITIGATION/CONTROLS IN PLACE	LIKELIHOOD	IMPACT	RESIDUAL RISK	ACTIONS RECOMMENDED	BY WHEN	BY WHOM	RISK OWNER	DIRECTORATE
9 Retention and recruitment of RDS staff impacts on RDS appliance availability.	RDS recruitment and retention working group established. Increased RDS basic recruits course population from 12 to 24. Quicker access to BA course on completion of recruit training. TOR support throughout the RDS probationary period. Retained salary scheme introduced and reviewed regularly. The service allows shorter RDS contracts to improve appliance availability. Encourages dual contract staff to contribute to the RDS. RDS availability targets now reduced to 95%. Proactive recruitment by SDM's. Joint working between HR and service delivery to enhance current recruitment processes. RDS Workshop held 18/12/15 resulting in recommendation to create an annual RDS Workshop at which priorities will be set for the forthcoming year.	3	4	12	Analysis of availability issues to be undertaken on a Unit by Unit basis by SDMs. Recommend a review/reinvigoration of the RDS Sounding Board Six work streams set up under the RDS RIG specifically aimed at improving the Retained Duty System for personnel. It is anticipate that these work streams will deliver options which will improve appliance availability and retention rates	31/12/2016	HoSD	HoSD	Serv Delivery

CORPORATE RISK REGISTER

Mar 16

	KEY RISKS	RISK MITIGATION/CONTROLS IN PLACE	LIKELIHOOD	IMPACT	RESIDUAL RISK	ACTIONS RECOMMENDED	BY WHEN	BY WHOM	RISK OWNER	DIRECTORATE
10	Lack of workforce planning resulting in significant over/under provision of staff and resulting impact on service and finances.	Grey book and green book post book developed, establishment and staffing levels agreed with HR, Finance and Managers. Forecast retirement profiles and establishment changes incorporated into this, Forecast over/under provision highlighted, and used to inform decisions on workforce/budget planning/MTFS. Recruitment/selection process in place review of contracts of employment re notice periods. Redeployment process implemented, including developing a staff at risk register and implementing a voluntary redundancy process for green book staff. Regular review of forecasts to ensure staffing resources match requirements. On-going update/review of implementation of workforce implications of reviews undertaken. Grey book recruitment is planned for 2016/17 in order to maintain staffing levels broadly in line with establishment Current green book vacancies are being advertised and filled in the first quarter of the new financial year, which will align staffing levels with establishment	3	3	9	A draft workforce plan has been developed and presented to Resources Committee in March covering the following key areas:- <input type="checkbox"/> Labour demand and forecasting. <input type="checkbox"/> Recruitment, retention and planning. <input type="checkbox"/> Succession planning and talent management. <input type="checkbox"/> Job Design and Multi skilling This will facilitate/enable the regular and comprehensive review of workforce data to support informed decision making. It will also drive the requirements of the project work stream which is considering the functional development of our existing system (i-Trent) to provide the quality workforce data required.	31/03/2017	DoPD	DoPD	People & Development
11	Lack of compliance with legislation resulting in prosecution or compliance order.	Clerk of Authority reviews all Committee reports for legality and advises CFA. Clerk and Solicitor review new legislation. Government notify of all new requirements Horizon scanning.	2	2	4	Discharged.				

CORPORATE RISK REGISTER

Mar 16

	KEY RISKS	RISK MITIGATION/CONTROLS IN PLACE	LIKELIHOOD	IMPACT	RESIDUAL RISK	ACTIONS RECOMMENDED	BY WHEN	BY WHOM	RISK OWNER	DIRECTORATE
12	Ineffective Health and Safety in the workplace, resulting in prosecution, intervention fees etc.	Health and Safety Management System (HSMS) in place. HSA3 – workplace inspection programme. Internal Audit Framework (replace with SHE Annual Review and Station Audit Programme). HSMS developed and re-certificated to OHSAS 18001 H&S standard. SHE department plan to develop, maintain and continuously improve the HSMS. Publication of risk information – GRA's, service orders etc. External audit and scrutiny through VCA External Auditors, Audit and review arrangements in place through SHE Department audit programme. and VCA surveillance visits (delete duplicates above line). Health, Safety and Environment Advisory Group established (replace with monitor performance).	3	3	9	Continue to monitor and audit process/outcomes.	31/12/2016	HoSHE	HoSHE	People & Development
13	Lack of effective Information management impacting on service delivery and support or leading to a breach of data protection/freedom of information or a loss of sensitive/personal information.	A revised structure to deliver Information Management has been implemented. Nominated Data Protection and Freedom of Information Lead Officers to ensure legal obligations met. All freedom of information requests considered by Exec Board. Performance indicators reported on a regular basis. Location Hub managed centrally allow greater integration of data. performance management software(CORVU) implemented. Data encryption in place.	3	3	9	The Business process and Information programme Board has commissioned work on developing the underpinning policies and strategies needed to create the overarching Information Strategy:- 1. Knowledge Management Strategy. 2. Records Management Strategy. 3. Information Governance Strategy. 4. System Integration Strategy. 5. User Support Strategy. The Project has now completed work on an initial Information Strategy and a number of underpinning policies. There is a road map of work to be undertaken, and the initial phases of this work are now being undertaken	31/12/2016	HoServ Develop	DoSP	Strategy & Planning

CORPORATE RISK REGISTER

Mar 16

	KEY RISKS	RISK MITIGATION/CONTROLS IN PLACE	LIKELIHOOD	IMPACT	RESIDUAL RISK	ACTIONS RECOMMENDED	BY WHEN	BY WHOM	RISK OWNER	DIRECTORATE
14	Delayed mobilisation, impacting on service delivery.	System uses AVLS to locate the nearest available pump, based on anticipated 'run time'. 2014 saw the implementation of a new Global ITN road speed setting developed from historical evidence provided by Cheshire FRS. This implementation along with changes to Station geographical locations, the removal of road restrictions (imposed on the ITN by the developers) and the development of new response plans has seen an improvement in mobilising with appliances arriving with greater accuracy between the proposed and actual run times. Restrictions have been imposed on the system to ensure non critical incidents are attended by the host station whilst preventing a lengthy run time and/or a slow response time. This restriction ensures both the spread of resources is maintain and the continued use of RDS whilst preventing Whole time appliances being taken out of higher risk areas, this also reduces the need for standby/closing in moves.	3	3	9	Although mobilising accuracy has vastly improved, LFRS have proposed a further change to the Road speed settings based upon evidence gathered; again further improving response accuracy. Data analysis currently being undertaken to confirm the proposed setting with robust testing taking place to ensure this change has no negative effect on any FRS prior to transferring on to the live system.	31/12/2016	HoServ Develop	DoSP	Strategy & Planning
15	High levels of staff absence due to outbreak of Ebola.	On-going liaison with LCC Emergency Planning Dept and LRF. Separate BCP plans developed re large scale staff absence. Enhanced sickness and absence policy implemented. OHU department to provide advice to managers/staff.	1	4	4	Discharged				

CORPORATE RISK REGISTER

Mar 16

	KEY RISKS	RISK MITIGATION/CONTROLS IN PLACE	LIKELIHOOD	IMPACT	RESIDUAL RISK	ACTIONS RECOMMENDED	BY WHEN	BY WHOM	RISK OWNER	DIRECTORATE
16	Lack of clarity on future of FRS, leading to inertia.	The Sir Ken Knight review highlighted a need to review governance arrangements relating to FRAs. Until such time as further clarity is provided it remains difficult to plan in the long term, hence this risk needs to be reviewed following the outcome of the May elections.	3	3	9	No further clarity has been provided on this issue, although there has been talk about responsibility potentially transferring to PPCs. Until such time as further clarity is provided it is proposed that the risk remains at its current level, and is reviewed as clarity is provided or in 12 month's time.	30/09/2016	CFO	CFO	Exec Board
17	Failure of ESMCP to deliver a viable communication facility.	Emergency Services Mobile Communication Programme (ESMCP) is a national project which will deliver a replacement communications and data service using 4G technology. The new broadband data services will replace the existing private mobile radio system provided by Airwave. Whilst the Programme is in its procurement phase, determining who to award the contract to, the current timescales show the eventual system being rolled out to all Control rooms by January 2017, with the system then being rolled out to individual Fire Services. The current Airwave contract has been extended until 2019, in order to ensure that the roll out of the new system is complete before the existing contact ends. Given how crucial mobile communications are to the Service it is proposed that this is included on the corporate risk register as a medium risk, and is reviewed in 6 month's time.	3	3	9	A regional fire and rescue co-ordinator has been appointed and a plan to work across all five Services in the North West is being produced. Where possible the Services will also collaborate with other Blue Light Services. Information in relation to national timescales, costs and governance has been received. The Service is currently working up its own internal project structure to support the roll out. It should be noted that the North West will be the first region to transition over to ESMCP starting September 2017	30/09/2016	HoServ Develop	DoSP	Strategy & Planning

CORPORATE RISK REGISTER

Mar 16

	KEY RISKS	RISK MITIGATION/CONTROLS IN PLACE	LIKELIHOOD	IMPACT	RESIDUAL RISK	ACTIONS RECOMMENDED	BY WHEN	BY WHOM	RISK OWNER	DIRECTORATE
18	Inability to maintain service provision in spate conditions	Robust Business Continuity arrangements	3	3	9	Comprehensive debrief process undertaken and SMT approved Action Plan agreed <ul style="list-style-type: none"> • Revise planning assumptions in LFRS Integrated Risk Management Plan to recognise potential for, and impacts of, wide area flooding in Lancs • Ensure ESMCP specification recognises communication needs identified • Refine training for LFRS FDOs regarding National Resilience Asset mobilisation and associated Command Support and test via exercise • Refine LFRS vehicle fleet with additional multi-purpose (4x4) vehicles suitable for use in wide area flooding • Enhance staff PPE with provision of flood suits and provide necessary training to safely operate in type 1 water 	31/03/2017	HoServ Develop	DoSP	Strategy & Planning
19	Failure to maximise the opportunities that technological advances present due to a lack of capacity within the ICT department, and an inability of staff to keep pace with new development that are implemented	ICT Asset Mgt Plan in place, which identifies replacement timeframes for existing systems BPIP consider all new ICT systems/developments, as part of this consideration is given to capacity planning in terms of ICT resource and impact on end users CPB consider outcomes from BPIP	4	3	12	Additional ICT resources identified in 2016/17 budget Development of social networking site for staff to support each other and share knowledge of ICT systems is planned for 2016/17	31/03/2017	HoICT	DoSP	Strategy & Planning

CORPORATE RISK REGISTER

Mar 16

KEY RISKS	RISK MITIGATION/CONTROLS IN PLACE	LIKELIHOOD	IMPACT	RESIDUAL RISK	ACTIONS RECOMMENDED	BY WHEN	BY WHOM	RISK OWNER	DIRECTORATE
20 Loss of support for Vector Incident Command product with the product name Command Support System (CSS) leading to ineffective	The CSS software application we currently run on our command units to manage the incident command system, has gone into administration and will no longer be able to support the software system. However, we can still use on each Command unit, there will not be any support should this cease to operate. If that was the case, we would need to utilise an alternative means of incident command, i.e. white board and pen.	4	3	12	Review what other options the market has to offer or whether this system can be supported in a different way. We will talk to all Vector customs to share any dealings with each other, and look to support each other in any tech issues with existing installs.	31/12/2016	HoServ Develop	DoSP	Strategy & Planning
				20					

Page 90

HIGH	0
MEDIUM	13
MEDIUM/LOW	4
LOW	3
	<u>20</u>

Scores

Likelihood

- | | | |
|---|-----------------------------|------------------------------|
| 5 | Certain, see next sheet | Minor, see next sheet |
| 4 | Very Likely, see next sheet | Noticeable, see next sheet |
| 3 | Likely, see next sheet | Significant, see next sheet |
| 2 | Unlikely, see next sheet | Critical, see next sheet |
| 1 | Rare, see next sheet | Catastrophic, see next sheet |

LANCASHIRE COMBINED FIRE AUTHORITY

AUDIT COMMITTEE

Meeting to be held on 23 June 2016

AMENDMENT TO CONTRACT STANDING ORDERS AND SCHEME OF DELEGATION

Contact for further information:

Keith Mattinson - Director of Corporate Services – Telephone Number 01772 866804

Executive Summary

Both the Contract Standing Orders and Scheme of Delegation need updating to identify the following individuals as being able to seal relevant documents:-

- Clerk to the Authority
- Authority solicitor
- Chief Fire Officer
- Director of Corporate Services
- Director of People and Development.

Recommendation

The Committee is requested to note and endorse the update to Contract Standing Orders and the Scheme of Delegation.

Information

Currently our contract standing orders and Scheme of Delegation only identify the Clerk or Authority Solicitor as being able to affix the common seal to relevant documents. This needs amending to include the Chief Fire Officer, Director of Corporate Services and Director of People and Development, in order to ensure that we are able to action this as and when required.

As such the following updates are proposed (the new wording is shown in red).

Contract Standing Orders

22. Sealed Contracts

22.1 All Contracts and orders shall be in writing and made in the name of the Authority.

22.2 All Contracts which relate to the purchase of land, or have potential long term liabilities and would benefit from the added legal protection afforded by the process of sealing shall be made by affixing the Common Seal. This shall only be attested by the Clerk to the Authority, the Authority solicitor, **the Chief Fire Officer, Director of Corporate Services or Director of People and Development.**

Scheme of Delegation

8.3 Common Seal

Powers delegated to the Chief Fire Officer and/or Clerk to the Authority

To affix the Seal of the Authority to any relevant document. **This shall only be attested by the Clerk to the Authority, the Authority solicitor, the Chief Fire Officer, Director of Corporate Services or Director of People and Development.**

Financial Implications

None

Human Resource Implications

None

Business Risk Implications

The Contract Standing Orders and Scheme of Delegation are part of the Authority's major controls to ensure that Contracts are let in a structured manner, representing best value and minimising commercial risk.

Environmental Implications

None

Equality & Diversity Implications

None

Local Government (Access to Information) Act 1985

List of Background Papers

Paper	Date	Contact
Reason for inclusion in Part II, if appropriate:		