

# Public Document Pack

## LANCASHIRE COMBINED FIRE AUTHORITY

### AUDIT COMMITTEE

Thursday, 22 June 2017 in Main Conference Room, Service Headquarters, Fulwood commencing at 10.00 am.

IF YOU HAVE ANY QUERIES REGARDING THE AGENDA PAPERS OR REQUIRE ANY FURTHER INFORMATION PLEASE INITIALLY CONTACT DIANE BROOKS ON TELEPHONE NUMBER PRESTON (01772) 866720 AND SHE WILL BE PLEASED TO ASSIST.

### 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 2016/17 (Pages 13 - 30)
6. EXTERNAL AUDIT - AUDIT COMMITTEE UPDATE (Pages 31 - 44)
7. ANNUAL GOVERNANCE STATEMENT 2016/17 (Pages 45 - 68)
8. RISK MANAGEMENT (Pages 69 - 90)
9. DATE OF NEXT MEETING

The next scheduled meeting of the Committee has been agreed for 10:00 hours on Thursday 28 September 2017 in the Main Conference Room, at Lancashire Fire & Rescue Service Headquarters, Fulwood.

Further meetings are proposed for: 25 January 2018 and 22 March 2018.

10. 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.

11. 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.

PART 2

12. URGENT BUSINESS (PART 2)

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.

## LANCASHIRE COMBINED FIRE AUTHORITY

### AUDIT COMMITTEE

Thursday, 30 March 2017, at 10.00 am in the Main Conference Room, Service Headquarters, Fulwood.

### MINUTES

#### PRESENT:

##### Councillors

C Crompton (Chairman)  
P Britcliffe  
S Holgate  
M Khan  
M Perks  
J Shedwick (Vice-Chair)  
D Smith

##### Officers

K Mattinson, Director of Corporate Services (LFRS)  
D Brooks, Principal Member Services Officer (LFRS)

##### In attendance

K Murray, External Audit, Grant Thornton  
J Taylor, Internal Audit, Lancashire County Council

#### 35/16 APOLOGIES FOR ABSENCE

None received.

#### 36/16 DISCLOSURE OF PECUNIARY AND NON-PECUNIARY INTERESTS

None received.

#### 37/16 MINUTES OF PREVIOUS MEETING

It was noted under resolution 29/16 regarding the changes to arrangements for the appointment of External Auditors that this was referred to the Combined Fire Authority meeting held on 20 February 2017 where the Authority determined (resolution 69/16 refers) to opt-in to the national procurement being undertaken by Public Sector Appointments.

The Director of Corporate Services confirmed that from 492 Authorities, 483 had signed up to the national scheme. As further information became available on who had been appointed and the consultation on the fee scales he would bring a report back to the Audit Committee.

RESOLVED: - That the Minutes of the last meeting held on 26 January 2017 be confirmed as a correct record and signed by the Chairman.

#### 38/16 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.

Discussion took place around the 4 existing risks that had been reviewed.

With reference to risk no. 18 - Inability to maintain service provision in spate conditions, in addition to the reported update, the Director of Corporate Services advised that during the flooding in December 2015, Lancaster Fire Station had been inoperable. Temporary measures were put in place but as part of the plans to redevelop the site further measures had been included to improve resilience. It was proposed that this risk be discharged.

Members discussed whether it would be more appropriate to leave the risk on the corporate register given a future storm could be worse and in a different location.

The Director of Corporate Services reassured Members that appropriate action had been taken to reduce the risk. In response to Member questions, he confirmed that risks were considered as part of the planning process to build new fire stations and that the lowest score for the risk to remain on the Corporate Risk Register was 9.

Members considered that leaving the risk on the register would highlight it as a priority and act as a reminder to Members that everything had been done to mitigate the risk.

The Chairman called a vote to determine whether to leave the risk on the corporate risk register. There were 3 members in favour, 2 against and 2 abstained, therefore the vote was carried and it was agreed that the risk would remain on the register.

RESOLVED:- That the Committee note the actions taken and endorse the revised Corporate Risk Register; subject to the ongoing inclusion of Risk No. 18 - Inability to maintain service provision in spate conditions.

#### 39/16 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. Judith Taylor tabled and presented an updated report for the period 1 April 2016 to 30 March 2017.

It was noted that work carried out during the period 1 April 2016 – 30 March 2017 was in accordance with the agreed audit plan. To date, 70.5 days had been spent this financial year on completion of the 2016/17 plan, which equated to 88% of the total planned audit activity of 80 days.

It was anticipated that a further 7 days would be spent finalising the work from the 2016/17 audit programme that was still ongoing with a further 2.5 days no longer being required.

A full report on the completed audit activity relating to the 2016/17 audit programme would be provided to the Audit Committee in June as part of the Annual Report of the Head of Internal Audit.

Details of the progress against the 2016/17 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.

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

RESOLVED:- That the Committee note and endorse the report.

#### 40/16 INTERNAL AUDIT PLAN 2017/18

The Committee considered the proposed Internal Audit Plan for 2017/18, 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 internal audit plan was designed to provide the evidence necessary to support an opinion of governance, risk management and control to encompass the following:

- Coverage of the key components of each part of the opinion, namely, governance, risk management and control;
- Sufficient coverage over operations as a whole so that a fair assessment may be made across the Service;
- Coverage of the controls that served to mitigate the most significant risks to an acceptable level;
- Coverage of the controls that operated most broadly to mitigate the most significant risks in the greatest number of individual instances to an acceptable level; and
- Follow up of the actions agreed by management to mitigate risks identified through previous audit activity.

A total of 80 days were planned at an overall cost of £26,000.

The breakdown of audit resources would be as follows:-

Governance and business effectiveness	(included below)
Service delivery and support	20 days
Business processes	42 days
Follow up audit activity	6 days
Other components of the audit plan	12 days
Total	80 days

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

With reference to the proposed Rota Management Audit, the Director of Corporate Services advised that in relation to the new Retained Duty System pay structure (detailed in the report as being introduced from April 2017) it was noted at the Combined Fire Authority held in February (resolution 64/16 refers) that the process to ratify the Fire Brigade Unions vote to support the scheme would result in a delay to implement the scheme.

In response to a question raised by County Councillor Britcliffe, the Director of Corporate Services confirmed that the accounts payable system was set to pay invoices immediately they were authorised; this assisted the cash flow of small businesses. As a public sector body a report was produced as part of the accounts on the Authority's performance in achieving payment within 30 days and where this was exceeded it was predominantly due to the invoice being in dispute.

RESOLVED:- That the Committee agree the Internal Audit Plan for 2017/18.

#### 41/16 EXTERNAL AUDIT - AUDIT PLAN 2016/17

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 Karen Murray.

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.

RESOLVED:- That the Committee agree the External Audit Plan now presented for 2016/17

#### 42/16 CODE OF CORPORATE GOVERNANCE

Corporate Governance was the way an authority ensured that it did the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner.

It comprised the systems and processes, and cultures and values by which the Authority was directed and controlled and through which it account to, engage with, and, where appropriate, led its communities.

In April 2016, CIPFA issued its latest revision of "Delivering Good Governance in Local Government" and stated "that it was up to each local authority or local government organisation to:

- set out its commitment to the principles of good governance included in this Framework;

- determine its own governance structure, or local code, underpinned by these principles;
- ensure that it operated effectively in practice.

The revised framework would provide the benchmark against which the Annual Governance (Assurance) Statement would be prepared for the financial year 2016/17 onwards.

Members considered a revised Local Code of Corporate Governance, as now presented. The overall aim of the Local Code was to ensure that resources were directed in accordance with agreed policy and according to priorities, that there was sound and inclusive decision-making and that there was clear accountability for the use of those resources in order to achieve desired outcomes for service users and communities.

RESOLVED: - that the Committee agree the revised Code of Corporate Governance as presented.

43/16 DATE OF NEXT MEETING

The next meeting of the Committee would be held on Thursday 22 June 2017 at 10:00 hours in the Main Conference Room at Lancashire Fire and Rescue Service Headquarters, Fulwood.

A further meeting was noted for 28 September 2017.

M NOLAN  
Clerk to CFA

LFRS HQ  
Fulwood

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**LANCASHIRE COMBINED FIRE AUTHORITY  
AUDIT COMMITTEE**

Meeting to be held on 22 June 2017

**EXTERNAL AUDIT – UNDERSTANDING HOW THE AUDIT COMMITTEE GAINS  
ASSURANCE FROM MANAGEMENT  
(Appendices 1 & 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 M Tomlinson  
Chair of the Audit Committee  
Lancashire Fire Authority  
Lancashire Fire and Rescue Service Headquarters  
Garstang Road  
PRESTON  
PR2 3LH

**Grant Thornton UK LLP**  
4 Hardman Square  
Spinningfields  
Manchester  
M3 3EB

T +44 (0)161 953 6900  
F +44 (0)161 953 6901  
[www.grant-thornton.co.uk](http://www.grant-thornton.co.uk)

12 June 2017

Dear Councillor Tomlinson

**Lancashire Combined Fire Authority Financial Statements for the year end 31 March 2017. 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 30 March 2017 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

T +44 (0)161 234 6364  
E Karen.l.murray@uk.gt.com

Mrs K Murray  
Director  
Grant Thornton UK LLP  
4 Hardman Square  
Spinningfields  
Manchester M3 3EB

:  
Date: 22 June 2017

Dear Mrs Murray

**LANCASHIRE COMBINED FIRE AUTHORITY FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2017 - 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 M Tomlinson  
Chair of the Audit Committee  
Lancashire Combined Fire Authority

**LANCASHIRE COMBINED FIRE AUTHORITY  
AUDIT COMMITTEE**

Meeting to be held on 22 June 2017

**INTERNAL AUDIT ANNUAL REPORT 2016/17  
(Appendix 1 refers)**

Contact for further information:

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

**Executive Summary**

The attached report summarises the work performed by the Internal Audit Service during 2016/17.

The opinion of the Chief Internal Auditor is that the Committee can take substantial assurance over the framework of governance, risk management and control.

**Decision Required**

The Committee is asked to note and endorse the report.

**Information**

The Internal Audit Annual Report summarises the work that the Internal Audit Service undertook during 2016/17 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 2016/17. 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 controls were generally applied consistently.

**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 Authorities 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 2017**

DRAFT

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## 1 Introduction

### **Purpose of this report**

- 1.1 This report summarises the work that the Internal Audit Service undertook during 2016/17 and the key themes arising in relation to risk management, governance and internal control.
- 1.2 In March 2016, the Audit Committee considered and approved the internal audit plan for 2016/17. This work is now complete and reported here.

### **The role of internal audit**

- 1.3 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 2016/17 in relation to the 2016/17 audit plan.
- 1.4 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.
- 1.5 An Internal Audit Service Charter is in place that establishes the framework within which Lancashire County Council's Internal Audit Service operates to best serve the Combined Fire Authority and to meet its professional obligations under applicable professional standards.

### **Interim reports**

- 1.6 This report builds on the matters reported previously to the Audit Committee as it has been completed during the year, and as such summary findings regarding the individual reviews are only included where these have not previously been reported to the committee.

### **Acknowledgements**

- 1.7 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 2016/17. 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 audit reviews undertaken in 2016/17.

### Wider sources of assurance available to the Combined Fire Authority

- 2.3 Assurance is provided by Grant Thornton as the Authority's external auditor for the year. Grant Thornton issued its annual audit letter relating to 2015/16 in September 2016, and gave unqualified opinions on both the annual financial statements and the Authority's value for money arrangements.
- 2.4 The results of the interim audit work for 2016/17 completed by Grant Thornton were also reported to the Audit Committee in March 2017. This concluded that the interim work had not identified any material weaknesses in controls or errors in the early substantive testing completed.

## 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 number of actions agreed.

Actions agreed	Total
Extreme risk	0
High risk	0
Medium risk	4
Low risk	2
<b>Total</b>	<b>6</b>

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

***Treasury management***

- 3.4 Our report was finalised in April 2017, and we were able to provide full assurance. An agreed service level agreement between LCFA and Lancashire County Council was in place covering the provision of treasury management services for the period 1 April 2016 to 31 March 2017.

- 3.5 No new borrowings or investments have taken place during 2016/17. We have confirmed that £250,000 was repaid to the Public Works Loan Board on 31 December 2016. Interest paid on borrowings and interest received on investments held during the year was consistent with expectation.

***Pension administration***

- 3.6 Our report was finalised in June 2017. There were no areas of major concern found during the course of our review. A small number of actions have been agreed which are noted in the table in section 6.

- 3.7 Our prior year audit raised an issue regarding the submission of aggregated data files for the period April to October 2015. Whilst monthly data files were submitted for the period November 2015 to March 2016, we found that the same pattern had occurred in this current period.

***Operational reviews***

***Tranman stores***

- 3.8 We completed our audit of the Tranman stores module in September 2016 and we were able to provide an opinion of substantial assurance. There were no significant areas of weakness to note and actions were agreed with management to address a small number of areas for improvement identified.

***Tranman fleet***

- 3.9 Our report was finalised in May 2017, and we were able to provide substantial assurance regarding the operation of the Tranman fleet module. There are no significant findings to report and a strong control environment is maintained by the Fleet and Engineering team at LFRS. Proposed actions have been made primarily concerning the accuracy of the information in Tranman relating to driving licences.

***Absence management***

- 3.10 Our report was finalised in April 2017, and we were able to provide substantial assurance. There is an adequate framework in operation as regards the absence management procedure and itrent as the primary recording system for absences is, with minor exceptions, up to date.
- 3.11 The revised absence management procedure requires that copies of certain documents should now be forwarded to Human Resources (HR). The review has highlighted that a number of supporting documents had not been submitted as required. Retention of these documents provides

HR with evidence that absences have been processed in accordance with the absence management procedure and staff have received appropriate support during their absence and on their return to work.

### **Operational Assurance Team**

- 3.12 Overall, we can provide substantial assurance that sufficient and appropriate controls are in place to ensure that internal operational assurance processes are working effectively.
- 3.13 A defined review methodology is in place and standardised reporting templates are in use for consistency. It is apparent that content will be informed by learning and common findings identified.
- 3.14 In terms of follow up processes we can identify that there are mechanisms in place, but at the moment, it is too early to know whether these will be effective. Reporting arrangements have also been developed to ensure that matters are escalated and circulated as appropriate, but again, it is too early to know whether these will be effective.

### **Follow-up work**

- 3.15 Work has been undertaken to ascertain progress in implementing agreed actions resulting from the 2015/16 operational reviews, which included reviews of the Corporate Programme Board arrangements and the Provision of Risk Information to Staff (PORIS) project. The table below indicates the position across these two reviews at the time the audit work was completed.

<b>Agreed actions</b>	<b>Total</b>	<b>Implemented</b>	<b>Ongoing</b>	<b>Not to be implemented</b>
Extreme risk	0	0	0	0
High risk	0	0	0	0
Medium risk	9	5	3	1
Low risk	8	6	2	0
<b>Totals</b>	<b>17</b>	<b>11</b>	<b>5</b>	<b>1</b>

- 3.16 Our report on the Corporate Programme Board arrangements was finalised in March 2017. Overall we were satisfied that good progress had been made to implement the agreed actions, although in some cases implementation timescales have been longer than anticipated.
- 3.17 Our report on the PORIS follow up was finalised in May 2017. Based on the information and explanations provided to us we can confirm that good progress has been made to implement the agreed actions, although it is acknowledged that the effectiveness of these and the ongoing actions will only be determined after the passage of time.
- 3.18 An updated Service Order has recently been issued. The guidance contained within it, in conjunction with the additional training that has

already been provided to Service Delivery Managers (SDMs) and which is soon to be rolled out to all operational crews should support improvements to the quality of the existing risk documents.

3.19 Whilst the immediate priority has been for SDMs to complete the process of re-reviewing all level 3 – level 5 sites within their areas, we note that going forward the SMART plans that they are required to develop should support the process of scheduling (and monitoring) the completion of future re-reviews as they fall due.

3.20 It is positive to note that good progress has been made in developing communication and technological links both within internal LFRS teams and external agencies, including cross border Fire and Rescue Services.

#### **Fraud/ special investigations**

3.21 Except for one instance whereby a scam e-mail had been notified to us, no incidences of fraud or irregularity have been brought to our attention.

#### **National Fraud Initiative**

3.22 The NFI is part of the statutory audit process for health, local government and other public sector providers managed by the Cabinet office. The NFI flags inconsistencies in data within payroll, pensions, creditors and procurement which may indicate fraud or highlight emerging fraud risks.

3.23 Following the submission of data in October 2016, the resulting matches were released by the Cabinet Office in January 2017 and these have started to be investigated by LFRS. The table below provides details of the total number of matches identified, the number of matches recommended for investigation, the number of matches reviewed and cleared to date and those currently opened and in progress.

3.24 LFRS is currently making good progress in investigating data matches against the Cabinet Office milestone dates. No savings have been identified from the cases opened and closed to date but a small number of duplicate supplier records were identified by LFRS and action taken to remove these.

<b>Category of data</b>	<b>Number of matches identified</b>	<b>Number of matches recommended for investigation</b>	<b>Number of matches processed</b>	<b>Number of matches in progress</b>
Pensions	55	17	52	3
Payroll	48	5	32	9
Creditors	218	41	59	0
Procurement	1	0	0	0
Individuals who appear on more than one report	1	0	0	0
<b>Total</b>	<b>323</b>	<b>63</b>	<b>143</b>	<b>12</b>

## **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 we consider should be identified in the annual governance statement as requiring improvement.

## **5**

### **Internal audit inputs and performance**

#### **Internal audit plan 2016/17**

- 5.1 Work carried out during 2016/17 was in accordance with the audit plan presented and approved by the Audit Committee in March 2016. 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 77.5 days have been spent delivering the audit plan against a provision of 80 days. Of this, 70.5 days were undertaken during the 2016/17 financial year, with the remaining 7 days being conducted in the first quarter of 2017/18.
- 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 2017/18 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 was approved by the Audit and Governance Committee of Lancashire County Council in May 2016, and which was circulated to the Audit Committee in June 2016 for information.
- 5.4 A self-assessment of the Internal Audit Service confirmed that the service substantially meets the requirements of PSIAS. A more detailed assessment will build on this in 2017/18. A full external assessment of the Internal Audit Service's self-assessment of its compliance with PSIAS will take place during November 2017, and the results will be reported to the committee. The outcome of that review will be used to inform a revised quality assurance and improvement programme if necessary.

## 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

Review area	Audit days			Assurance		Key issues/ Comments
	Planned	Actual	Variation	Adequacy	Effectiveness	
<b>Key Financial Systems</b>						
General ledger	5	5	0	✓	✓	Our composite report covering each of these audits was finalised in October 2016, with one low residual risk action introduced to address inaccurate fees and charges.
				Full assurance		
Accounts payable	9	9	0	✓	✓	
				Full assurance		
Accounts receivable	5	5	0	✓	✓	
				Full assurance		
Treasury management	5	5	0	✓	✓	Our report was issued in April 2017, with one low residual risk action agreed in relation to ensuring that members are provided with the opportunity to receive Treasury Management training where appropriate.
				Full assurance		
Human resources and payroll processes	9	9	0	✓	✓	Our report was finalised in March. No areas for improvement were identified.
				Full assurance		
Pensions administration (Firefighter Schemes)	5	5	0	✓	✓	Our report was issued in June 2017 and four medium residual risk actions were raised (i) A manager with the appropriate level of seniority will control, coordinate, communicate and have oversight of all systems updates; (ii) The cause of minor inaccuracies identified in the KPI data will be identified and addressed; (iii) The delegation of function agreement between LFRS and LCC will be agreed at the earliest opportunity and procedures will be introduced to ensure that performance information is submitted to them in accordance with the terms of the agreement in order that service standards can be monitored; and (iv) LFRS will aim to resolve the data extraction issues at the earliest opportunity in order to ensure that data files are able to be submitted on a monthly basis.
				Substantial assurance		

Lancashire Combined Fire Authority  
Annual report for the year ended 31 March 2017

Review area	Audit days			Assurance		Key issues/ Comments
	Planned	Actual	Variation	Adequacy	Effectiveness	
<b>Operational reviews</b>						
Operational Assurance Team	8	8	0	✓	✓	<p>Our report was finalised in June 2017, and five medium and one low residual risk actions were agreed to address areas for improvement identified. These include:</p> <ul style="list-style-type: none"> <li>• The introduction of a review process prior to the issue of reports.</li> <li>• SDMs and CPMs ensuring that action plans are developed and returned within defined timescales and that actions are then implemented as agreed.</li> <li>• Providing an explanation for any proposed actions that are not to be implemented.</li> <li>• Station Assurance Visits to be included as a standing agenda item on meetings between the CPMs and HoSD.</li> <li>• The late submission of action plans will be reported in the Common Findings Report which would highlight delays in responding to the actions raised to the OAG and where appropriate would be reported to PPRSG attended by the area managers.</li> </ul>
				Substantial assurance		
Tranman stores	6	6	0	✓	✓	<p>Our report was finalised in September 2016 with two medium and two low residual risk actions agreed in relation to:</p> <ul style="list-style-type: none"> <li>• The monitoring of calls to the Civica helpdesk;</li> <li>• The provision of iTrent alerts to the Deputy Head of Procurement;</li> <li>• The completion of an interim stock-take before year end; and</li> <li>• The retention of records associated with mini stock-takes.</li> </ul>
				Substantial assurance		
Absence management	7	7	0	✓	✓	<p>The report was finalised in April 2017, with two medium residual risk actions:</p> <ul style="list-style-type: none"> <li>• All managers will be reminded of the need to forward supporting documentation to HR on a timely basis; and</li> <li>• A communication is to be sent to the area admin hubs reminding them to ensure all absences are recorded on itrent in order to correctly calculate SSP and reduced pay. Also, from April 2017 retained stations will be provided with admin support to ensure that both the itrent system and Gartan record the correct information.</li> </ul>
				Substantial assurance		

Lancashire Combined Fire Authority  
Annual report for the year ended 31 March 2017

Review area	Audit days			Assurance		Key issues/ Comments
	Planned	Actual	Variation	Adequacy	Effectiveness	
Tranman fleet	6	6	0	✓	✓	Our report was finalised in May 2017, with one medium and one low residual risk actions agreed: <ul style="list-style-type: none"> <li>• A record of calls made to the helpdesk will be maintained to ensure calls are dealt with timely and in accordance with agreed service delivery.</li> <li>• A review of all driving licence details in Tranman will be undertaken and admin staff will be reminded of the importance of accurate data entry.</li> </ul>
				Substantial assurance		
<b>Other areas</b>						
Follow up reviews: Corporate Programme Board Provision of Risk Information to Staff	3	3	0	N/A	N/A	Our reports were issued in March and May 2017 respectively. Overall we are satisfied that appropriate progress has been made to address the areas for improvement identified in our prior year reports.
National Fraud Initiative	2	0.5	1.5	N/A	N/A	Work relating to the monitoring of progress in relation to the processing of data matches.
Audit management	10	9	1	N/A	N/A	Compilation of the 2015/16 Annual Report; Attendance and reporting for meetings of the Audit Committee; Review of the Internal Audit Charter; Production of the 2017/18 Audit Plan; Sundry client advice.
<b>Total Days</b>	<b>80</b>	<b>77.5</b>	<b>2.5</b>			

## **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 2016/17.
- 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 22 June 2017

### **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 2017 – in relation to the financial statements and value for money conclusion for 2016/17;
- Technical Matters – in relation to changes to Governance framework (as reported previously) and changes to the format of the annual accounts;
- Sector Issues and Developments - which are general issues of interest to the sector, i.e. Fire Authorities, they are not specific issues relating to this Authority. Members may wish to consider if they would like further information on the integrated thinking and Reporting development highlighted.

#### **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  
Lancashire Combined Fire Authority  
Progress Report and Update  
Year ended 31 March 2017

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June 2017

**Karen Murray**

Engagement Lead

T 0161 234 6364

E [karen.l.murray@uk.gt.com](mailto:karen.l.murray@uk.gt.com)

**Caroline Stead**

Senior Manager

T 0161 234 6365

E [caroline.l.stead@uk.gt.com](mailto:caroline.l.stead@uk.gt.com)



# Introduction

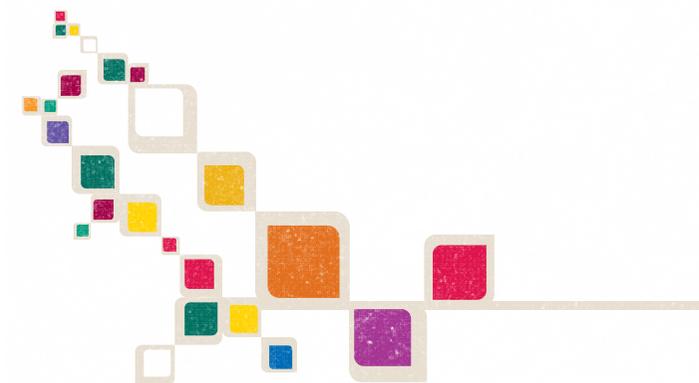
This paper provides the Audit Committee with a report on progress in delivering our responsibilities as your external auditors.

Members of the Audit Committee can find further useful material on our website [www.grant-thornton.co.uk](http://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:

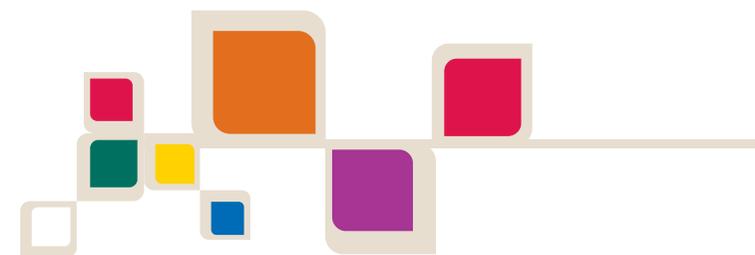
- Fraud risk, 'adequate procedures', and local authorities (December 2016);  
<http://www.grantthornton.co.uk/en/insights/fraud-risk-adequate-procedures-and-local-authorities/>
- New laws to prevent fraud may affect the public sector (November 2016);  
<http://www.grantthornton.co.uk/en/insights/new-laws-to-prevent-fraud-may-affect-the-public-sector/>
- Brexit: local government – transitioning successfully (December 2016)  
<http://www.grantthornton.co.uk/en/insights/brexit-local-government--transitioning-successfully/>

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.

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.

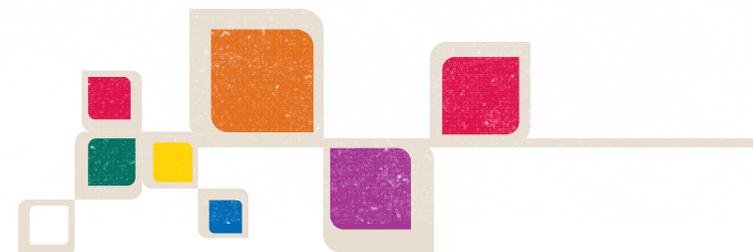


# Progress at March 2017



2016/17 work	Planned Date	Complete?	Comments
<p><b>Fee Letter</b></p> <p>We are required to issue a 'Planned fee letter for 2016/17' by the end of April 2016</p>	April 2016	Yes	The fee letter was sent on 21 April 2016. It confirmed the 2016/17 scale audit fee of £30,739 for Lancashire Combined Fire Authority.
<p><b>Accounts Audit Plan</b></p> <p>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 2016-17 financial statements.</p>	March 2017	Yes	The audit plan was presented to the March Audit committee.
<p><b>Interim accounts audit</b></p> <p>Our interim fieldwork visit plan included:</p> <ul style="list-style-type: none"> <li>• updated review of the Authority's control environment</li> <li>• updated understanding of financial systems</li> <li>• review of Internal Audit reports on core financial systems</li> <li>• early work on emerging accounting issues</li> <li>• early substantive testing</li> <li>• Value for Money conclusion risk assessment.</li> </ul>	February to March 2017	Yes	We have completed our interim work at the Authority. As reported in our audit plan in March, we did not identify any significant issues that we needed to bring to your attention.
<p><b>Final accounts audit</b></p> <p>Including:</p> <ul style="list-style-type: none"> <li>• audit of the 2016/17 financial statements</li> <li>• proposed opinion on the Authority's accounts</li> <li>• proposed Value for Money conclusion</li> <li>• review of the Authority's disclosures in the consolidated accounts against the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16</li> </ul>	July 2017	No	The Audit Findings Report will be presented to the September meeting of the Audit Committee and the Auditor's Report will be given by the deadline of 30 September.

# Progress at March 2017



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2016/17 work	Planned Date	Complete?	Comments
<p><b>Value for Money (VfM) conclusion</b></p> <p>The scope of our work is unchanged to 2015/16 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"> <li>• Informed decision making</li> <li>• Sustainable resource deployment</li> <li>• Working with partners and other third parties</li> </ul>	<p>May – July 2017</p>	<p>In progress</p>	<p>We have carried out an initial risk assessment to determine our approach and reported this in our Audit Plan.</p> <p>We will report our work in the Audit Findings Report and give our value for money conclusion by the deadline in September 2017.</p>
<p><b>Annual Audit Letter</b></p> <p>Our Annual Audit Letter summarises the key findings arising from the work that we have carried out for the year ended 31 March 2017.</p>	<p>October 2017</p>	<p>On track</p>	<p>We will issue an Annual Audit Letter to the Authority in line with specified deadlines after the audit of the 2016/17 financial statements.</p>

# Technical Matters

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## Delivering Good Governance

In April, CIPFA and SOLACE published 'Delivering Good Governance in Local Government: Framework (2016)' and this applies to annual governance statements prepared for the 2016/17 financial year. The key focus of the framework is on sustainability – economic, social and environmental – and the need to focus on the longer term and the impact actions may have on future generations.

Local authorities should be:

- reviewing existing governance arrangements against the principles set out in the Framework
- developing and maintaining an up-to-date local code of governance, including arrangements for ensuring on-going effectiveness
- reporting publicly on compliance with their own code on an annual basis and on how they have monitored the effectiveness of their governance arrangements in the year and on planned changes.

The framework applies to all parts of local government and its partnerships and should be applied using the spirit and ethos of the Framework rather than just rules and procedures

## Telling the story – Changes in 2016/17 CIPFA Code

CIPFA has been working on the 'Telling the Story' project, which aims to streamline the financial statements and improve accessibility to the user. This has resulted in changes to CIPFA's 2016/17 Code of Practice on Local Authority Accounting in the United Kingdom ('the Code').

The main changes affect the presentation of the Comprehensive Income and Expenditure Statement ('CIES'), the Movement in Reserves Statement ('MIRS') and segmental reporting disclosures. A new Expenditure and Funding Analysis has been introduced.

The key changes are:

- the cost of services in the CIES is to be reported on basis of the local authority's organisational structure rather than the Service Reporting Code of Practice (SERCOP) headings
- an 'Expenditure & Funding Analysis' note to the financial statements provides a reconciliation between the way local authorities are funded and the accounting measures of financial performance in the CIES
- the changes will remove some of the complexities of the current segmental note
- other changes to streamline the current MIRS providing options to report Total Comprehensive Income and Expenditure (previously shown as Surplus and Deficit on the Provision of Services and Other Comprehensive Income and Expenditure lines) and removal of earmarked reserves columns.

Other amendments have been made to the Code:

- changes to reporting by pension funds in relation to the format and fair value disclosure requirements to reflect changes to the Pensions SORP
- other amendments and clarifications to reflect changes in the accounting standards.

# Sector issues and developments

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# Integrated Thinking and Reporting

## Focusing on value creation in the public sector

Grant Thornton has seconded staff to the International Integrated Reporting Council on a pro bono basis for a number of years.

They have been working on making the principles of Integrated Reporting <IR> relevant to the public sector and co-authored a recent report by CIPFA and the World Bank: *Integrated thinking and reporting: focusing on value creation in the public sector - an introduction for leaders*.

Around one third of global gross domestic product (GDP) is made up by the public sector and this is being invested in ensuring there is effective infrastructure, good educational opportunities and reliable health care. In many ways, it is this investment by the public sector that is helping to create the conditions for wealth creation and preparing the way for the success of this and future generations.

Traditional reporting frameworks, focussed only on historic financial information, are not fit-for-purpose for modern, multi-dimensional public sector organisations.

Integrated Reporting supports sustainable development and financial stability and enables public sector organisations to broaden the conversation about the services they provide and the value they create.

The public sector faces multiple challenges, including:

- Serving and being accountable to a wide stakeholder base;
- Providing integrated services with sustainable outcomes;
- Maintaining a longer-term perspective, whilst delivering in the short term; and
- Demonstrating the sustainable value of services provided beyond the financial.

The <IR> Framework is principle based and enables organisations to tailor their reporting to reflect their own thinking and strategies and to demonstrate they are delivering the outcomes they were aiming for.

Integrated Reporting can help public sector organisations deal with the above challenges by:

- Addressing diverse and often conflicting public accountability requirements;
- Focussing on the internal and external consequences of an organisation's activities;
- Looking beyond the 'now' to the 'near' and then the 'far';
- Considering the resources used other than just the financial.

The report includes examples of how organisations have benefitted from Integrated Reporting.

CIPFA Publications



# Grant Thornton



# The Income Spectrum

## Helping local authorities to achieve revenue and strategic objectives to create vibrant economies

Local government is under immense financial pressure to do more with less. The 2015/16 spending review is forecast to result in a £13 billion funding hole by 2020/21 that requires councils to make savings of up to 29 per cent.

Despite this challenge, most councils continue to manage their finances proficiently and have become lean and many local authority chief financial officers (CFOs) are confident they can continue to balance the books.

Income generation is increasingly an essential part of the solution to providing sustainable local services, alongside managing demand reduction and cost efficiency. Our report gives local authorities the tools needed to maximise their ability to do so.

Our latest report shares insights on this evolution process and how and why local authorities are reviewing and developing their approach to income generation.

The report draws on:

- learning from public and private sector stakeholders
- Grant Thornton's own experience as an advisor to local government
- analysis from the Grant Thornton/CIPFA CFO Insights tool
- insight from roundtables we convened on the topic in Leeds, Bristol and Exeter.

The key messages arising from the report are:

- councils are increasingly using income generation to diversify their funding base and are commercialising in a variety of ways. This ranges from fees and charges, asset management and company spin-offs, through to treasury investments
- the ideal scenario is investing to earn with a financial and social return. Councils are striving to generate income in a way which achieves multiple strategic outcomes for the same spend; examining options to balance budgets while simultaneously boosting growth, supporting vulnerable communities and protecting the environment.
- stronger commercialisation offers real potential for councils to meet revenue and strategic challenges for 2020 onwards. While there are examples of good practice and innovation, this opportunity is not being fully exploited across the sector due to an absence of a holistic and integrated approach to corporate strategy development.

## Grant Thornton report

### Questions to help ensure success

- Have all your options to maximise use of revenue and assets been explored?
- Do you understand what your strengths are and what you are less good at compared to the market place?
- How does each department and service compare on net income and cost recovery against neighbours and peers?
- Is it clear how generating income delivers both a financial and social return that is aligned to your local political priorities?
- Are governance processes robust enough to scrutinise business case proposals for new income generation?



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## **LANCASHIRE COMBINED FIRE AUTHORITY AUDIT COMMITTEE**

Meeting to be held on 22 June 2017

### **ANNUAL GOVERNANCE STATEMENT 2016/17 (Appendices 1 and 2 refer)**

Contact for further information:-

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

#### **Executive Summary**

The Authority is required 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 2016/17.

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. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law;
2. Ensuring openness and comprehensive stakeholder engagement;
3. Defining outcomes in terms of sustainable economic, social, and environmental benefits;
4. Determining the interventions necessary to optimise the achievement of the intended outcomes;
5. Developing the entity's capacity, including the capability of its leadership and the individuals within it;
6. Managing risks and performance through robust internal control and strong public financial management;
7. Implementing good practices in transparency, reporting, and audit to deliver effective 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 Operational Assessment undertaken by Peer Review Team, which found 'nothing of significance' that would cause problems.

The assessment also considers recommendation made as part of last years Annual Governance Statement, and an update on the position in respect of these is included in the Statement attached as appendix 2.

The review has highlighted a number of areas for further improvements, including those outstanding from last year's review:-

- The Services Information Management Strategy needs to be reviewed and updated to take account of changing requirements;
- Undertake a Governance review, including Committee Terms of Reference, Standing Orders, Scheme of Delegation and Financial Regulations;
- Review partnership engagement and opportunities, including develop strategic alliance with Lancashire Constabulary;
- Implement revised staff induction programme;
- Implement Leadership Conference;
- Complete review of staff recognition.

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 2017	Keith Mattinson, Director of Corporate Services
External Auditors Annual Audit Letter	October 2016	Keith Mattinson, Director of Corporate Services
Internal Audit Annual Report	June 2017	Keith Mattinson, Director of Corporate Services
Reason for inclusion in Part II, if appropriate:		

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**SOURCES OF ASSURANCE:  
LANCASHIRE FIRE AND RESCUE SERVICE/LANCASHIRE COMBINED FIRE AUTHORITY 2016/17**

KEY ELEMENTS OF GOVERNANCE	ASSESS- MENT	COMMENTS
<p>Developing codes of conduct which define standards of behaviour for members and staff, and policies dealing with whistleblowing and conflicts of interests and that these codes and policies are communicated effectively</p>	<p>Good</p>	<p>Set of values agreed by the Authority - STRIVE</p> <p>Constitutional standing orders in place</p> <p>Updated Member and employee codes of conduct</p> <p>Register of interests, and on-going declaration of these</p> <p>Register of gifts and hospitality</p> <p>Appropriately qualified Clerk to the Authority</p> <p>Anti-bribery and whistle-blowing policies in place</p> <p>Register of complaints and compliments</p> <p>Complaints against Members considered as a standing CFA item</p> <p>Minimal number of complaints</p> <p>No substantiated complaints against the service</p>
<p>Ensuring compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful.</p>	<p>Good</p>	<p>All Committee and Authority reports contain section on financial implications. Legal implications are contained within the body of every report as appropriate.</p> <p>The Treasurer/Director of Corporate Services and Monitoring Officer examine all reports to the Authority and its committees to enable legal and financial implications to be considered and provision included where appropriate</p> <p>The Monitoring Officer and Treasurer/Director of Corporate Services attend Authority/Committee to provide advice as required</p>

**SOURCES OF ASSURANCE:  
LANCASHIRE FIRE AND RESCUE SERVICE/LANCASHIRE COMBINED FIRE AUTHORITY 2016/17**

KEY ELEMENTS OF GOVERNANCE	ASSESS- MENT	COMMENTS
<p>Documenting a commitment to openness and acting in the public interest, and compliance with the principles of Data Transparency</p>	<p>Adequate</p>	<p>Compliance with Transparency code                      Publication scheme on the website.                      Compliance with FOI requirements                      Pay Policy Statement approved by the full Authority and published on the service website                      Annual Report                      Annual Assurance Statement                      Public meetings                      Publication of information on website, including Committee agenda and minutes  <b>Information Management Strategy needs to be completed.</b></p>
<p>Establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation.</p>	<p>Good</p>	<p>Comprehensive communication and consultations strategies in place                      Positive evidence of proposals being amended following outcomes of consultation                      Annual report published, including summary financial information                      Key documents published on internet and distributed to relevant stakeholders                      Constructive dialogue with representative bodies                      Register of complaints and compliments                      Annual Assurance Statement available on the website                      The External Auditors Annual Audit Letter did not identify any issues</p>

**SOURCES OF ASSURANCE:  
LANCASHIRE FIRE AND RESCUE SERVICE/LANCASHIRE COMBINED FIRE AUTHORITY 2016/17**

**Appendix 1**

KEY ELEMENTS OF GOVERNANCE	ASSESS- MENT	COMMENTS
		<p>Internal Audit provided substantial assurance over the internal control environment, governance and risk management arrangements</p> <p>Recommendations from audit reviews implemented</p> <p>Operational Assessment undertaken by Peer Review Team and found 'nothing of significance' that would cause problems, nor any issues 'with our self-awareness. Action Plan arising from this completed</p> <p>No substantiated complaints against the service</p>
<p>Developing and communicating a vision which specifies intended outcomes for citizens and service users and is used as a basis for planning.</p> <p>Translating the vision into objectives for the authority and its partnerships</p>	<p>Good</p>	<p>Updated Integrated Risk Management Plan greed for 2017-2022</p> <p>Annual Service Plan, setting out Vision, Activities, Priorities and Values.</p> <p>KPIs identified for each of our priorities</p> <p>Suite of strategies/policies etc. regularly reviewed.</p> <p>Consultation and Communication Strategy setting out how we will consult with public and service users</p> <p>Assessment of compliance with National Framework</p> <p>Effective Corporate Programme Board arrangements, split into 3 Boards:-</p> <ul style="list-style-type: none"> <li>• Business Process Improvement Programme</li> <li>• Workforce Development Programme</li> <li>• Service Delivery Change Programme.</li> </ul> <p>All major projects and revise follow similar format and report to CPB</p> <p>Terms of reference for all Programme Board items agreed at outset and delivery against these monitored on a bi-monthly basis</p>

**SOURCES OF ASSURANCE:  
LANCASHIRE FIRE AND RESCUE SERVICE/LANCASHIRE COMBINED FIRE AUTHORITY 2016/17**

KEY ELEMENTS OF GOVERNANCE	ASSESS- MENT	COMMENTS
<p>Reviewing the effectiveness of the decision-making framework, including delegation arrangements, decision making in partnerships, information provided to decision makers and robustness of data quality.</p>	<p>Good</p>	<p>Appropriate governance arrangements in place, CFA plus 5 Committees each with agreed terms of reference, supported by Standing Orders, Scheme of Delegation and Financial Regulations</p> <p>Performance Mgt information generated by Corvu is good</p> <p>Appropriate BCP arrangements in place in respect of systems and information, including regular backing up and storage of data.</p> <p>ICT Disaster Recovery Plan has been updated to reflect changes to the WAN and SAN infrastructure, and move to NWFC</p>
<p>Measuring the performance of services and related projects and ensuring that they are delivered in accordance with defined outcomes and that they represent the best use of resources and value for money.</p>	<p>Good</p>	<p>Comprehensive performance management information presented to SMT/Performance Committee on a regular basis</p> <p>KPIs agreed with monitoring arrangements in place</p> <p>Annual Report</p> <p>Organisational Assessment process via Peer Review</p> <p>Creation of Operational Assurance Audit Team to review:-</p> <ul style="list-style-type: none"> <li>• operational preparedness</li> <li>• operational response</li> <li>• operational learning</li> </ul> <p>External Audit review</p> <p>Comprehensive financial information reporting framework</p> <p>Medium Term Financial Plan and balanced budget in place</p> <p>Service reviews identified to deliver savings</p>

**SOURCES OF ASSURANCE:  
LANCASHIRE FIRE AND RESCUE SERVICE/LANCASHIRE COMBINED FIRE AUTHORITY 2016/17**

KEY ELEMENTS OF GOVERNANCE	ASSESS- MENT	COMMENTS
		<p>Resources redirected into priority areas such as prevention and protection</p> <p>Consistently exceeded efficiency targets</p>
<p>Defining and documenting the roles and responsibilities of the executive, non-executive, scrutiny and officer functions, with clear delegation arrangements and protocols for effective communication in respect of the authority and partnership arrangements.</p>	<p>Good</p>	<p>Appropriate governance arrangements in place, CFA plus 5 Committees each with agreed terms of reference, supported by Standing Orders, Scheme of Delegation and Financial Regulations <b>(these need reviewing and updating)</b></p> <p>Strategy Group meetings take place throughout the year, informing members of developments in a less formal manner</p> <p>Member/Officer protocol in place setting out respective roles and relationships etc.</p> <p>Member champions</p> <p>Job descriptions for all staff</p> <p>Regular briefing sessions before Committees and as and when required</p> <p>Induction/training provided to all members</p>
<p>Ensuring the authority's financial management arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Chief financial Officer in Local Government and, where they do not, explain why and how they deliver the same impact.</p>	<p>Good</p>	<p>Self-assessment of the role of the Treasurer is compliant with the governance requirements set out in CIPFAs Statement on the Role of the Chief Financial Officer in Local Government</p> <p>Qualified Treasurer, sits on Exec Board and reports directly to Chief Fire Officer</p> <p>Regular appraisal</p> <p>Contract standing orders, financial regulations, budget holder instructions all updated</p> <p>Comprehensive budget setting/monitoring arrangement in place, linked to corporate objectives and priorities. Budget is delegated appropriately and aligned with operational responsibility</p>

**SOURCES OF ASSURANCE:  
LANCASHIRE FIRE AND RESCUE SERVICE/LANCASHIRE COMBINED FIRE AUTHORITY 2016/17**

KEY ELEMENTS OF GOVERNANCE	ASSESS- MENT	COMMENTS
Ensuring effective arrangements are in place for the discharge of the monitoring officer function.	Good	Clerk to the Authority is the monitoring officer Appropriately qualified/experienced Regular appraisal Procedural standing orders Scheme of delegation
Ensuring effective arrangements are in place for the discharge of the head of paid service function.	Good	CFO is the head of paid service Regular appraisal with Chairman
Providing induction and identifying the development needs of members and senior officers in relation to their strategic roles, supported by appropriate training	Good	Member Training and Development Committee All Members subject to a one to one to identify training and development needs. Specific Member training budget to address outcome s of this. Senior Officers subject to appraisal system, including identification of training and development needs
Reviewing the effectiveness of the framework for identifying and managing risks and demonstrating clear accountability.	Good	Comprehensive Risk Mgt Strategy Corporate Risk Register Corporate Programme Board items include an assessment of risk Revised BCP arrangements agreed. All departments have completed Business Impact Assessments and Recovery Plans. Strategic Plan is completed in place and tested on a regular basis. Additional resilience built into ICT network Appropriate insurance arrangements

**SOURCES OF ASSURANCE:  
LANCASHIRE FIRE AND RESCUE SERVICE/LANCASHIRE COMBINED FIRE AUTHORITY 2016/17**

KEY ELEMENTS OF GOVERNANCE	ASSESS- MENT	COMMENTS
Ensuring effective counter-fraud and anti-corruption arrangements are developed and maintained.	Good	Anti-fraud policy  Fraud risk assessment undertaken in 2016/17  Full compliance with National Fraud Initiative
Ensuring the assurance arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Head of Internal Audit and, where they do not, explain why and how they deliver the same impact.	Good	Internal Audit is outsourced to Lancashire County Council  Internal Audit Charter in place  Internal Audit Service Quality Assurance and Improvement Programme process agreed  Lancashire County Council comply with CIPFA statement  Head of Internal Audit has direct access to Audit Committee, Treasurer, Clerk and Chief Fire Officer as well as Members of the Authority
Undertaking the core functions of an audit committee, as identified in CIPFA's Audit Committees: Practical Guidance for Local Authorities.	Good	Audit Committee established and terms of reference agreed <b>(these need reviewing and updating)</b>  All core functions of an Audit Committee, with the exception of approving the statement of accounts which is undertaken by Resources Committee, are covered by the existing terms of reference  Self-assessment completed in 2015/16  Audit Committee have access to both Internal and external auditors, and are provided with an opportunity to discuss issues without Officers being present
Ensuring that the authority provides timely support, information and responses to external auditors and properly considers audit findings and recommendations	Good	Audit Committee established and terms of reference agreed  All core functions of an Audit Committee, with the exception of approving the statement of accounts which is undertaken by Resources Committee, are covered by the existing terms of reference

**SOURCES OF ASSURANCE:  
LANCASHIRE FIRE AND RESCUE SERVICE/LANCASHIRE COMBINED FIRE AUTHORITY 2016/17**

**Appendix 1**

KEY ELEMENTS OF GOVERNANCE	ASSESS- MENT	COMMENTS
		<p>Head of Internal Audit has direct access to Audit Committee, Treasurer, Clerk and Chief Fire Officer as well as Members of the Authority</p> <p>Audit Committee have access to both Internal and external auditors, and are provided with an opportunity to discuss issues without Officers being present</p> <p>No issues identified by either Internal or External Auditor,</p>
<p>Incorporating good governance arrangements in respect of partnerships and other joint working and ensuring that they are reflected across the authority's overall governance structures.</p>	<p>Adequate</p>	<p>A framework has been developed to review potential partnership arrangements utilising the following criteria:</p> <ul style="list-style-type: none"> <li>• Will it make Lancashire Safer?</li> <li>• Will undertaking the activity potentially damage our brand?</li> <li>• Does it fit with the public image of the FRS?</li> <li>• Will it detract from our ability to undertake other operational or preventative functions, if so to what extent?</li> <li>• Is there a significant negative financial impact?</li> <li>• Is the activity likely to fit comfortably with our stakeholders (Trade Unions, Firefighters, CFS staff, Partners, Home Office, etc.)?</li> </ul> <p>In terms of specific work streams previously reported the following update is provided:-</p> <ul style="list-style-type: none"> <li>• 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. A pilot commenced Dec 2<sup>nd</sup> 2016 involving operational crews and Community Safety Advisors across the county. Initial feedback from both staff delivering and recipients within local communities is positive. Developing an automated referral process and evaluating the model (with the support of the NFCC) are currently key work streams.</li> <li>• Information sharing work stream to consider LPRES (Lancashire Patient Record Exchange System); meeting to be progressed with suppliers, internal stakeholders and with other services. Development through the CFOA Strategic Health Group opens up access to the Exeter Data set (a live database of all GP patient registrations across Lancashire and South Cumbria.) and Information Sharing Agreements developed with Unitary Authorities, are viewed as key enablers in improving outcomes for vulnerable people.</li> </ul>

**SOURCES OF ASSURANCE:  
LANCASHIRE FIRE AND RESCUE SERVICE/LANCASHIRE COMBINED FIRE AUTHORITY 2016/17**

KEY ELEMENTS OF GOVERNANCE	ASSESS- MENT	COMMENTS
		<ul style="list-style-type: none"> <li>• Fire Safety Model for social care work stream is progressing the development of a jointly owned action plan. The implementation of a revised Domiciliary Care contract, commissioned via Lancashire County Council, and how LFRS continue to strengthen the working relationships (specifically in terms of the provision of training) with those care providers meeting the contract specification, being a significant work-stream for 2017/18.</li> <li>• Volunteer work stream is embedded with the use of volunteers in delivering Fire Cadets.</li> </ul> <p><b>Develop strategic alliance with Lancashire Constabulary</b></p>

**SOURCES OF ASSURANCE:  
LANCASHIRE FIRE AND RESCUE SERVICE/LANCASHIRE COMBINED FIRE AUTHORITY 2016/17**

KEY ELEMENTS OF GOVERNANCE	ASSESS- MENT	COMMENTS
<p>Staff resources are adequate in numbers and skills to deliver the service objectives. The roles and responsibilities of staff and members have been clearly defined and are understood, and appropriate guidance and training are in place</p>	<p>Good</p>	<p>Workforce Development Strategy agreed</p> <p>Agreed establishment in line with approved budget. Agreed process for revising establishment.</p> <p>Job descriptions in place</p> <p>Appropriate recruitment checks undertaken</p> <p>Updated code of conduct in place and provided to all staff as part of induction. <b>Revised staff induction programme planned for 2017/18</b></p> <p>Appropriate performance management arrangements</p> <p>Updated appraisal system, including identification of training and development needs</p> <p>Introduction of:-</p> <ul style="list-style-type: none"> <li>• Action Learning Sets</li> <li>• Team Talks</li> <li>• Coaching and Mentoring</li> <li>• <b>Leadership Conference planned for 2017/18</b></li> </ul> <p>Coaching and mentoring programme introduced</p> <p>Creation of Operational Assurance Audit Team to review:-</p> <ul style="list-style-type: none"> <li>• operational preparedness</li> <li>• operational response</li> <li>• operational learning</li> </ul> <p>Updated staff engagement strategy and improvement action plan agreed and implemented.</p> <p><b>Further work required to look at reviewing staff recognition and developing staff sounding board.</b></p>

**SOURCES OF ASSURANCE:  
LANCASHIRE FIRE AND RESCUE SERVICE/LANCASHIRE COMBINED FIRE AUTHORITY 2016/17**

KEY ELEMENTS OF GOVERNANCE	ASSESS- MENT	COMMENTS
<p>There are adequate contingency procedures to ensure that services can be resumed in case of emergency.</p> <p>Contingency procedures are well communicated</p>	<p>Good</p>	<p>Revised BCP arrangements agreed. Strategic Plan is completed All departments have completed Business Impact Assessments and Recovery Plans.</p> <p>BCP is considered as a standing item on SMT</p> <p>BCP plan tested on a regular basis, and amended as required</p> <p>Active member of Lancashire Resilience Forum</p> <p>Appropriate BCP arrangements in place in respect of systems and information,</p>
<p>Processes have been established to ensure that corporate and local service policies and procedures are implemented effectively and are periodically reviewed</p>	<p>Good</p>	<p>System of internal control established</p> <p>Policies and service orders are regularly reviewed, in line with an agreed timetable</p> <p>Internal audit reviews have not identified any significant weaknesses</p> <p>External audit reviews have not identified any significant weaknesses</p>

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### **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 an updated 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. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law
2. Ensuring openness and comprehensive stakeholder engagement
3. Defining outcomes in terms of sustainable economic, social, and environmental benefits
4. Determining the interventions necessary to optimise the achievement of the intended outcomes
5. Developing the entity's capacity, including the capability of its leadership and the individuals within it
6. Managing risks and performance through robust internal control and strong public financial management
7. Implementing good practices in transparency, reporting, and audit to deliver effective 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 2017 and up to the date of approval of the 2016/17 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 (IRMP) describes our aims, priorities, equality objectives and values, setting out our ambitions and how we will deliver them in the medium term. The current plan covering 2017-2022 was approved this year and can be found on our website at <http://www.lancsfirerescue.org.uk/sites/lancs/Pages/ContentDocuments/Integrated-Risk-Management-Plan.pdf>
- Annual Service Plan details the activities we will undertake to deliver the strategy set out in our IRMP. The current plan covering 2017/18 was approved this year and can be found on our website at <http://www.lancsfirerescue.org.uk/sites/lancs/Pages/ContentDocuments/Annual-Service-Plan-2017-18.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 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 aspect 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;
  - 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 framework to review potential partnership arrangements utilising set criteria prior to entering into such arrangements;
  - 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 Integrated Risk Management Plan has been updated and agreed, covering the five year period 2017-2022.
- A revised Annual Service Plan has been agreed for 2017/18, providing clarity, both internally and externally, on our 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.
- Business Continuity arrangements have been updated and tested.
- A new Code of Corporate Governance has been agreed, based CIPFA/SOLACE Framework Delivering Good Governance in Local Government.
- A revised code of conduct has been implemented.
- A framework has been developed to review potential partnership arrangements utilising the following criteria: Will it make Lancashire Safer?
  - Will undertaking the activity potentially damage our brand?
  - Does it fit with the public image of the FRS?
  - Will it detract from our ability to undertake other operational or preventative functions, if so to what extent?
  - Is there a significant negative financial impact?
  - Is the activity likely to fit comfortably with our stakeholders (Trade Unions, Firefighters, CFS staff, Partners, Home Office, etc.)?
- An Operational Assurance Team has been implemented, providing a programme of service wide station assurance visits to identify areas for improvement and track these through to completion, thus enhancing operational preparedness, operational response and operational learning.
- A revised performance appraisal system, incorporating values, has been implemented for all staff
- Internal Audit services were provided by Lancashire County Council, who comply 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 2016/17 audit plan the auditors undertook various reviews and gave the overall opinion that they can “provide substantial assurance over the framework of governance, risk management and control for 2016/17” and “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.”
- Grant Thornton provide 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 2015/16:
  - Financial statements – “We gave an unqualified opinion on the Authority’s financial statements”
  - Value for money conclusion – “We were satisfied that the Authority put in place proper arrangements to ensure economy, efficiency and effectiveness in its use of resources during the year”

Last year’s Annual Governance Statement identified a number of areas for improvement, and progress against these are set out below:-

Area for Improvement	Action to date	Completed/ On-going	Owner
The Services Information Management Strategy needs to be reviewed and updated to take account of changing requirements.	Information Management Strategy and a number of underpinning policies agreed. A road map of work to be undertaken has been produced based around 3 key themes which set the direction of travel for the Service. <ul style="list-style-type: none"> <li>• Governance</li> <li>• Quality</li> <li>• Delivery</li> </ul> A number of projects have been commenced and remain in progress, such as: <ul style="list-style-type: none"> <li>• Governance: data protection &amp; governance, partnership data management and privacy impact assessment</li> <li>• Quality: records management, information archive, CFRMIS data matching.</li> <li>• Delivery: SharePoint 2016, self-service GIS and active directory</li> </ul>	On-going	Head of Service Development
Undertake a Governance review, including Committee Terms of Reference, Standing Orders, Scheme of Delegation and Financial Regulations	Work has started considering future requirements, which includes a review of current terms of reference for Committees. Standing Orders, Scheme of Delegation and Financial Regulations are all reviewed on a regular basis to ensure they remain fit for purpose.	On-going	Clerk
Review partnership engagement and opportunities	A framework has been developed to review potential partnership arrangements utilising the following criteria: <ul style="list-style-type: none"> <li>• Will it make Lancashire Safer?</li> <li>• Will undertaking the activity potentially damage our brand?</li> <li>• Does it fit with the public image of the FRS?</li> </ul>	On-going	Head of Service Delivery

	<ul style="list-style-type: none"> <li>• Will it detract from our ability to undertake other operational or preventative functions, if so to what extent?</li> <li>• Is there a significant negative financial impact?</li> <li>• Is the activity likely to fit comfortably with our stakeholders (Trade Unions, Firefighters, CFS staff, Partners, Home Office, etc)?</li> </ul> <p>In terms of specific work streams previously reported the following update is provided:-</p> <ul style="list-style-type: none"> <li>• 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. A pilot commenced Dec 2<sup>nd</sup> 2016 involving operational crews and Community Safety Advisors across the county. Initial feedback from both staff delivering and recipients within local communities is positive. Developing an automated referral process and evaluating the model (with the support of the NFCC) are currently key work streams.</li> <li>• Information sharing work stream to consider LPRES (Lancashire Patient Record Exchange System); meeting to be progressed with suppliers, internal stakeholders and with other services. Development through the CFOA Strategic Health Group opens up access to the Exeter Data set (a live database of all GP patient registrations across Lancashire and South Cumbria.) and Information Sharing Agreements developed with Unitary Authorities, are viewed as key enablers in improving outcomes for vulnerable people.</li> <li>• Fire Safety Model for social care work stream is progressing the development of a jointly owned action plan. The implementation of a revised Domiciliary Care contract, commissioned via Lancashire County Council, and how LFRS continue to strengthen the working relationships (specifically in terms of the provision of training) with those care providers meeting the contract specification, being a significant work-stream for 2017/18.</li> <li>• Volunteer work stream is embedded with the use of volunteers in delivering Fire Cadets.</li> </ul>		
Develop a more flexible way of ensuring the delivery of our business continuity arrangements	A new process has been agreed. All departments have completed Business Impact Assessments and Recovery Plans. The Strategic Business Continuity Plan has been updated.	Completed	Head of Service Development
Deliver services digitally to the public using web technology	The new website and digital delivery of the home fire safety check service has been embedded. The site now incorporates an on-line recruitment platform which digitises the process of applying for a role at LFRS. This will be further extended during the year. The Service has further invested in a community engagement platform “in the Know” which is used to warn and inform the public of risks and emergencies.	Completed	Head of Corporate Comms

Develop a staff engagement strategy and improvement action plan	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. Review of staff recognition and development of staff sounding boards was undertaken and is currently on hold pending recruitment of additional resources.	On-going	Head of Corporate Comms
Introduce a formal coaching and mentoring programme	Coaching & mentoring training rolled out to Supervisory Managers and now forms part of the ILM L3 Supervisory Management Development Programme Managers in development have mentors appointed Coaching skills Service Order & Associated Training complete to allow all managers to utilise coaching skills.	Completed	Head of Training and Operational Review
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	An Operational Assurance Team (OAT) has been implemented following a re-structuring of Service Delivery Manager roles on Areas. The Team is based at STC alongside our Training Managers. This will optimise Operational Preparedness, Operational Response, and Operational Learning by reporting findings from Station Visits, Incident Monitoring and Debriefs to a new Operational Assurance Group. The new methodology will meet recent national guidance and will also include a clear information flow in and out of National and Multi-Agency Learning. A draft Operational Assurance Framework service order has been completed, focusing on 3 key areas of <ul style="list-style-type: none"> <li>• operational preparedness</li> <li>• operational response</li> <li>• operational learning.</li> </ul> A programme of service wide station assurance visits is underway to identify areas for improvement and track these through to completion. Incident ground monitoring by a competent group of flexi duty officers is in place as are arrangements to strengthen learning from local and national incidents.	Completed	Head of Service Delivery & Head of Training and Operational Review
Review our appraisal system to better align individual tasking with organisational priorities and values	Revised Performance appraisal incorporating values updated and implemented	Completed	Head of Human Resources
Review progress against the Equality and Diversity National framework	Equality and diversity policy implemented. Focus has been the establishment of Equality Objectives, development of Equality and Diversity annual report to demonstrate progress against the public sector equality duty.	Completed	Head of Human Resources

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 following new areas for improvement, and outstanding recommendations from last year's statement, are listed below:

- The Services Information Management Strategy needs to be reviewed and updated to take account of changing requirements.
- Undertake a Governance review, including Committee Terms of Reference, Standing Orders, Scheme of Delegation and Financial Regulations
- Review partnership engagement and opportunities, including develop strategic alliance with Lancashire Constabulary
- Implement revised staff induction programme
- Implement Leadership Conference
- Complete review of staff recognition

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  
28 June 2017

C Kenny,  
Chief Fire Officer,  
Lancashire Fire and Rescue  
Service  
28 June 2017

K Mattinson CPFA,  
Treasurer, Lancashire  
Combined Fire Authority  
28 June 2017

**LANCASHIRE COMBINED FIRE AUTHORITY  
AUDIT COMMITTEE**

Meeting to be held on 22 June 2017

**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 not identified any new risks which warrant inclusion on the corporate risk register:-

Existing Risks

Of the existing risks 4 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 31/3/18	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.	A further 200 7(2)(d) plans have been completed with 86 still requiring further work. Since the last update the new form and training have been developed. The training will be completed by mid-July following which all new 7(2)(d) plans will be created using the new format. Service Delivery Managers have received training to ensure that they can quality assure the plans prior to them being published. The Operational Assurance Team will recommence auditing of existing 7(2)(d) plans, starting with the Level 5s in Q2.	Remains at 9	Medium
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	We have completed the work to improve resilience between Service HQ / Service Training Centre and BTLancashire. While unaffected by the recent ransomware issue that effected many public sector agencies we have increased our patch scheduling so that critical and security patches take effect at the earliest opportunity, this along with the on-going recruitment of an additional engineer role will offset the increased risk.	Remains at 9	Medium
8	Loss of corporate reputation through negative publicity	No change, not due to report till 31/12/17	9	Medium
9	Retention and recruitment of RDS staff impacts on RDS appliance availability	No change, not due to report till 31/12/17	12	Medium
10	Lack of workforce planning resulting in significant over/under provision of staff and resulting impact on service and finances	Previously discharged		
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 31/12/17	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 31/12/17	9	Medium

14	Delayed mobilisation, impacting on service delivery	No change, not due to report till 31/12/17	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	Previously discharged		
17	Failure of ESMCP to deliver a viable communication facility.	Recent Programme milestones have been achieved in terms of the procurement of handheld devices and the cascade of the vehicle mounted devices tender. As there are still further details to be added to the national project plan, all Services await the final implementation date but as a minimum this has now been pushed back to April 2018. The regional programme team will update Services as soon as they receive this updated information. In the interim LFRS has developed a project plan and internal key stakeholders are now meeting regularly. There will be a clearer picture towards the end of the year after this work, and further milestones are reached within the project and the risks will be assessed and updated.	Remains at 9	Medium
18	Inability to maintain service provision in spate conditions	No change, not due to report till 31/12/17	9	Medium
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	No change, not due to report till 31/3/18	12	Medium

20	Loss of support for Vector Incident Command product with the product name Command Support System (CSS) leading to ineffective command function at large incidents	The Vector Command software has been updated by the new owner (Telent) and successful tests have been delivered by ICT firstly on a test bench and then on the live ICT system. The next phase of testing is scheduled for June 2017 which will explore if the software works effectively using satellite technology and therefore enabling use on our Command Unit. Such an outcome will close this risk item.	9	Medium
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**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:		

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**CORPORATE RISK REGISTER**

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Appendix 1

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KEY RISKS	RISK MITIGATION/CONTROLS IN PLACE	LIKELIHOOD	IMPACT	RESIDUAL RISK	ACTIONS RECOMMENDED	BY WHEN	BY WHOM	RISK OWNER	DIRECTORATE
<p>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.</p>	<p>The Government has confirmed that the multi-year settlement offers have been agreed with all single purpose fire and rescue authorities. Hence, barring exceptional circumstances, and subject to the normal statutory consultation process for the local government finance settlement, the Government expects these amounts to be presented to Parliament each year. However there still remains some uncertainty surrounding the changes to the Business Rates Retention Scheme and the impact of Brexit.</p> <p>The final Local Government Finance Settlement 2017/18 confirmed a funding reduction of £2.3m in 17/18 and £0.9m and £0.4m over the following two years. Based on current budget estimates we will be faced with a funding gap of up to £1.2m in 19/20 (assuming council tax is increased by 2% in future years).</p> <p>The Authority will continue to review opportunities for further savings, with the next ECR due in 17/18.</p> <p>The Authority holds sufficient reserves to enable it to smooth out the impact if funding reductions and meet the financial challenges in the medium term.</p>	3	3	9	<p>Continue to monitor position and review implications arising from Brexit</p>	31/03/2018	DoCS	DoCS	Corp Serv

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	KEY RISKS	RISK MITIGATION/CONTROLS IN PLACE	LIKELIHOOD	IMPACT	RESIDUAL RISK	ACTIONS RECOMMENDED	BY WHEN	BY WHOM	RISK OWNER	DIRECTORATE
2	<p>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.</p>	<p>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 &amp; 3 risk information.                      Premises risks categorised as level 2 risk have a hazard statement on the mobilising system. The PORIS programme went live on the 1/4/15, as per the project plan. This now gives the Service a fully compliant system against the principles outlined in the CFRA PORIS guidance.                      All known high risk premises are recorded on the system.</p>	3	3	9	<p>86 plans still require further work. Since the last update the new form and training have been developed. The training will be completed by mid-July following which all new 7(2)(d) plans will be created using the new format. SDMs have received training to ensure that they can quality assure the plans prior to them being published. The Operational Assurance Team will recommence auditing of existing 7(2)(d) plans, starting with the Level 5s in Q2.</p>	30/06/2018	HoSD	DoSD	Serv Delivery

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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.</p> <p>There are 13 &amp; 16 agreements in place with other NW FRSS.</p> <p>Regular dialogue takes place with key staff and representative bodies.</p> <p>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.</p> <p>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	Discharged				

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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				

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	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				

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KEY RISKS	RISK MITIGATION/CONTROLS IN PLACE	LIKELIHOOD	IMPACT	RESIDUAL RISK	ACTIONS RECOMMENDED	BY WHEN	BY WHOM	RISK OWNER	DIRECTORATE
<p>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.</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	Discharged				

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	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. 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, 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	We will be further developing NWFC as part of the WAN replacement this year, 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	30/06/2018	HoICT	HoICT	Strategy & Planning

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	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 and toolkit comprehensively revised in 2016 to update all aspects of risk including business continuity issues, emergencies and broader reputational risk and to fulfil requirements of the Lancashire Resilience Forum emergency communications plan. Plan regularly tested, including exercises. Effective reactive press office and 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 for all corporate projects include staff communication to reduce risk of 'leaks'. Corporate use of social media is embedded in communication plans with policy and guidance in place.	3	3	9	Social media policy and guidance requires review to ensure it keeps pace with issues and trends. Media training provision, incorporating social media training requires review.	31/12/2017	HoCC	HoCC	People & Development

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KEY RISKS	RISK MITIGATION/CONTROLS IN PLACE	LIKELIHOOD	IMPACT	RESIDUAL RISK	ACTIONS RECOMMENDED	BY WHEN	BY WHOM	RISK OWNER	DIRECTORATE
<p>9 Retention and recruitment of RDS staff impacts on RDS appliance availability.</p>	<p>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. RDS Strengthening &amp; Improving work stream to deliver improvements in this area.</p>	3	4	12	<p>RDS Pay review agreed for implementation in April 2017, subject to Union agreement. RDS Support officer posts agreed for implementation in April 2017. On-going RDS recruitment campaigns (the most recent RDS recruit course was 50% over-subscribed indicating that future work being undertaken as part of the RDS Strengthening and Improving work streams is paying dividends.)</p>	31/12/2017	HoSD	HoSD	Serv Delivery

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	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.	A mechanism of workforce planning has now been agreed and this will be reviewed on annual basis. As part of the development of the workforce plan a review of retirement profile is considered which is the main reason for turnover for those staff on grey book terms and conditions, this information is used to plan recruitment and enables us to plan effectively ensuring enough staff. Further to the turnover last year, an internal recruitment campaign and associated recruitment resulted in recruitment to 27 posts. A further recruitment campaign is being conducted for 2017/18 which will be completed by mid-May. Our approach to training and organisational development ensures that staff have the necessary ability, skills and training in order to able to undertake the job role. In terms of managing the risks associated with over establishment, all posts are checked against the post book prior to advertising. Where a post is not established it needs to go through specific authorisation and establishment process which ensures that we control the number of posts we recruit.	2	3	6	Proposed to discharge the risk			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.				

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	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. Health, Safety and Environment Advisory Group monitor performance.	3	3	9	Following the independent audit of Health and Safety and Environmental Management Systems has been carried out as part of our OHSAS 18001 and ISO 14001 certification process close out issues identified, 2 non-conformance issues which both relate to Operational Controls for third parties working/operating on LFRS premises has been received.	31/12/2017	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 Information Management Strategy has developed from the original policies, a 'road map' of work need to take the Service forward to ensure we have a workable program to move the Service forward. A number of projects are underway to facilitate this: <ul style="list-style-type: none"> <li>• CFRMIS 6</li> <li>• Service Wide Data review</li> <li>• Corporate Document Centre</li> <li>• Self Service GIS</li> </ul> Whilst there has been progress in the last 18 months, due to the recent loss of key members of the project staff, there is will be a slow-down in progress against what was already a 3 year programme of work.	31/12/2017	HoServ Develop	DoSP	Strategy & Planning

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	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. The data testing and analysis has been carried out and broadly matches that of the work done by GMFRS. We are awaiting NWFC ICT contractor Telent , to undertake testing of a new set of roads speeds based on actual performance.	31/12/2017	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				

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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 identified several potential governance models, regional, national, mergers, ambulance, police etc. responsibility for Fire Service has transferred from CLG to Home Office The Policing and Crime Bill (which is currently going through Parliament) introduces measures which require the police, fire and rescue, and ambulance services to collaborate with one another. As a minimum, the legislation requires PCCs to be represented on the relevant fire and rescue authority (FRA) (or its committees) with full voting rights, subject to the consent of the FRA. Alternatively, PCCs have the option of putting forward a business case which may include arrangements to take on responsibility for the governance of fire and rescue; or to become the single employer for fire and police, to deliver greater improvements through the integration of back office functions and maximise the benefits of workforce flexibility. As such future options now appear to be:- • remain as we are • move towards a PCC	2	3	6	Discharged				

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**Nov 16**

	KEY RISKS	RISK MITIGATION/CONTROLS IN PLACE	LIKELIHOOD	IMPACT	RESIDUAL RISK	ACTIONS RECOMMENDED	BY WHEN	BY WHOM	RISK OWNER	DIRECTORATE
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. Main contracts awarded to EE and Motorola for the network and network equipment respectively. Since the signing of the contract, there has been considerable work done by the suppliers, central programme team and emergency services in the regions. However there are still some areas that need to be resolved, and therefore the original go live for the North West (the first region go-live) September 2017, has moved on 6 months to April 2018. 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.	3	3	9	The Service continues to progress work along with the other NW FRS, as the first region to role out the proposed solution. Recent Programme milestones have been achieved in terms of the procurement of handheld devices and the cascade of the vehicle mounted devices tender. As there is still further details to be added to the national project plan, all Services await the final programme dates, and the regional programme team will update Services as soon as they receive this updated information. In the interim LFRS has developed a project plan and internal key stakeholders are now meeting regularly. There will be a clearer picture towards the end of the year after this work, and further milestones are reached within the project and the risks will be assessed and updated.	31/12/2017	HoServ Develop	DoSP	Strategy & Planning

**CORPORATE RISK REGISTER**

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	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 The published 2017-2022 LFRS Integrated Risk Management Plan recognises the impacts of wide area flooding (P2 increasing weather related events) as does our SOR for 2017. Ensure ESMCP specification recognises communication needs identified Training for LFRS FDOs regarding National Resilience Asset mobilisation and associated Command Support has been delivered, testing via an exercise to be completed LFRS vehicle fleet amended with multi-purpose (4x4) vehicles suitable for use in wide area flooding placed within the fleet, further purchases to follow in 2017/18 to extend the provision to 10. The enhancement of staff PPE with provision of flood suits and associated training is complete.	3	3	9	Ensure that future station builds include relevant flood defences	31/12/2017	HoProp	DoCS	Corp Serv
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. ICT Strategy to include work stream to improve user experience. 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, difficulties in recruiting additional ICT resources due to skill shortages have been resolved and recruitment is underway. Development of social networking site for staff to support each other and share knowledge of ICT systems is planned for 2017/18	31/03/2018	HoICT	DoSP	Strategy & Planning

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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 command function at large incidents	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. The Intellectual Property Rights (IPR) for the Vector software were bought at auction by Telent, who are the prime contractor for the NWFC ICT mobilising and communication. They have presented to say they will ensure that the original Vector developments as promised under the NWFC contract will be delivered.	3	3	9	The Vector Command software has been updated by the new owner (Telent) and successful tests have been delivered by ICT firstly on a test bench and then on the live ICT system. The next phase of testing is scheduled for June 2017 which will explore if the software works effectively using satellite technology and therefore enabling use on our Command Unit. Such an outcome will close this risk item.	31/12/2017	HoServ Develop	DoSP	Strategy & Planning

**20**

HIGH	0
MEDIUM	12
MEDIUM/LOW	5
LOW	3

20

**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 |