

# Public Document Pack

## LANCASHIRE COMBINED FIRE AUTHORITY

### AUDIT COMMITTEE

Tuesday, 29 January 2019 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 - 4)
4. EXTERNAL AUDIT PLAN 2018-19 (Pages 5 - 22)
5. EXTERNAL AUDIT - AUDIT REPORT AND SECTOR UPDATE (Pages 23 - 38)
6. INTERNAL AUDIT MONITORING REPORT (Pages 39 - 48)
7. CONSULTATION ON 2019/20 SCALES OF AUDIT FEES (Pages 49 - 50)
8. RISK MANAGEMENT (Pages 51 - 72)
9. DATE OF NEXT MEETING

The next scheduled meeting of the Committee has been agreed for 10:00 hours on 2 April 2019 in the Main Conference Room, at Lancashire Fire & Rescue Service Headquarters, Fulwood.

Further meetings are: scheduled for 23 July 2019 and 24 September 2019  
proposed for 28 January 2020.

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, 27 September 2018, at 10.00 am in the Main Conference Room, Service Headquarters, Fulwood.

### MINUTES

### PRESENT:

#### Councillors

S Clarke  
F De Molfetta (for S Holgate)  
A Kay  
M Khan  
J Shedwick (Vice-Chair)  
D Smith  
M Tomlinson (Chairman)

#### Officers

K Mattinson, Director of Corporate Services (LFRS)  
D Russel, Assistant Chief Fire Officer (LFRS)  
J Keighley, Member Services Assistant (LFRS)

#### In attendance

R Tembo, External Audit, Grant Thornton  
J Taylor, Internal Audit, Lancashire County Council

#### 15/18 APOLOGIES FOR ABSENCE

Apologies were received from County Councillor S Holgate.

#### 16/18 DISCLOSURE OF PECUNIARY AND NON-PECUNIARY INTERESTS

None received.

#### 17/18 MINUTES OF THE PREVIOUS MEETING

RESOLVED: - That the Minutes of the last meeting held on 24 July 2018 be confirmed as a correct record and signed by the Chairman.

#### 18/18 EXTERNAL AUDIT - ANNUAL AUDIT LETTER 2017/18

The External Auditor's Annual Audit Letter represented an overall assessment of the Authority's performance, drawing on the Auditor's findings and conclusions from their work, which had previously been reported to the Audit Committee.

Members considered the Annual Audit Letter which summarised Grant Thornton's 2017/18 audit of the Authority as presented by Richard Tembo.

The Auditors had issued an unqualified opinion on the Authority's 2017/18 financial statements on 24 July 2018. The External Auditors were satisfied that in all significant respects the Authority put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2018. It was noted that the External Auditor's fee for 2017/18 was in line with the planned fee for the year.

In a response to a question raised by CC S Clarke, the Director of Corporate Services confirmed that the valuation figure did include the Service's appliances, however the majority of the valuation was in respect of the Authority's buildings.

RESOLVED:- That the Audit Committee noted and endorsed the content of the Annual Audit letter 2017/18.

#### 19/18 INTERNAL AUDIT SERVICE QUALITY ASSURANCE AND IMPROVEMENT PROGRAMME

In 2016 the Committee approved the internal Audit Quality Assurance and Improvement Programme. In line with requirements this had now been reviewed.

Members considered the report by Judith Taylor (Head of Internal Audit Lancashire County Council) which set out the current position in respect of the internal audit plan for 2018/19.

RESOLVED: - That the Committee noted and endorsed the revised Quality Assurance and Improvement Programme.

#### 20/18 INTERNAL AUDIT MONITORING REPORT

The Internal Auditors produced a summary of progress against the annual plan for each Audit Committee meeting, setting out progress to date and any significant findings. The report for the period from 1 April 2018 to 14 September 2018 was presented by Judith Taylor. It was noted that work carried out during this period was in accordance with the agreed audit plan and no significant issues had been identified.

The report identified that 10.5 days had been spent this financial year on the 2018/19 plan. In addition, the auditors had spent a further 10 days during the first quarter of the financial year in completing and finalising reviews outstanding from 2017/18 audit plan. The findings from these reviews were reported in the 2017/18 Annual Report which Mrs Taylor had presented to Members alongside this report.

Progress to date in relation of the plan was provided and discussed by Members.

In relation to the proposals regarding the use to the business contingency provision,

the Treasurer advised Members if no further work was required by the internal auditors from the publication of the HMICFRS inspection report he would review the contingency arrangements with the Chairman and Vice Chairman of the Audit Committee outside this meeting and report back to Members at a future meeting.

RESOLVED: - That the Committee noted and endorsed the report.

#### 21/18 RISK MANAGEMENT UPDATE

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 not identified any new risks which warranted inclusion on the corporate risk register.

An updated corporate risk register was considered by Members with changes summarised in the report.

In response to a question raised by CC De Molfetta in relation to risk 22, failure to maximise collaborative opportunities presented by Policing and Crime Act 2017, the Assistant Chief Fire Officer confirmed that the meetings between LFRS officers and Police colleagues to discuss the progression of the 32 items were continuing to take place. He reassured Members that any finalisations of the work carried out between LFRS and Lancashire Constabulary would be reported back to the Fire Authority.

In addition, the Service had also reviewed its Risk Management Strategy. Members considered the recommended changes which were set out in the report.

RESOLVED: - That the Audit Committee noted the actions taken, endorsed the revised corporate risk register and agreed the revised risk management strategy.

#### 22/18 DATE OF NEXT MEETING

The next meeting of the Committee would be held on Tuesday 29 January 2019 at 10:00 hours in the Main Conference Room at Lancashire Fire and Rescue Service Headquarters, Fulwood.

Further meeting dates were noted for 2 April 2019 and 23 July 2019 and agreed for 24 September 2019.

LFRS HQ  
Fulwood

M NOLAN  
Clerk to CFA

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## **LANCASHIRE COMBINED FIRE AUTHORITY**

### **AUDIT COMMITTEE**

Meeting to be held on 29 January 2019

### **EXTERNAL AUDIT – AUDIT PLAN 2018/19 (Appendix 1 refers)**

Contact for further information:

Keith Mattinson – Director of Corporate Services – telephone 01772 866804

#### **Executive Summary**

The attached report sets out the proposed external audit plan for 2018/19.

#### **Recommendation**

The Committee is asked to agree the external audit plan for 2018/19.

#### **Information**

The external auditors are required to produce an annual audit plan, setting out areas it intends to review during the year. The plan is attached as Appendix 1, and will be presented by the External Audit - Engagement Lead.

#### **Financial Implications**

The audit fee is £23.7k, which is in line with previous fee updates and with the budget.

#### **Business Risk Implications**

The external audit plan is formulated taking account of the risks faced by the Authority, and as such is designed to ensure that the external auditors review how the Authority is managing these risks.

#### **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
Reason for inclusion in Part II, if appropriate:		



# External Audit Plan

*Year ending 31 March 2019*

Lancashire Combined Fire Authority

9 January 2019

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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning 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 the Authority or all 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.

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# Introduction & headlines

## Purpose

This document provides an overview of the planned scope and timing of the statutory audit of Lancashire Combined Fire Authority ('the Authority') for those charged with governance.

## Respective responsibilities

The National Audit Office ('the NAO') has issued a document entitled Code of Audit Practice ('the Code'). The Code summarises where the responsibilities of auditors begin and end and what is expected from the audited body. Our respective responsibilities are also set out in the Terms of Appointment and Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA), the body responsible for appointing us as auditor of Lancashire Combined Fire Authority. We draw your attention to both of these documents on the [PSAA website](#).

## Scope of our audit

The scope of our audit is set in accordance with the Code and International Standards on Auditing (ISAs) (UK). We are responsible for forming and expressing an opinion on the :

- Authority's financial statements that have been prepared by management with the oversight of those charged with governance (the Audit committee); and
- Value for Money arrangements in place at the Authority for securing economy, efficiency and effectiveness in your use of resources.

The audit of the financial statements does not relieve management or the Audit Committee of your responsibilities. It is the responsibility of the Authority to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Authority is fulfilling these responsibilities.

Our audit approach is based on a thorough understanding of the Authority's business and is risk based. We will be using our new audit methodology and tool, LEAP, for the 2018/19 audit. It will enable us to be more responsive to changes that may occur in your organisation.

## Significant risks

Those risks requiring special audit consideration to address the likelihood of a material financial statement error have been identified as:

- revenue recognition
- management override of controls
- valuation of land and buildings
- pensions net liability (Firefighters Pension Scheme and Local Government Pension Scheme).

We will communicate significant findings on these areas as well as any other significant matters arising from the audit to you in our Audit Findings (ISA 260) Report.

## Materiality

We have determined planning materiality to be £1.108m (PY £919k) which equates to 2% of your forecast gross expenditure for the year. We are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. Clearly trivial has been set at £55.4k (PY £45.9k).

## Value for Money arrangements

Our risk assessment regarding your arrangements to secure value for money has not identified any significant risks.

We will continue to review relevant documents up to the date of giving our report and we will report accordingly should we identify any risks.

## Audit logistics

Our interim visit will take place in March 2019 and our final visit will take place in June and July 2019. Our key deliverables are this Audit Plan and our Audit Findings Report. Our audit approach is detailed in Appendix A.

Our fee for the audit will be £23,669 (PY: £30,739) for the Authority, subject to the Authority meeting our requirements set out on page 11.

## Independence

We have complied with the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

# Key matters impacting our audit

## Factors

### The wider economy and political uncertainty

Local Government funding continues to be stretched with increasing cost pressures and demand from residents. For Lancashire Combined Fire Authority, government funding has fallen by £1m and the Authority has plans to deliver £0.8m of efficiencies plus an additional savings target of £0.3m required to deliver an increase in Council Tax within the referendum limit of 3%.

Overall the Authority is well placed to meet the financial challenges that it faces in the medium term. However, the Authority is likely to be faced with a funding gap in future years, the extent of which depends on future council tax decisions. The Authority plans to utilise reserves and identify further savings in order to deliver a balanced budget in the medium term.

At a national level, the government continues its negotiation with the EU over Brexit, and future arrangements remain clouded in uncertainty. The Authority will need to ensure that it is prepared for all outcomes, including in terms of any impact on contracts, on service delivery and on its support for local people and businesses.

### Changes to the CIPFA 2018/19 Accounting Code

The most significant changes relate to the adoption of:

- IFRS 9 Financial Instruments which impacts on the classification and measurement of financial assets and introduces a new impairment model.
- IFRS 15 Revenue from Contracts with Customers which introduces a five step approach to revenue recognition.
- The impact of these changes to the Authority will not be significant.

### HMICFRS Inspection

In July 2018, the Service was inspected by Her Majesty's Inspectorate of Constabulary and Fire and Rescue Services. The Service was rated as 'outstanding' for promoting its values and culture. In all other areas, the Service was rated as 'good' with no areas that 'require improvement' in any of the 11 categories that were assessed.

## Our response

- We will consider your arrangements for managing and reporting your financial resources as part of our work in reaching our Value for Money conclusion.
- We will consider whether your financial position leads to material uncertainty about the going concern of the Authority and will review related disclosures in the financial statements.

- We will keep you informed of changes to the financial reporting requirements for 2018/19 through on-going discussions and invitations to our technical update workshops.
- As part of our opinion on your financial statements, we will consider whether your financial statements reflect the financial reporting changes in the 2018/19 CIPFA Code.
- We have invited the finance team to the Local Government Accountant's workshop at the end of January 2019 where the changes will be discussed.

- We will review the HMICFRS Report and any further actions taken by the Authority as part of our continuing risk assessment for value for money conclusion

# Significant risks identified

Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
<b>The revenue cycle includes fraudulent transactions:</b>  <b>Income from room hire, Princes Trust, other miscellaneous sources including colleges</b>	<p>Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue.</p> <p>For Lancashire Combined Authority, we have concluded that the greatest risk of material misstatement relates to Miscellaneous and other invoiced income. This income stream is regarded as a material risk as it is comprised of numerous individual transactions from various sources that amount to a material amount.</p> <p>We have therefore identified the occurrence and accuracy of miscellaneous and other income as a significant risk, which was one of the most significant assessed risks of material misstatement.</p> <p>We have rebutted this presumed risk for the other revenue streams of the Authority because:</p> <ul style="list-style-type: none"> <li>other income streams are primarily derived from grants or formula based income from central government and tax payers; and/or</li> <li>opportunities to manipulate revenue recognition are very limited.</li> </ul>	<p>We will:</p> <ul style="list-style-type: none"> <li>evaluate the Authority's accounting policy for recognition of miscellaneous and other income for appropriateness;</li> <li>gain an understanding of the Authority's system for accounting for miscellaneous and other income and evaluate the design of the associated controls;</li> <li>agree, on a sample basis amounts recognised as miscellaneous and other income in the financial statements to supporting documentary evidence.</li> </ul>
<b>Management over-ride of controls</b>	<p>Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities.</p> <p>The Authority faces external scrutiny of its spending and this could potentially place management under undue pressure in terms of how they report performance.</p> <p>We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>We will:</p> <ul style="list-style-type: none"> <li>evaluate the design effectiveness of management controls over journals</li> <li>analyse the journals listing and determine the criteria for selecting high risk unusual journals</li> <li>test unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration</li> <li>gain an understanding of the accounting estimates and critical judgements applied made by management and consider their reasonableness with regard to corroborative evidence</li> <li>evaluate the rationale for any changes in accounting policies, estimates or significant unusual transactions.</li> </ul>

# Significant risks identified

Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
Valuation of land and buildings	<p>The Authority revalues its land and buildings on an annual basis to ensure that the carrying value is not materially different from the current value at the financial statements date. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved (£X billion) and the sensitivity of this estimate to changes in key assumptions.</p> <p>Management have engaged the services of a valuer to estimate the current value as at 31 March 2019.</p> <p>We therefore identified valuation of land and buildings, particularly revaluations and impairments, as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>We will:</p> <ul style="list-style-type: none"><li>• evaluate management's processes and assumptions for the calculation of the estimate, the instructions issued to the valuation experts and the scope of their work</li><li>• evaluate the competence, capabilities and objectivity of the valuation expert</li><li>• write to the valuer to confirm the basis on which the valuations were carried out</li><li>• challenge the information and assumptions used by the valuer to assess completeness and consistency with our understanding</li><li>• test, on a sample basis, revaluations made during the year to ensure they have been input correctly into the Authority's asset register</li><li>• evaluate the assumptions made by management for any assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value.</li></ul>

# Significant risks identified

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
Valuation of the pension fund net liability	<p>The Authority's pension fund net liability, as reflected in its balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements.</p> <p>The pension fund net liability is considered a significant estimate due to the size of the numbers involved (£801 million in the Authority's balance sheet) and the sensitivity of the estimate to changes in key assumptions.</p> <p>We therefore identified valuation of the Authority's pension fund net liability as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>We will:</p> <ul style="list-style-type: none"> <li>• update our understanding of the processes and controls put in place by management to ensure that the Authority's pension fund net liability is not materially misstated and evaluate the design of the associated controls;</li> <li>• evaluate the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work;</li> <li>• assess the competence, capabilities and objectivity of the actuary who carried out the Authority's pension fund valuation;</li> <li>• assess the accuracy and completeness of the information provided by the Authority to the actuary to estimate the liability;</li> <li>• test the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary;</li> <li>• undertake procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report; and</li> <li>• obtain assurances from the auditor of Lancashire County Pension Fund as to the controls surrounding the validity and accuracy of membership data; contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements.</li> <li>• obtain assurances from PWC in respect of valuation of the firefighters pension fund liability valuation by GAD.</li> </ul>

# Other matters

## Other work

In addition to our responsibilities under the Code of Practice, we have a number of other audit responsibilities, as follows:

- we read your Narrative Report and Annual Governance Statement and any other information published alongside your financial statements to check that they are consistent with the financial statements on which we give an opinion and consistent with our knowledge of the Authority.
- we carry out work to satisfy ourselves that disclosures made in your Annual Governance Statement are in line with the guidance issued by CIPFA.
- we carry out work on your consolidation schedules for the Whole of Government Accounts process in accordance with NAO group audit instructions.

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We also consider our other duties under legislation and the Code, as and when required, including:

- giving electors the opportunity to raise questions about your 2018/19 financial statements, consider and decide upon any objections received in relation to the 2018/19 financial statements;
  - issue of a report in the public interest or written recommendations to the Authority under section 24 of the Act, copied to the Secretary of State.
  - application to the court for a declaration that an item of account is contrary to law under Section 28 or for a judicial review under Section 31 of the Act; or
  - issuing an advisory notice under Section 29 of the Act.
- we certify completion of our audit.

## Other material balances and transactions

Under International Standards on Auditing, "irrespective of the assessed risks of material misstatement, the auditor shall design and perform substantive procedures for each material class of transactions, account balance and disclosure". All other material balances and transaction streams will therefore be audited. However, the procedures will not be as extensive as the procedures adopted for the risks identified in this report.

## Going concern

As auditors, we are required to "obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the Authority's ability to continue as a going concern" (ISA (UK) 570). We will review management's assessment of the going concern assumption and evaluate the disclosures in the financial statements.



# Materiality

## The concept of materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law. Misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

## Materiality for planning purposes

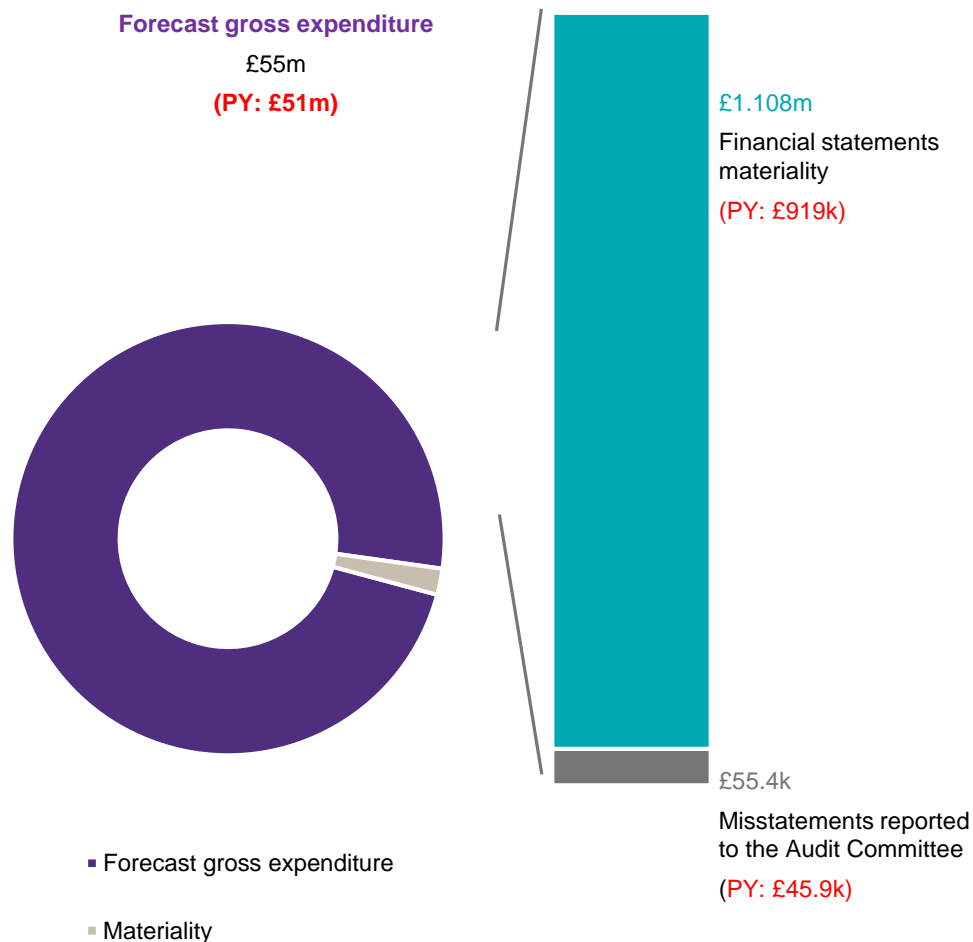
We have determined financial statement materiality based on a proportion of the gross expenditure of the Authority for the financial year. In the prior year we used the same benchmark. Materiality at the planning stage of our audit is £1.1m (PY £919k) which equates to 2% of your forecast gross expenditure for the year.

We reconsider planning materiality if, during the course of our audit engagement, we become aware of facts and circumstances that would have caused us to make a different determination of planning materiality.

## Matters we will report to the Audit Committee

Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Audit Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work. Under ISA 260 (UK) 'Communication with those charged with governance', we are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. ISA 260 (UK) defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria. In the context of the Authority, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £55.4m (PY £45.9k).

If management have corrected material misstatements identified during the course of the audit, we will consider whether those corrections should be communicated to the Audit Committee to assist it in fulfilling its governance responsibilities.



# Value for Money arrangements

## Background to our VFM approach

The NAO issued its guidance for auditors on Value for Money work in November 2017. The guidance states that for Local Government bodies, auditors are required to give a conclusion on whether the Authority has proper arrangements in place to secure value for money.

The guidance identifies one single criterion for auditors to evaluate:

*“In all significant respects, the audited body takes properly informed decisions and deploys resources to achieve planned and sustainable outcomes for taxpayers and local people.”*

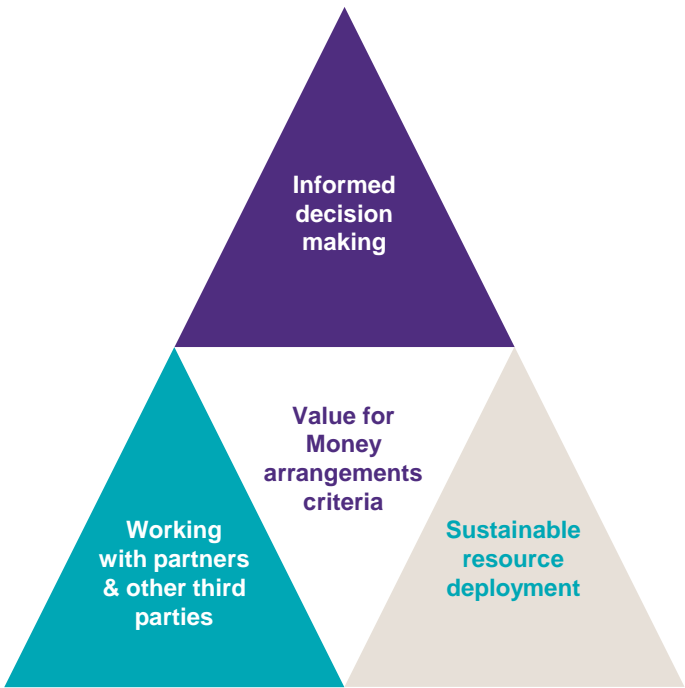
This is supported by three sub-criteria, as set out below:

## Significant VFM risks

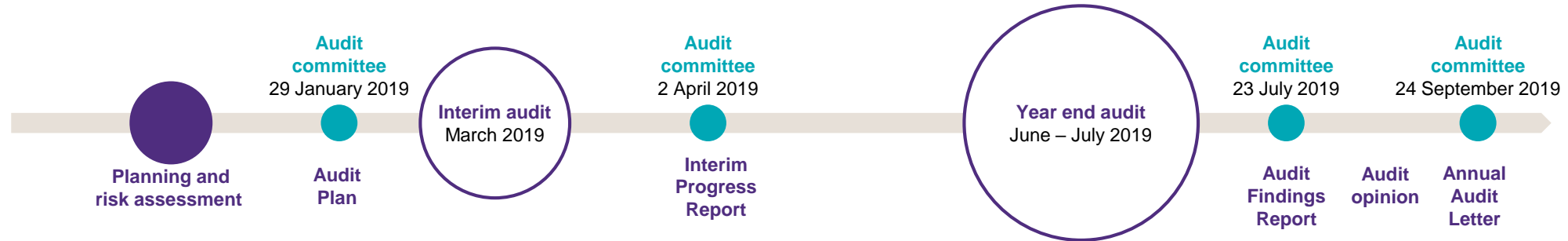
We have not identified any significant risks from our initial risk assessment. In particular we have considered the largely positive assessment of the service provided by HMICFRS. In addition we understand the Authority is on track to deliver its planned budget for 2018/19 and plans to deliver £0.8m of efficiencies plus an additional savings target of £0.3m required to deliver an increase in Council Tax within the referendum limit of 3% despite the reduction in government funding by £1m from £25.3m in 3017/18 to £24.3m in 2018/19.

We will continue our review your arrangements, including reviewing your financial monitoring returns and Annual Governance Statement, before we issue our auditor's report

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# Audit logistics, team & fees



## Robin J Baker, Engagement Lead

Robin will be the main point of contact for the Chief Fire Officer, Director of Corporate Services and Audit Committee. Robin will share his wealth of knowledge and experience across the sector providing challenge and sharing good practice. Robin will ensure our audit is tailored specifically to you and is delivered efficiently. Robin will review all reports and the team's work, focussing his time on the key risk areas to your audit.



## Richard Tembo, Audit Manager

Richard will work with the senior members of the finance team ensuring early delivery of testing and agreement of accounting issues on a timely basis. Richard will attend Audit Committees, undertake reviews of the team's work and draft reports, ensuring they remain clear, concise and understandable to all. Richard will provide support to the audit team to provide assurance on the financial statements.



## Dianne Webster, Audit Incharge

Dianne will lead the onsite team and will be the day to day contact for the audit. Dianne will monitor the deliverables, manage the query log with your finance team and highlight any significant issues and adjustments to senior management. Dianne will undertake the more technical aspects of the audit, coach the junior members of the team and assist in reviewing the team's work.

## Audit fees

The planned audit fees are £23,669 (PY: £30,739) for the financial statements audit completed under the Code, which are inline with the scale fee published by PSAA. There is no non-Code (as defined by PSAA) work planned. In setting your fee, we have assumed that the scope of the audit, and the Authority and its activities, do not significantly change.

Where additional audit work is required to address risks relating to application of changes to International Financial Reporting Standard (IFRS) 9 – Financial Instruments and changes to the Authority's recognition and accounting treatment of financial assets and/or liabilities, the application of changes to International Financial Reporting Standard (IFRS) 15 – Revenue from contracts with customers and the Authority's recognition and accounting treatment of income from contracts, we will consider the need to charge fees in addition to the audit fee on a case by case basis. Any additional fees will be discussed and agreed with management and require PSAA approval.

## Our requirements

To ensure the audit is delivered on time and to avoid any additional fees, we have detailed our expectations and requirements in the following section 'Early Close'. If the requirements detailed overleaf are not met, we reserve the right to postpone our audit visit and charge fees to reimburse us for any additional costs incurred.

# Early close

## Meeting the 31 July audit timeframe

In the prior year, the statutory date for publication of audited local government accounts was brought forward to 31 July, across the whole sector. This was a significant challenge for local authorities and auditors alike. For authorities, the time available to prepare the accounts was curtailed, while, as auditors we had a shorter period to complete our work and faced an even more significant peak in our workload than previously.

We have carefully planned how we can make the best use of the resources available to us during the final accounts period. As well as increasing the overall level of resources available to deliver audits, we have focused on:

- bringing forward as much work as possible to interim audits
- starting work on final accounts audits as early as possible, by agreeing which authorities will have accounts prepared significantly before the end of May
- seeking further efficiencies in the way we carry out our audits
- working with you to agree detailed plans to make the audits run smoothly, including early agreement of audit dates, working paper and data requirements and early discussions on potentially contentious items.

We are satisfied that, if all these plans are implemented, we will be able to complete your audit and those of our other local government clients in sufficient time to meet the earlier deadline.

## Client responsibilities

Where individual clients do not deliver to the timetable agreed, we need to ensure that this does not impact on audit quality or absorb a disproportionate amount of time, thereby disadvantaging other clients. We will therefore conduct audits in line with the timetable set out in audit plans (as detailed on page 11). Where the elapsed time to complete an audit exceeds that agreed due to a client not meeting its obligations we will not be able to maintain a team on site. Similarly, where additional resources are needed to complete the audit due to a client not meeting their obligations we are not able to guarantee the delivery of the audit by the statutory deadline. Such audits are unlikely to be re-started until very close to, or after the statutory deadline. In addition, it is highly likely that these audits will incur additional audit fees.

## Our requirements

To minimise the risk of a delayed audit or additional audit fees being incurred, you need to ensure that you:

- produce draft financial statements of good quality by the deadline you have agreed with us, including all notes, the narrative report and the Annual Governance Statement
- ensure that good quality working papers are available at the start of the audit, in accordance with the working paper requirements schedule that we have shared with you
- ensure that the agreed data reports are available to us at the start of the audit and are reconciled to the values in the accounts, in order to facilitate our selection of samples
- ensure that all appropriate staff are available on site throughout (or as otherwise agreed) the planned period of the audit
- respond promptly and adequately to audit queries.

In return, we will ensure that:

- the audit runs smoothly with the minimum disruption to your staff
- you are kept informed of progress through the use of an issues tracker and weekly meetings during the audit
- we are available to discuss issues with you prior to and during your preparation of the financial statements.

---

# Independence & non-audit services

## Auditor independence

Ethical Standards and ISA (UK) 260 require us to give you timely disclosure of all significant facts and matters that may bear upon the integrity, objectivity and independence of the firm or covered persons relating to our independence. We encourage you to contact us to discuss these or any other independence issues with us. We will also discuss with you if we make additional significant judgements surrounding independence matters.

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

We confirm that we have implemented policies and procedures to meet the requirements of the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements. Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in December 2017 and PSAA's Terms of Appointment which set out supplementary guidance on ethical requirements for auditors of local public bodies.

## Other services provided by Grant Thornton

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Authority. No other services were identified

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# Appendices

## A. Audit Approach

# Audit approach

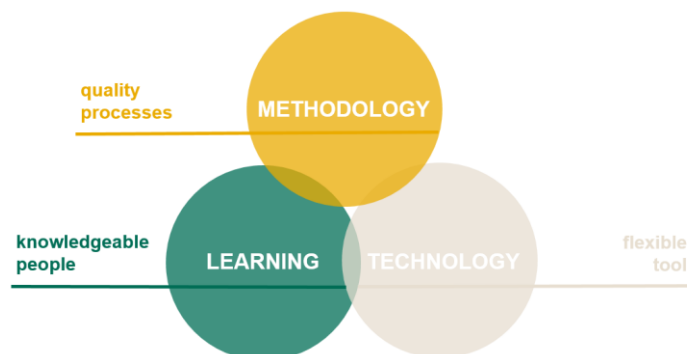
## Use of audit, data interrogation and analytics software

### LEAP



#### Audit software

- A globally developed ISA-aligned methodology and software tool that aims to re-engineer our audit approach to fundamentally improve quality and efficiency
- LEAP empowers our engagement teams to deliver even higher quality audits, enables our teams to perform cost effective audits which are scalable to any client, enhances the work experience for our people and develops further insights into our clients' businesses
- cloud-based industry-leading audit tool developed in partnership with Microsoft



### IDEA



- We use one of the world's leading data interrogation software tools, called 'IDEA' which integrates the latest data analytics techniques into our audit approach
- We have used IDEA since its inception in the 1980's and we were part of the original development team. We still have heavy involvement in both its development and delivery which is further enforced through our chairmanship of the UK IDEA User Group
- In addition to IDEA, we also use other tools like ACL and Microsoft SQL server
- Analysing large volumes of data very quickly and easily enables us to identify exceptions which potentially highlight business controls that are not operating effectively



### Appian

#### Business process management

- Clear timeline for account review:
  - disclosure dealing
  - analytical review
- Simple version control
- Allow content team to identify potential risk areas for auditors to focus on





## **LANCASHIRE COMBINED FIRE AUTHORITY**

### **AUDIT COMMITTEE**

Meeting to be held on 29 January 2019

### **EXTERNAL AUDIT - AUDIT PROGRESS REPORT AND SECTOR 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 Progress and Sector Update report 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 Progress and Sector Update report produced by the Grant Thornton, our external auditors.

The report sets out the following:-

- Progress at January 2018 – in relation to the financial statements and value for money conclusion for 2018/19;
- Audit Deliverables – which sets out what the auditors will do and their planned completion date;
- Sector Update – which provides an up to date summary of emerging national issues and developments to support the Authority/Committee. This covers areas which may have an impact on the organisation; they are not specific issues relating to this Authority. Members may wish to consider if they would like further information on any of these.

#### **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**

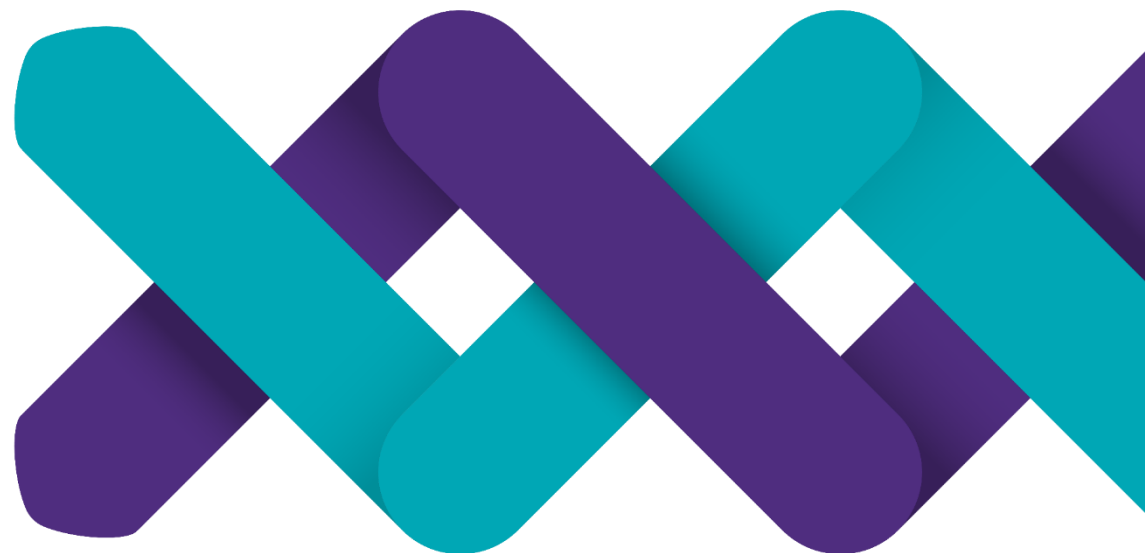
Paper	Date	Contact
None		
Reason for inclusion in Part II, if appropriate:		

# Audit Progress Report and Sector Update

Lancashire Combined Fire Authority

Page 25

January 2019



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# Introduction



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

The paper also includes:

- a summary of emerging national issues and developments that may be relevant to you as a local authority; and
- includes a number of challenge questions in respect of these emerging issues which the Committee may wish to consider (these are a tool to use, if helpful, rather than formal questions requiring responses for audit purposes)

Members of the Audit Committee can find further useful material on our website, where we have a section dedicated to our work in the public sector. Here you can download copies of our publications [www.grantthornton.co.uk](http://www.grantthornton.co.uk) ..

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.

# Progress at 9 January 2019

## Financial Statements Audit

We have started planning for the 2018/19 financial statements audit and are due to commence our interim audit in March 2019. Our interim fieldwork visit is expected to include:

- an updated review of the Authority's control environment
- an updated understanding of financial systems
- a review of Internal Audit reports on core financial systems
- early work on emerging accounting issues, and
- early substantive testing.

Our Audit Plan which summarises our approach to the key risks on the audit will be presented at the committee meeting on 29 January 2019. We will report any findings from the interim audit to you in our Progress Report on 2 April 2019.

## Value for Money

The scope of our work is set out in the guidance issued by the National Audit Office. 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".

Audit guidance for value for money working in 2018/19 has now been issued and remains consistent with prior years. 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".

The three sub criteria for assessment to be able to give a conclusion overall are:

- Informed decision making
- Sustainable resource deployment
- Working with partners and other third parties.

We have carried out our initial risk assessment to determine our approach and have not identified any risks in our Audit Plan being presented at this meeting. We will continue our review of your arrangements, including reviewing your Financial Monitoring Returns and Annual Governance Statement, before we issue our auditor's report.

We will report our work in the Audit Findings Report and give our Value For Money Conclusion at the Audit Committee on 23 July 2019, i.e. before the deadline of 29 July 2019.

## Other areas

### Meetings

We met with your Chief Fire Officer and s151 Officer in November 2018 as part of our regular liaison meetings. Another meeting is scheduled for January 2019. We will continue to be in discussions with finance staff regarding emerging developments and to ensure the audit process is smooth and effective.

### Events

Our annual accountants workshop will be held at the end of January 2019 and we have invited key members of your finance team to this event.

# Audit Deliverables

2018/19 Deliverables	Planned Date	Status
<b>Fee Letter</b> Confirming audit fee for 2018/19.	April 2018	Complete
<b>Accounts Audit Plan</b> We are required to issue a detailed accounts audit plan to the Audit Committee setting out our proposed approach in order to give an opinion on the Authority's 2018-19 financial statements.	29 January 2019	Presenting to Audit Committee on 29 January 2019
<b>Interim Audit Findings</b> We will report to you the findings from our interim audit and our initial value for money risk assessment within our progress report.	2 April 2019	Not yet due
<b>Audit Findings Report</b> The audit findings report will be reported to the July 2019 Audit Committee.	23 July 2019	Not yet due
<b>Auditors Report</b> This is the opinion on your financial statement, annual governance statement and value for money conclusion.	29 July 2019	Not yet due
<b>Annual Audit Letter</b> This letter communicates the key issues arising from our work.	24 September 2019	Not yet due

# Sector Update

Local government finances are at a tipping point. Authorities are tackling a continuing drive to achieve greater efficiency in the delivery of public services, whilst facing the challenges to address rising demand, ongoing budget pressures and social inequality.

Our sector update provides you with an up to date summary of emerging national issues and developments to support you. We cover areas which may have an impact on your organisation, the wider NHS and the public sector as a whole. Links are provided to the detailed report/briefing to allow you to delve further and find out more.

Our public sector team at Grant Thornton also undertake research on service and technical issues. We will bring you the latest research publications in this update. We also include areas of potential interest to start conversations within the organisation and with audit committee members, as well as any accounting and regulatory updates.

- [Grant Thornton Publications](#)
- [Insights from local government sector specialists](#)
- [Reports of interest](#)
- [Accounting and regulatory updates](#)

More information can be found on our dedicated public sector and local government sections on the Grant Thornton website



# HMICFRS News

## HMICFRS Inspection – summary of First Tranche

This is the first time that HMICFRS has inspected fire and rescue services across England. Their focus is on the service they provide to the public, and the way they use the resources available.

HMICFRS have inspected 14 services in the first tranche of inspections. Each inspection assesses how effective and efficient the service is, how it protects the public against fires and other emergencies and how it responds to the same. They also assess how well each service looks after the people who work there. Lancashire Combined Fire Authority was inspected in the first tranche of inspections

In carrying out inspections of fire and rescue services in England, HMICFRS have regard to the following main questions:

1. How effective is the fire and rescue service at keeping people safe and secure from fire and other risks?
2. How efficient is the fire and rescue service at keeping people safe and secure from fire and other risks?
3. How well does the fire and rescue service look after its people?

The categories of graded judgement used are: outstanding, good, requires improvement and inadequate

Lancashire Combined Fire Authority was rated as 'outstanding' for promoting its values and culture. In all other areas, the Service was rated as 'good' with no areas that 'require improvement' in any of the 11 categories that were assessed

## HMICFRS Inspection - Findings

### Effectiveness

Overall, the HMICFRS judged ten services to be good and four as requiring improvement. In arriving at the overall judgment, they examined a range of operational practices, including: fire prevention; protection through regulation; emergency response; and responding to national risks.

Specifically, the HMICFRS has concerns in relation to protection through regulation where they have rated eight out of fourteen services as requiring improvement, and one as inadequate.

### Efficiency

HMICFRS graded eight of the fire and rescue services they inspected as good for efficiency, five as requiring improvement, and they found one service to be inadequate. In arriving at this judgment, they considered how well the service uses resources to manage risks; and how well the service is using resources to ensure the service it provides is affordable now and in the future

The inspection showed that a large number of services were deploying staff to activities in the same way they always have, which may not be appropriate given new and emerging risks being faced, coupled with having fewer staff. Furthermore, they found that some fire services were using reserves without a longer-term sustainable funding plan in place,

### People

Three services were graded as good at looking after the people who work for them; ten services were graded as requiring improvement, and one service was graded as inadequate. They considered how well services train, manage, treat and support the people who work for them

This was the area of greatest concern for the HMICFRS, as the inspection revealed a lack of diversity within fire services, as well as a large number of unreported instances of bullying. A recommendation that leaders take swift and sustained action to remedy these problems was made.

# Creating and operating a successful fire trading company – A Grant Thornton report

## How fire trading companies can combat austerity

In October 2018, Grant Thornton released a report which contained a study of fire trading companies (FTCs). In our latest study we have researched a range of FTCs, from those reported as being successful to lessons learned from those that have encountered challenges and ceased to trade.

Of the 48 fire and rescue services in England and Wales, only 31% have an FTC. In comparison, 60% of local authorities have at least one trading company. This could be attributed to several factors, such as a lack of willingness to trade; the restricted, specialist and competitive market in which FTCs operate; and the fact that some FTCs have ceased trading.

The report found that the most successful FTCs are not just financially sustainable but are also providing social value and wider benefit to their local communities. They tend to be larger companies who understand the commercial market in which they operate, are able to capitalise on their specialist skills and are looking for ways to expand and widen their activities.

The report goes on to consider some of the key success factors in running an FTC, including clarity on the rationale for setting up an FTC, ensuring sustainable income streams, creating the right culture, and establishing effective governance arrangements, amongst others.

The report also lists six case studies, which are all FTCs. Some of the successful FTCs are able to have more autonomy from the fire service in meeting their objectives, with ring fenced profits being able to be invested in community projects based on the objectives of the board of the FTC.

Some smaller FTCs also have significant impact on reducing the strain on the public purse, for example by providing training to delegates in improving fire safety and reducing risk

## Case Study 5: Red One Ltd.

Included within the six case studies in the report is RedOne Ltd. The company was one of the first FTCs to be created, and provides fire and safety consultancy services.

The report makes reference to the reviews of management arrangements and governance framework over the last two years which have led to staff being recruited to work directly for the company rather than on secondment from the fire and rescue service, as was the case previously.

The report states that it is important to have an effective management structure for any company. Therefore it is a good idea to introduce people with a commercial background in senior management roles at the outset.

Furthermore, it is important to ensure that the market opportunity is well defined. In Red One's case, the opportunity has been identified as being closer to home rather than further afield. If there is a wider market to explore, this could be worth investing in and could require additional capacity for the required growth.

The full report can be accessed by clicking on the cover



# Home Office news



Home Office

## Enabling Police and Crime Commissioners (PCCs) to sit and vote on Combined Fire and Rescue Authorities (FRAs)

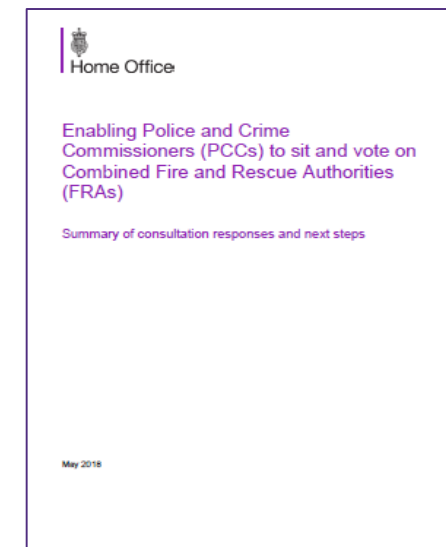
The Home Office has summarised the consultation responses and next steps in respect of the proposal to vary the combination schemes of Combined Fire and Rescue Authorities (FRAs).

The responses demonstrate strong support among those directly affected for implementing the provisions of the 'representation model', with 91% of affected Combined FRAs agreeing to the proposed amendments.

This consultation was about ensuring that Combined FRAs can appoint a PCC with voting rights, and that the same level of transparency applies to Combined FRAs as it does to County or Metropolitan FRAs. Having carefully considered the consultation responses, the Government has decided to vary the combination schemes of those Combined FRAs who have agreed to the proposed amendments. A negative statutory instrument (SI) will now be drafted to make these amendments and it is then expected to be laid before Parliament in the autumn.

This sets a clear expectation for opportunities for closer working and cooperation to be implemented and encourage collaboration in areas where a PCC does not take on responsibility for local fire and rescue services. It is expected that each affected FRA will now carefully consider a relevant PCC's membership request should it be made.

The full report can be accessed by clicking on the cover



# Independent Review of Building Regulations and Fire Safety: final report

Commissioned by government following the Grenfell Tower fire to make recommendations on the future regulatory system, Dame Judith Hackitt's final report was published in May 2018. Its purpose is to make recommendations that will ensure we have a sufficiently robust regulatory system for the future and to provide further assurance to residents that the complete system is working to ensure the buildings they live in are safe and remain so. It is examining the building and fire safety regulatory system, with a focus on high-rise residential buildings.

In the report, Dame Hackitt states that it is essential that the industry works to implement a truly robust approach to building the increasingly complex structures in which people live. The key issues underpinning the system failure include:

- a) **Ignorance** – regulations and guidance are not always read by those who need to, and when they do the guidance is misunderstood and misinterpreted.
- b) **Indifference** – the primary motivation is to do things as quickly and cheaply as possible rather than to deliver quality homes which are safe for people to live in. When concerns are raised, by others involved in building work or by residents, they are often ignored. Some of those undertaking building work fail to prioritise safety, using the ambiguity of regulations and guidance to game the system.
- c) **Lack of clarity on roles and responsibilities** – there is ambiguity over where responsibility lies, exacerbated by a level of fragmentation within the industry, and precluding robust ownership of accountability.
- d) **Inadequate regulatory oversight and enforcement tools** – the size or complexity of a project does not seem to inform the way in which it is overseen by the regulator. Where enforcement is necessary, it is often not pursued. Where it is pursued, the penalties are so small as to be an ineffective deterrent.

## Recommendations

The main recommendation as a result of this report is a new regulatory framework focused, in the first instance, on multi-occupancy higher risk residential buildings (HRRB); alongside a new Joint Competent Authority (JCA) comprising Local Authority Building Standards, fire and rescue authorities and the Health and Safety Executive to oversee better management of safety risks in these buildings (through safety cases) across their entire life cycle; as well as a mandatory incident reporting mechanism for dutyholders with concerns about the safety of a HRRB.

The report goes on to set out the changes necessary to achieve this new framework in more detail including chapters on building safety during design, construction, refurbishment and occupation, giving residents a voice, and creating a more robust and transparent construction products regime.

Whilst the recommendations in each chapter are crucial, in isolation they will fail to achieve the systemic change sought. The framework operates as a mutually reinforcing package and requires the implementation of its interdependent components in order for this to be achieved.

The report concludes that it is therefore important that government develops a joined-up implementation plan to provide a coherent approach to delivering the recommendations in this report.

The full report can be accessed by clicking on the cover



# In good company: Latest trends in local authority trading companies

Our recent report looks at trends in LATC's (Local Government Authority Trading Companies). These deliver a wide range of services across the country and range from wholly owned companies to joint ventures, all within the public and private sector.

## Outsourcing versus local authority trading companies

The rise of trading companies is, in part, due to the decline in popularity of outsourcing. The majority of outsourced contracts operate successfully, and continue to deliver significant savings. But recent high profile failures, problems with inflexible contracts and poor contract management mean that outsourcing has fallen out of favour. The days of large scale outsourcing of Authority services has gone.

## Advantages of local authority trading companies

- Authorities can keep direct control over their providers
- Opportunities for any profits to be returned to the Authority
- Provides suitable opportunity to change the local authority terms and conditions, particularly with regard to pensions, can also bring significant reductions in the cost base of the service
- Having a separate company allows the authority to move away from the constraints of the Authorities decision making processes, becoming more agile and responsive to changes in demand or funding
- Wider powers to trade through the Localism act provide the company with the opportunity to win contracts elsewhere

## Choosing the right company model

The most common company models adopted by Authorities are:

Wholly  
owned

Joint  
Ventures

Social  
Enterprise

Wholly owned companies are common because they allow local authorities to retain the risk and reward. And governance is less complicated. Direct labour organisations such as Cormac and Oxford Direct Services have both transferred out in this way.

JVs have become increasingly popular as a means of leveraging growth. Pioneered by Norse, Corserv and Vertas organisations are developing the model. Alternatively, if there is a social motive rather than a profit one, the social enterprise model is the best option, as it can enable access to grant funding to drive growth.

## Getting it right through effective governance

While there are pitfalls in establishing these companies, those that have got it right are: seizing the advantages of a more commercial mind-set, generating revenue, driving efficiencies and improving the quality of services. By developing effective governance they can be more flexible and grow business without micromanagement from the Authority.

## LATC's need to adapt for the future

- LATC's must adapt to developments in the external environment
  - These include possible changes to the public procurement rules after Brexit and new local authority structures. Also responding to an increasingly crowded and competitive market where there could be more mergers and insolvencies.
- Authorities need to be open to different ways of doing things, driving further developments of new trading companies. Relieving pressures on Authorities to find the most efficient ways of doing more with less in today's austere climate.

Overall, joint ventures can be a viable alternative delivery model for local authorities. Our research indicates that the numbers of joint ventures will continue to rise, and in particular we expect to see others follow examples of successful public-public partnerships.



[Download the report here](#)

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# Links

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## Grant Thornton website links

<https://www.grantthornton.co.uk/globalassets/1.-member-firms/united-kingdom/pdf/creating-and-operating-a-successful-fire-trading-company.pdf>

[https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/715750/Government\\_response\\_to\\_consultation\\_on\\_the\\_representation\\_model.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/715750/Government_response_to_consultation_on_the_representation_model.pdf)

[https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/707785/Building\\_a\\_Safer\\_Future\\_-\\_web.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/707785/Building_a_Safer_Future_-_web.pdf)

<https://www.grantthornton.co.uk/en/insights/the-rise-of-local-authority-trading-companies/>



# Grant Thornton

An instinct for growth™

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## **LANCASHIRE COMBINED FIRE AUTHORITY**

### **AUDIT COMMITTEE**

Meeting to be held on 29 January 2019

### **INTERNAL AUDIT MONITORING REPORT**

**(Appendix 1 refers)**

Contact for further information:

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

#### **Executive Summary**

The attached report sets out the current position in respect of the internal audit plan for 2018/19.

#### **Recommendation**

The Committee is asked to note and endorse the report.

#### **Information**

The internal auditors produce a summary of progress against the annual plan for each Audit Committee meeting, setting out progress to date and any significant findings. The report for the period up to 11 January 2019 is attached as Appendix 1, and will be presented by the Head of Internal Audit.

#### **Financial Implications**

None

#### **Human Resource Implications**

None

#### **Equality and Diversity Implications**

None

#### **Business Risk Implications**

None

#### **Environmental Impact**

None

## Local Government (Access to Information) Act 1985

### List of Background Papers

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

## **Appendix A**

**Lancashire Combined Fire Authority**

**Internal Audit Service**

**Monitoring report for the period ended**

**11 January 2019**

## **1 Purpose of this report**

- 1.1 The Internal Audit Plan for 2018/19 was approved by the Audit Committee in March 2018. This report details the progress to date in undertaking the agreed coverage.
- 1.2 This report covers the period 1 April 2018 to 11 January 2019.

### **Acknowledgements**

- 1.3 We are grateful for the assistance that has been provided to us by all the staff contacted in the course of our work.

## **2 Key issues and themes arising during the period**

- 2.1 No significant issues have been identified from the assurance work completed to date that needs to be brought to the specific attention of the Committee.

## **3 Internal audit work undertaken**

- 3.1 Work carried out during the period 1 April 2018 to 11 January 2019 was in accordance with the agreed audit plan, and to date, 33 days have been spent this financial year on completion of the 2018/19 plan, equating to 41% of the total planned audit activity of 80 days.
- 3.2 This figure does not however reflect the progress made in completion of planned assignments, due to individual savings being made against budgeted audit days.

### ***Work completed to date***

- 3.3 During quarter 1, we worked with the Director of Corporate Services on the development of an assurance map, the results of which was reported to Committee at the meeting of the 24 July.
- 3.4 During quarter 3 we completed our key financial systems work on Treasury management, Accounts payable, Accounts receivable and the General ledger. In each case we were able to provide an opinion of substantial assurance. A strong control framework continues to be maintained across all areas and no significant matters were identified. Where appropriate, we have additionally obtained assurance that the agreed actions from the prior year audits have been appropriately implemented.
- 3.5 Our review of Business Continuity arrangements, is nearing completion, with fieldwork having been completed during December 2018, and the draft report is currently being produced.
- 3.6 In relation to gaining assurance regarding the proper administration of the Fire Pension Schemes, we will, with the approval of the Director of Corporate Services, take our assurance directly from the work performed by the internal auditors of the Local Pensions Partnership Limited.
- 3.7 We have also, following release of the HMICFRS inspection report on the 20 December, liaised with the Director of Corporate Services, regarding the identification of an audit review to utilise the contingency provision with the audit plan. This will

involve audit providing support into a recently scoped Service Delivery Programme item into optimising front line availability.

- 3.8 All remaining assignments still to be completed have been scoped and scheduled as noted in the attached table.

***Overall summary and assurance provided***

- 3.9 We have set out in the table on the following pages a brief summary of the position of each review during the period. This sets out the planned and actual days we have spent on each review to date.
- 3.10 We have provided a summary of the assurance we are able to provide in relation to each system or operational area of your business where work has been finalised.
- System adequacy:*** We define 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 define a system as operating effectively if, after testing or other supporting evidence has been found, it is operating as intended.
- 3.11 The assurance we provide over any area of control falls into one of four categories and these are defined at Appendix 1.

***Use of this report***

- 3.12 This report has been prepared solely for the use of Lancashire Combined Fire Authority and it would therefore not be appropriate for it or extracts from it to be made available to third parties other than the external auditors. We accept no responsibility to any third party who may receive this report, in whole or in part, 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.

Review area	Audit days			Assurance		Comments
	Planned	Actual	Variation	Adequacy	Effectiveness	
Governance and business effectiveness						
Governance and risk management arrangements	0	0	0	-	-	An overall opinion on the adequacy and effectiveness of governance and risk management arrangements will be reported as part of the 2018/19 Annual Report of the Head of Internal Audit.
Sources of assurance	10	5	5	Sufficient, relevant assurance is obtained to ensure compliance with the Code of Corporate Governance and to ensure all significant risks are appropriately managed and controlled.		Four actions have been agreed to strengthen the overall control environment in relation to: <ul style="list-style-type: none"><li>Ensuring all policies have an assigned owner and a scheduled review frequency.</li><li>Considering the need for tender panel members to confirm that they have no conflicts of interest to declare.</li><li>Maintaining a record of the dates and findings of the annual review of the register of gifts and hospitality.</li><li>Updating the fraud risk assessments on a bi-annual basis.</li></ul>
Service delivery and support						
Business Continuity Planning	6	5	1	-	-	Our audit fieldwork has been completed and the draft report is currently being produced.
Contingency	8	1	7	-	-	Following liaison with the Director of Corporate Services, we will be providing audit input into a Service Delivery Programme Board project associated with Optimising Frontline Availability.

Review area	Audit days			Assurance		Comments
	Planned	Actual	Variation	Adequacy	Effectiveness	
Business processes						
Treasury management	5	3	2	✓	✓	Our report was finalised in September.
				Substantial assurance		No areas for improvement were identified.
HR and Payroll	10	0.5	9.5	-	-	Fieldwork is scheduled to start week commencing 21 January.
Accounts payable	10	5	5	✓	✓	Our report covering each of these systems was finalised in November. No areas for improvement were identified. The three actions agreed following completion of our 2017/18 audit have been confirmed as satisfactorily implemented.
				Substantial assurance		
Accounts receivable	5	3	2	✓	✓	
				Substantial assurance		
General ledger	5	3	2	✓	✓	
				Substantial assurance		
Pensions administration	5	0.5	4.5	-	-	For 2018/19 assurance regarding the adequacy and effectiveness of the administration of the Fire Pension schemes will be obtained directly from the work performed by the internal auditors of the Local Pension Partnership Limited.
Follow up audit activity						
<ul style="list-style-type: none"><li>Rota management</li><li>Training, Learning and Development</li></ul>	4	0.5	3.5	N/A	N/A	We are currently liaising with relevant staff to obtain the assurances we require that the agreed actions have been appropriately completed.

Review area	Audit days			Assurance		Comments
	Planned	Actual	Variation	Adequacy	Effectiveness	
Other components of the audit plan						
Management activity	10	4.5	5.5	N/A	N/A	Work in the period has included production of the 2017/18 Annual Report and quarterly monitoring reports and attendance at Audit Committee.
National Fraud Initiative	2	2	0	N/A	N/A	Preparation of data for submission to the Cabinet Office re the 2018/19 matching exercise.
Total days	80	33	47			



## Audit assurance levels

## Appendix 1

For 2018-19 we have revised the way in which we categorise our assurance levels. The previous and revised definitions (of equivalent value) are shown below:

Previous definitions and categories	Revised definitions and categories
<b>Full assurance:</b> There is a sound system of internal control which is adequately designed to meet the service's objectives and is effective in that controls are being consistently applied.	<b>Substantial assurance:</b> the framework of control is adequately designed and/ or effectively operated.
<b>Substantial assurance:</b> There is a generally sound system of internal control, adequately designed to meet the service's 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.	<b>Moderate assurance:</b> the framework of control is adequately designed and/ or effectively operated overall, but some action is required to enhance aspects of it and/ or ensure that it is effectively operated throughout the service, system or process.
<b>Limited assurance:</b> Weaknesses in the design and/ or inconsistent application of controls put the achievement of the service's objectives at risk.	<b>Limited assurance:</b> there are some significant weaknesses in the design and/ or operation of the framework of control that put the achievement of the service, system or process' objectives at risk.
<b>No assurance:</b> Weaknesses in control and/ or consistent non-compliance with controls could result/ has resulted in failure to achieve the service's objectives.	<b>No assurance:</b> there are some fundamental weaknesses in the design and/ or operation of the framework of control that could result in failure to achieve the service, system or process' objectives.

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

Meeting to be held on 29 January 2019

### **CONSULTATION ON 2019/20 SCALES OF AUDIT FEES**

Contact for further information:

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

#### **Executive Summary**

Public Sector Audit Appointments Limited (the successor to the Audit Commission) has produced a consultation document on proposed scale of audit fees for 2019/20; where they propose to maintain fees at their current level, £24k.

#### **Recommendation**

The Audit Committee is asked to note the consultation document as set out in the report.

#### **Information**

Public Sector Audit Appointments Limited (PSAA) is responsible under the Local Audit (Appointing Person) Regulations 2015 for setting the scale of fees for the audit of the accounts of principal local government and police bodies in England that have opted into the appointing person scheme.

PSAA consulted on the proposed scale of fees for 2019/20 audits in December 2018. They proposed that scale audit fees for 2019/20 should remain the same as the fees applicable for 2018/19. This continues to give opted-in bodies the benefit of the 23 per cent reduction PSAA was able to make to scale fees for 2018/19, as a result of the favourable prices secured from audit firms in our audit services procurement and planned reductions in PSAA's own operating costs.

They hope to be able to maintain the reduction of 23 per cent in scale fees for the first three years of the appointing period, based on current assumptions about inflation and the amount of work auditors are required to undertake. 2019/20 is the second year of the five-year appointing period. They will review and update their assumptions and estimates each year, and consult on scale fees for the following year. They may be able to sustain the reduction for the full five years of the appointing period, but economic uncertainties mean it is not possible to be certain at this stage.

The work that auditors will carry out on the 2019/20 accounts will be completed based on the requirements set out in the Local Audit and Accountability Act 2014 and under the Code of Audit Practice published by the National Audit Office.

Proposed 2019/20 scale fees for the Authority remain at £23,669.

The consultation closed on 17 December. Given that no change was proposed, and after consultation with the Chair and Vice Chair, we did not submit a formal response to the document.

### **Financial Implications**

The anticipated fee is reflected in our draft budget for 2019/20.

### **Human Resource Implications**

None

### **Equality and Diversity Implications**

None

### **Business Risk Implications**

None

### **Environmental Impact**

None

### **Local Government (Access to Information) Act 1985**

### **List of Background Papers**

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

## LANCASHIRE COMBINED FIRE AUTHORITY

### AUDIT COMMITTEE

Meeting to be held on 29 January 2019

### 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 9 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 31/3/19.	9	Medium
2	Premises Risk Information: That operational staff do not have available adequate and reliable premises information to efficiently resolve operational	The outstanding SSRI plans (86) that required review were completed on target by the end of July 2018 as scheduled. The new digital forms based upon the IPad are fully functional and the quality of risk information gathered is a key	Remains at 9	Medium

	incidents: Risk information is provided to operational staff based on premises information and premises risks are identified on a continuous basis although this is not consistent throughout the Service.	focus for operational crews. All training has been completed including those for Station Managers who have responsibility for the verification of the content. With regards to independent quality assurance / audit, the Operational Assurance Team has been commissioned to carry out the relevant scrutiny with 18 SSRI reviews (across varying levels planned to complete by March 2019. A key priority through 2019 / 20 is the review of SSRI plans associated with High-rise Buildings across Lancashire. This will be completed jointly by operational crews and Fire Protection staff members. Information Sharing Agreements with neighbouring FRS' are ongoing in readiness for digital cascade of risk information exchange for premises within 10km of a county border.		
3	Insufficient staffing resources, due to Industrial Action, to deal with operational demand and fulfil statutory responsibilities.	<p>The FBU has rejected the current 2% pay offer and as part of that the Executive Council has recommended the following:</p> <ul style="list-style-type: none"> <li>• That the proposed pay uplift should be made and negotiations should continue.</li> <li>• That FBU members should be consulted on the issue with a decision made at the Executive Council scheduled for 18-20 September.</li> <li>• That the employers should be informed that their proposal does not address the broader needs of the service or those working within it.</li> <li>• That a brigade level audit be undertaken of all work currently undertaken within FRSs in order to identify those areas which are outside of the agreed role maps – and which are therefore being undertaken either without pay or under inadequate pay arrangements.</li> </ul>	Increases to 12	Medium

		<ul style="list-style-type: none"> <li>• That plans are drawn up for a major campaign of lobbying at local and national level to highlight the gross underfunding of the fire and rescue service and to make the case for investment and for significant increases in pay for Grey Book staff.</li> <li>• That members are consulted on the need to prepare for industrial action. This includes the need to prepare for strike action as well as developing plans for a withdrawal from all non-agreed or non-contractual work currently undertaken within the service.</li> </ul> <p>An update on the outcome of the Executive Council meeting will be provided at the meeting, if available.</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.	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.	No change, not due to report till 30/6/2019	9	Medium
8	Loss of corporate reputation through negative publicity.	Emergency communication plan and toolkit covers all aspects of risk including business continuity issues, emergencies and broader reputational risk, and fulfils requirements of the Lancashire Resilience Forum emergency communications plan. Documents	Remains at 9	Medium

		<p>were updated in September 2018 following Winter Hill moorland fire learning. Plan regularly tested during exercises.</p> <p>A social media management tool was procured in February 2018 which provides ability to monitor and manage, if required, social media activity by stations.</p> <p>Revised image consent forms have been produced in line with GDPR however social media guidelines are yet to be updated in respect of images and personal data, as a preferred method of processing and storing images has yet to be determined by the Service. In addition to the middle manager development programme, media and social media training is delivered to staff in departments and on stations on an ad hoc basis by the communications team.</p>		
9	Retention and recruitment of RDS staff impacts on RDS appliance availability.	<p>RDS Pay review implemented during 2017 after union consultation. Retained Support Officers now well established and the benefits starting to show through in the distance travelled amongst firefighters in the development stages of their careers. RSO's continuing to embed 'core skills' workshops on stations and STC staff routinely delivering Incident Command skills across a variety of topics to RDS staff to improve competency as well as sense of feeling valued. On-going activity around RDS recruitment campaigns is starting to show benefits with successful completion of recruits courses over the 3 campaigns in 2018 running at 85% (was at 50% in 2015). For those who fail the RDS course the RSO's maintain contact and developmental work with a view to attendance on subsequent course. Ratio of starters to leavers also improving; in 2018 we have had 63</p>	Remains at 9	Medium



		starters and 53 leavers compared to 60 starters and 60 leavers in 2015.		
10	Lack of workforce planning resulting in significant over/under provision of staff and resulting impact on service and finances.	Previously discharged.		Medium
11	Lack of compliance with legislation resulting in prosecution or compliance order.	Previously discharged.		
12	Ineffective Health and Safety in the workplace, resulting in prosecution, intervention fees etc.	In 2011 Lancashire Fire and Rescue Service (LFRS) was successful in certification to ISO 14001 the International Standard for Environmental Management Systems and OHSAS 18001 the Health and Safety Management System standard. Each year surveillance audits are carried out to ensure that the standards continue to be adhered to and to ensure continuous improvements are made. Every three years LFRS has to apply for re-certification to maintain the standards. On 13 February 2018 both standards were recommended for continued certification following a re-certification audit. To achieve and maintain these standards at the same time clearly demonstrates that robust systems are in place for both Health and Safety and the Environment.	Remains at 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.	The Information Governance Team has assisted with the creation of a new data protection LearnPro module; this will further support the Service in effective information management by increasing staff awareness. The Service has also provided specialist data protection and GDPR training to increase staff knowledge and engagement with the subject matter. Staff have received information	Remains at 9	Medium

		governance focused training. Data protection has been added as a standard agenda item to several key papers in the Service; this ensures that data protection / information management continues to be considered from the inception of any new project / system implementation and / or data sharing arrangements which involves the use of personal data. More general information tasks related to the Information Management Strategy will be supported by the recruitment of a fixed-term Records Officer.		
14	Delayed mobilisation, impacting on service delivery.	New road speed algorithms have now been deployed onto a test server at NWFC. This is currently being tested by the four FRS to assess its accuracy. Expected roll out mid-2019.	Remains at 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.	Work is ongoing at both a service and regional level in order to prepare for transition to ESMCP. This is focussed upon coverage, transition planning, device support requirements and evaluation of Home Office (HO) documentation such as the vehicle mounted device specifications. The Programme has reported to the Parliamentary Advisory Committee and prioritised work with both key contractors, these being EE and Motorola. LFRS is managing the project with a dedicated Project Manager through Home Office allocated funding. Significant progress cannot be achieved until after the HO issue the revised National Transition Plan which is expected by February 2019 following anticipated approval of the Full Business Case refresh.	Remains at 9	Medium

18	Inability to maintain service provision in spate conditions.	Previously discharged.		
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 developments that are implemented.	No change, not due to report till 31/3/19.	9	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 new version of vector was found to have AVLS inaccuracy of 100m which is very problematic when using the planning function, and hence has not been implemented. Work has also yet to begin on the integration of any drone footage into the solution. Given how slow development work is and concerns about the longer term maintenance of the software a new project has now commenced to deliver a new command software solution prior to the current Telent contract finishing.	Remains at 9	Medium
21	Risk of rapid external fire spread in high rise premise resulting in a major incident.	Complete inspection programme Update relevant SSRIs. 2018 inspection of residential high rise programme completed. Planning 2019 high rise inspections to be included within the RBIP and to include joint inspections with Local Authority Housing Departments. Review amendment to PDA in light of further information from the Grenfell Inquiry.	Remains at 10	Medium
22	Failure to maximise collaborative opportunities presented by Policing and Crime Act 2017.	Well-developed relationships with Lancashire Constabulary and NWAS. Regular meetings to discuss issues/opportunities. Collaboration already taking place i.e. EMR, Gaining Entry, Missing Persons, Air Support (Drone), Site Sharing etc. Statement of Intent agreed and	Remains at 9	Medium

		signed off at Deputy Chief Officer level between LFRS and Lancashire Constabulary. External training for both organisations Senior Management Teams delivered by Shares Services Architects. Work areas considered and a 32 item collaboration log has been created. 3 core projects to be progressed to scope report status:- <ul style="list-style-type: none"> <li>• multi officer role;</li> <li>• response arrangements;</li> <li>• public order training at Washington Hall.</li> </ul>		
23	Lack of leadership capacity impacting on delivery of services.	Leadership Development Programme commencing September for Crew Managers; this will be delivered during 2018/2019. Currently evaluating leadership development needs for the future and consulting with staff in relation to the performance management arrangements.	Remains at 9	Medium
24	Insufficient preparation for inspection programme leading to opportunities being lost in terms of national learning and Lancashire's ability to effectively communicate its progress and awareness.	Previously discharged.		
25	The outcome of the EU court ruling on the Matzak case relating to on-call arrangements in Belgium has a detrimental impact on service provision and/or cost.	On more detailed examination, the case was not directly applicable to the UK; the issue in question was also resolved before further consideration by the Belgium Courts. The issue has been raised at national level and appropriate guidance is awaited.	Reduced to 10	Medium

### Financial Implications

None

### Human Resource Implications

None

**Equality and Diversity Implications**

None

**Environmental Impact**

None

**Business Risk Implications**

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

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

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

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# CORPORATE RISK REGISTER

Jan 19

KEY RISKS		RISK MITIGATION/CONTROLS IN PLACE	LIKELIHOOD	IMPACT	RESIDUAL RISK	ACTIONS RECOMMENDED	BY WHEN	BY WHOM	RISK OWNER	DIRECTORATE
1	Insufficient resources due to poor funding settlement, inability to make required savings, additional financial pressures such as RDS pensions etc., plus council tax limits via local referendum resulting in Authority being unable to set a balanced budget.	The Government has confirmed that the multi-year settlement offers have been agreed with all single purpose fire and rescue authorities. The Final Settlement for 18/19 was in line with the four year settlement previously agreed. Next year's draft settlement was also in line with previous figures. Hence, barring exceptional circumstances, we anticipate next year's settlement showing a funding reduction of £0.5m. However there still remains some uncertainty surrounding the impact of Brexit. In addition the Government is currently consulting on a Fair Funding Review and changes to the Business Rates Retention Scheme, both of which may impact on future funding Based on current budget estimates we will be faced with a funding gap of £1.2m in 19/20 (assuming council tax is increased by 3%). The Authority will continue to review opportunities for further savings. The Authority holds sufficient reserves to enable it to meet this funding gap in the short to medium term.	3	3	9	Continue to monitor position and review implications arising from Brexit, fair funding review and Local Retention of Business Rates. Continue to identify savings opportunities	31/03/2019	DoCS	DoCS	Corp Serv
2	Premises Risk Information: That operational staff do not have available adequate and reliable premises information to efficiently resolve operational incidents: Risk information is provided to operational staff based on premises information and premises risk are identified on a continuous basis although this is not consistent throughout the Service.	The gathering of operational risk information is a key activity within LFRS. The service has adopted an integrated approach to managing the risk; thereby ensuring safe systems of work for all employees. LFRS will undertake incident pre planning and the gathering of operational risk information to enable: *The prevention of injury and ill health of firefighters and other emergency responders *Management and mitigation of risks in the community *Continual improvement in the provision of, accurate, relevant and timely operational information *Compliance with the legal duties on Fire and Rescue Authorities in relation to operational risk information *Compliance with formal guidance and "best practice" models; and Audit and review mechanisms. Premises based risks are assessed using the Provision of Risk Information to Staff (PORIS) methodology. The risk based information is formulated via an application on the iPad and categorised from Level 1 through to Level 5 (e.g. Top Tier COMAH Sites.) All known high risk premises are recorded on the system.	3	3	9	The Operational Assurance Team have been commissioned to carry out the independent scrutiny, with 18 SSRI reviews (across varying levels) planned to complete by March 2019. A key priority through 2019 / 20 is the review of SSRI plans associated with High-rise Buildings across Lancashire. This will be completed jointly by operational crews and Fire Protection staff members. Information Sharing Agreements with neighbouring FRS' are ongoing in readiness for digital cascade of risk information exchange for premises within 10km of a county border.	31/12/2019	HoSD	DoSD	Serv Delivery
3	Insufficient staffing resources, due to Industrial Action, to deal with operational demand and fulfil statutory responsibilities.	LFRS has a separate contingency plan in place that is specific to industrial action. The Home Office has undertaken an audit of our arrangements, with the final reported awaited	3	4	12	Await the final report from the Home Office audit. Continue to monitor the position regarding national pay awards	31/03/2019	HoSD	DoSD	Serv Delivery

# CORPORATE RISK REGISTER

Jan 19

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



# CORPORATE RISK REGISTER

Jan 19

KEY RISKS		RISK MITIGATION/CONTROLS IN PLACE	LIKELIHOOD	IMPACT	RESIDUAL RISK	ACTIONS RECOMMENDED	BY WHEN	BY WHOM	RISK OWNER	DIRECTORATE
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.	Recruitment of Whole-time and RDS staff is undertaken against national standards. Initial and Continuation training delivery is based on National Occupational Standards (NOS), National Operational Guidance (NOG) and Training Specifications. Role related competencies have been identified and recorded within the PDR Pro system with appropriate retraining frequencies identified. Initial and Refresher training delivered to cover a wide range of specialist skills. Particularly risk Critical areas such as Breathing Apparatus are centrally assessed to ensure uniformity. An Operational Assurance policy is in place delivered through a dedicated Operational Assurance Team that continually assesses operational readiness through station visits, incident / exercise monitoring and debriefing. The team publishes a quarterly performance report to promote staff awareness of key operational performance issues. As well as internal learning sources, the team receives National Operational Learning (NOL) in relation to nationwide incidents, Rule 43 Letters and Joint Operational Learning from other blue light Services and Resilience Forum Partners. Such learning results in a range of actions including REC1 safety bulletins, changes to operational policy and training content (both courses and e-learning) and thus constant evolution/improvement in safety and effectiveness. A dedicated Incident Command Training team has been established recognising the vital importance of this skill to safe and effective operations. Retained Support Officers have been appointed and their responsibilities include recruitment and training. The Service continues to invest in training props to ensure realistic hot fire training conditions. Through the Operational Assurance Group, Prevention, Protection and Response Task and Strategic Groups along with the Health, Safety and Environment Advisory Groups, internal and external learning are monitored and fed into the Training and Operational Review department to influence operational training.	3	3	9	Embed new arrangements. Monitor effectiveness of Operational Assurance Performance Report in disseminating information	31/03/2019	HoTOR	DoSD	Serv Delivery

# CORPORATE RISK REGISTER

Jan 19

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	The planned strengthening of the NWFC Data Centre is under way with the equipment required on order, the additional resources for Systems Engineering have allowed ICT to develop a programme of modernisation to the ICT infrastructure which will see upgrades to some of our key architecture completed by the year end. The WAN Replacement is currently in design and will also be delivered by the end of the year , this will significantly enhance our network resilience.  We are also looking at the vacant Network Security Manager role to rewrite the job description to align with the developing cyber security and information governance requirements of the Service.	30/06/2019	HoICT	HoICT	Strategy & Planning
8	Loss of corporate reputation through negative publicity.	Emergency communication plan and toolkit covers all aspects of risk including business continuity issues, emergencies and broader reputational risk, and fulfils requirements of the Lancashire Resilience Forum emergency communications plan. Documents were updated in September 2018 following Winter Hill moorland fire learning. Plan regularly tested during exercises. Effective reactive press office and proactive media activity to build positive reputation including on-call arrangements for out-of-hours cover. Media and social media training forms part of middle manager development programme and is delivered to individuals and teams as required throughout the year. A social media management tool was procured in February 2018 which provides ability to monitor and manage, if required, social media activity by stations. Communication plans for all corporate projects include internal communication to ensure staff are well informed to reduce risk of misinformation. Corporate use of social media is embedded in communication plans with policy and guidance in place. Scanning and planning function helps anticipate and plan for specific reputational risks and daily media monitoring highlights inaccurate reporting and emerging issues that that need to be addressed or corrected.	3	3	9	Revised image consent forms have been produced in line with GDPR however social media guidelines are yet to be updated in respect of images and personal data, as a preferred method of processing and storing images has yet to be determined by the Service. In addition to the middle manager development programme, media and social media training continues to be delivered to staff in departments and on stations on an ad hoc basis by the communications team.	31/12/2019	HoCC	HoCC	People & Development

# CORPORATE RISK REGISTER

Jan 19

KEY RISKS		RISK MITIGATION/CONTROLS IN PLACE	LIKELIHOOD	IMPACT	RESIDUAL RISK	ACTIONS RECOMMENDED	BY WHEN	BY WHOM	RISK OWNER	DIRECTORATE
9	Retention and recruitment of RDS staff impacts on RDS appliance availability.	RDS recruitment and retention working group established. Increased RDS basic recruits course population from 12 to 24. Quicker access to BA course on completion of recruit training. TOR support throughout the RDS probationary period. Enhanced retained pay 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 Strengthening & Improving programme in place with the focus on supporting staff through their developmental stages and improving efficiency and effectiveness of recruitment work. A new Recruitment Vehicle has been established. RSO activity around both development and recruitment are paying off with improved levels of support being given across all required skill sets to those in the Service and those looking to join us.	3	3	9	RSO's continue to embed 'core skills' workshops on stations and STC staff routinely delivering Incident Command skills across a variety of topics to RDS staff to improve competency as well as sense of feeling valued. Activity around RDS recruitment campaigns will continue to develop. For those who fail the RDS course the RSO's maintain contact and developmental work with a view to attendance on subsequent course. Monitor success of initiatives	31/12/2019	HoSD	HoSD	Serv Delivery
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	Discharged				
11	Lack of compliance with legislation resulting in prosecution or compliance order.	Clerk of Authority reviews all Committee reports for legality and advises CFA. Clerk and Solicitor review new legislation. Government notify of all new requirements Horizon scanning.	2	2	4	Discharged				

# CORPORATE RISK REGISTER

Jan 19

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.	<ul style="list-style-type: none"> <li>• Health and Safety Management System (HSMS) in place certified to OHSAS 18001:2007 to develop, maintain and continuously improve the HSMS.</li> <li>• Operational Assurance Programme.</li> <li>• HSA3 – workplace inspection programme.</li> <li>• Publication of risk information – Health and Safety Risk and Opportunities Register resulting in service objectives and targets, Generic Risk Assessments, Service Orders, Standard Operating Procedures etc.</li> <li>• External audit and scrutiny through External Auditors.</li> <li>• Health, Safety and Environment Advisory Group / Health and Safety Consultation Meeting monitor performance.</li> <li>• Annual SHE Report presented to CFA.</li> <li>• LFRS SHE Audit and Development Plan to develop, maintain, ensure compliance, review and continuously improve the HSMS.</li> </ul>	3	3	9	Following the independent audit of Health and Safety and Environmental Management Systems carried out as part of our OHSAS 18001 and ISO 14001 certification process non-conformances and opportunities for improvement are collated together into the SHE Audit Improvement Action Plan and monitored to conclusion through the Health, Safety and Environment Advisory Group.	31/12/2019	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.	<p>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.</p> <p>Data encryption in place. Information Management related projects are progressing as scheduled with governance from Programme Board and DCFO as Sponsor. Compliance with the Data Protection Act (DPA) and General Data Protection Regulation (GDPR) remains a priority.</p> <p>A data protection LearnPro module; this will further support the Service in effective information management by increasing staff awareness. The Service has also provided specialist data protection and GDPR training to increase staff knowledge and engagement with the subject matter. Data protection has been added as a standard agenda item to several key Papers in the Service. The appointment of a DPO not only aligns the Service with legislative obligations but also provides the oversight inherent to that post.</p>	3	3	9	<p>Work remains ongoing in order to deliver performance management integration within our District Plan, the first stage of which is to prototype both a CorVu replacement and the integrated planning and performance tool. If successful, this should be developed further to automate the wider District Plan Key Performance Indicators (KPI's). Work also needs to be undertaken to develop the culture within the Service of a more unified approach to managing planning and information and, to that end, a communication strategy should be pursued.</p> <p>More general information tasks related to the Information Management Strategy will be supported by the recruitment of a fixed-term Records Officer</p>	31/12/2019	HoServ Develop	DoSP	Strategy & Planning

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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	New road speed algorithms have now been deployed onto a test server at NWFC. This is currently being tested by the four FRS to assess its accuracy. Expected roll out mid 2019.	31/12/2019	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				
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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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 contract ends.	3	3	9	Work is ongoing at both a service and regional level in order to prepare for transition to ESMCP. This is focussed upon coverage, transition planning, device support requirements and evaluation of Home Office (HO) documentation such as the vehicle mounted device specifications. The Programme has reported to the Parliamentary Advisory Committee and prioritised work with both key contractors, these being EE and Motorola. LFRS is managing the project with a dedicated Project Manager through Home Office allocated funding. Significant progress cannot be achieved until after the HO issue the revised National Transition Plan which is expected by February 2019 following anticipated approval of the Full Business Case refresh.	31/12/2019	HoServ Develop	DoSP	Strategy & Planning
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. The Lancaster accommodation side (not appliance bay etc.) has been built with flood defences and other mitigation works as per flood risk assessment. Other works include elevating all Station Mobilisation Cabinets that are in Flood risk areas.	3	2	6	Discharged				

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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. Revised ICT Strategy presented to Resources Committee in March 2018 and includes 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 Additional Systems Engineering posts are now filled with the individuals already having a positive impact on the back log of work.	3	3	9	ICT are still carrying vacancies however work continues on filling these, with ICT working with HR to explore options to attract skilled staff such as telecommuting in addition to Apprentice/Graduate programmes. The introduction of Apprentice roles should allow additional capacity to build. Existing capacity has enabled ICT to start looking at new projects that they have been unable to support in previous years.	31/03/2019	HoICT	DoSP	Strategy & Planning
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 (Vector Incident Command) we run on our command units to manage the incident command system, went into administration and the Intellectual Property Rights (IPR) for the software were bought at auction by Telent, who are the prime contractor for the NWFC ICT mobilising and communication. Telent have presented to say they will ensure that the original Vector developments as promised under the NWFC contract will be delivered. However developments have been very slow	3	3	9	A new project has now commenced to deliver a new command software solution prior to the current Telent contract finishing.	31/12/2019	HoServ Develop	DoSP	Strategy & Planning
21	Risk of rapid external fire spread in high rise premise resulting in a major incident	All high rise residential premises have been audited, in conjunction with relevant Local Authority. Only one building found with ACM cladding panel, this was on a 6 storey section of building (top section), which is being managed locally to limit the risk this presents. An on-going risk based inspection plan has been agreed based on following priority order: -High rise Purpose flats -High rise sleeping -High rise hospitals -High rise schools -High rise commercials -Hospital non- high rise -School non-high rise -other Community reassurance visits undertaken. Temporarily amend PDA to high rise to include an ALP	2	5	10	Complete inspection programme Update relevant SSRIs. 2018 inspection of residential high rise programme completed. Planning 2019 high rise inspections to be included within the RBIP and to include joint inspections with Local Authority Housing Departments. Review amendment to PDA in light of further information from the Grenfell Inquiry	31/12/2019	HoServ Develop	DoSP	Strategy & Planning

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22	Failure to maximise collaborative opportunities presented by Policing and Crime Act 2017	Well-developed relationships with Lancashire Constabulary and NWAS Regular meetings to discuss issues/opportunities Collaboration already taking place i.e. EMR, Gaining Entry, Missing Persons, Air Support (Drone), Site Sharing etc. Statement of Intent agreed and signed off at Deputy Chief Officer level between LFRS and Lancashire Constabulary External training for both organisations Senior Management Teams delivered by Shares Services Architects. Work areas considered and a 32 item collaboration log has been created.	3	3	9	3 core projects to be progressed to scope report status:- • multi officer role • response arrangements • public order training at Washington hall Further roll out of EMR is dependent upon outcome of national pay negotiations	30/09/2019	HoSD	DoSP	Strategy & Planning
23	Lack of leadership capacity impacting on delivery of services	Workforce plan agreed and implemented which clearly identifies our challenges and workforce profile Recruitment policy in place which reviews the success of recruitment campaigns against the knowledge and skills gap Appraisal system in place, to establish opportunities for development feedback, identification of training needs, development opportunities and talent Leadership Development programmes in place, including in house leadership development, ILM (Institute of Leadership and Management) ELP (Executive Leadership Programme), Leading into the Future (A cross sectoral leadership programme) etc. Coaching and mentoring system introduced Action Learning Sets introduced Leadership Conferences delivered Promotion Board in place with clear development and promotion pathways established for operational staff	3	3	9	Leadership Development Programme commencing September for Crew Managers this will be delivered during 2018/2019. Currently evaluating leadership development needs for the future and consulting with staff in relation to the performance management arrangements	30/09/2019	HoHR	DoPD	People & Development
24	Insufficient preparation for inspection programme leading to opportunities being lost in terms of national learning and Lancashire's ability to effectively communicate its progress and awareness	Resources allocated to the required preparatory work to meet the needs of the HMICFRS inspection process. Creation of an internal review and subsequent self-assessment against the draft inspection criteria including the collation of key evidence and identification of any shortfalls of evidence. Completion of the HMICFRS returns including a corporate narrative overview, statements against the diagnostics covering effectiveness, efficiency and people including the submission of associated evidence. Inspection completed week commencing 9 July. Report due completion October (released at same time as other Tranche 1 reports)	1	3	3	Discharged				



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25	The outcome of the EU court ruling on the Matzak case relating to on-call arrangements in Belgium has a detrimental impact on service provision and/or cost.	The case looked at the applicability of Working Time in connection with the Belgian Fire Service and their version of On Call Controls. Legal opinion is being sought in connection with the case to identify its impact in the UK. On more detailed examination, the case was not directly applicable to the UK, the issue in question was also resolved before further consideration by the Belgium Courts.	2	5	10	The issue has been raised at national level and appropriate guidance is awaited	30/09/2019	DoPD	DoPD	People & Development

HIGH	0
MEDIUM	17
MEDIUM/LOW	5
LOW	3
	<u>25</u>

## Scores

### Likelihood

- 5 Certain, see next sheet
- 4 Very Likely, see next sheet
- 3 Likely, see next sheet
- 2 Unlikely, see next sheet
- 1 Rare, see next sheet

### Impact

- Minor, see next sheet
- Noticeable, see next sheet
- Significant, see next sheet
- Critical, see next sheet
- Catastrophic, see next sheet

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