

Public Document Pack

LANCASHIRE COMBINED FIRE AUTHORITY

AUDIT COMMITTEE

Tuesday, 2 April 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. RISK MANAGEMENT (Pages 5 - 22)
5. INTERNAL AUDIT MONITORING REPORT (Pages 23 - 32)
6. INTERNAL AUDIT PLAN 2019/20 (Pages 33 - 44)
7. DATE OF NEXT MEETING

The next scheduled meeting of the Committee has been agreed for 10:00 hours on 23 July 2019 in the Main Conference Room, at Lancashire Fire & Rescue Service Headquarters, Fulwood.

Further meetings are: scheduled for 24 September 2019 and 28 January 2020
proposed for 31 March 2020.

8. 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.

9. 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

10. 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

Tuesday, 29 January 2019, at 10.00 am in the Main Conference Room, Service Headquarters, Fulwood.

MINUTES

PRESENT:

Councillors

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

Officers

K Mattinson, Director of Corporate Services (LFRS)
J Johnston, Deputy Chief Fire Officer (LFRS)
D Brooks, Principal Member Services Officer (LFRS)
J Keighley, Member Services Assistant (LFRS)

In attendance

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

23/18 APOLOGIES FOR ABSENCE

None received.

24/18 DISCLOSURE OF PECUNIARY AND NON-PECUNIARY INTERESTS

None received.

25/18 MINUTES OF THE PREVIOUS MEETING

RESOLVED: - That the Minutes of the last meeting held on 27 September 2018 be confirmed as a correct record and signed by the Chairman.

26/18 EXTERNAL AUDIT PLAN 2018-19

The external auditors were required to produce an annual audit plan, setting out the areas it intended to review during the year. After submitting apologies on behalf of Mr Robin Baker, Engagement Lead, Mr Richard Tembo, Engagement Manager presented the report.

Mr Tembo advised that the report gave Members of the Audit Committee an overview of the scope of the statutory audit and included: key matters that impacted on the audit, details of significant risks identified, other audit responsibilities, materiality, value for money arrangements, audit logistics, team and fees and plans to meet the audit timeframe.

In response to a question raised by CC Kay, Mr Tembo clarified that the greatest risk of material mis-statement related to miscellaneous and other invoiced income as this was comprised of numerous individual transactions from various sources. The Director of Corporate Services advised that the auditors checked each year that the estimated income was reasonable and accurate.

In response to a question raised by CC Holgate regarding the valuation of the pension fund net liability, Mr Tembo advised this was based on an estimate of the actuaries and for the Authority there were two i) the government department and ii) local government pension scheme. He confirmed that experts were employed to assist the auditors to give a conclusion. The Director of Corporate Services explained that Brexit should not impact on the firefighter fund as it was not asset backed however, it could impact on the local government pension scheme given it was asset backed. Details of the potential impact were unknown and would only be available once a valuation was complete.

In response to a question raised by CC Shedwick the Director of Corporate Services confirmed that with effect from 2018 the statutory date for publication of the accounts had been brought forward to 31 July. He advised that the Audit Findings Report (which summarised the conclusions from the auditors work undertaken as part of the year-end audit of accounts) would be presented to the July meeting of this Committee with the Audit Letter (which provided an overall assessment of the Authority's performance) to be presented in September.

The audit fee was £23.7k which was in line with those previously reported and within the budget.

RESOLVED:- That the Audit Committee agreed the external audit plan for 2018/19.

27/18 EXTERNAL AUDIT - AUDIT REPORT AND SECTOR UPDATE

The Committee considered a report from the External Auditors presented by Mr Tembo which detailed progress at January 2019 in relation to the financial statements and value for money conclusion for 2018/19. The report also set out what the External Auditors would do and their planned completion date.

In addition the report included sector issues which provided an up to date summary of emerging national issues and developments to support the Authority/Committee.

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

28/18 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 covering the period from 1 April 2018 to 11 January 2019 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 which needed to be brought to the attention of the Committee.

The report identified that 33 days had been spent this financial year on the completion of the 2018/19 plan which equated to 41% of the total planned audit activity of 80 days. This figure did not however reflect the progress made in completion of planned assignments due to individual savings being made against budgeted audit days.

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

It was noted that the fieldwork had begun to review the HR and Payroll business processes and that a draft report on the business continuity arrangements was with Mrs Taylor for consideration.

In terms of follow up activity Mrs Taylor confirmed the auditors were part way through the reviews of the rota management and training, learning and development business processes.

Mrs Taylor advised that after liaising with the Director of Corporate Services, assurance regarding the adequacy and effectiveness of the administration of the Fire Pension Schemes would be obtained directly from the internal auditors of the Local Pension Partnership Fund, in addition following release of the HMICFRS inspection report, she had liaised with the Director of Corporate Services regarding the identification of an audit review to utilise the contingency provision with the audit plan which would involve audit providing support into a recently scoped Service Delivery Programme item into Optimising Front Line Availability.

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

29/18 CONSULTATION ON 2019/20 SCALES OF AUDIT FEES

Public Sector Audit Appointments Limited (PSAA) (the successor to the Audit Commission) had produced a consultation document on the proposed scale of fees for 2019/20 audits in which it was proposed to maintain the fees at the current level of £24k.

The consultation closed on 17 December 2018. Given that no change was proposed and after consultation with the Chairman and Vice-Chairman it was agreed not to submit a formal response to the document.

RESOLVED:- That the Audit Committee noted and endorsed the consultation document as set out in the report.

30/18 RISK MANAGEMENT

The report highlighted action taken in respect of corporate risk since the last Audit Committee meeting. The latest review of the corporate risk register had not identified any new risks which warranted inclusion on the corporate risk register and of the existing risks, nine had been reviewed.

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

The Director of Corporate Services confirmed that Brexit was not on the risk register however, this was under review by the Lancashire Resilience Forum.

In response to a question raised by CC Kay in relation to risk number 12, regarding ineffective health and safety in the workplace, the Director of Corporate Services confirmed that the Service had a dedicated Safety, Health and Environment department and there were representatives on station. Independent verification of standards for Environmental Management and Health and Safety Management systems were undertaken annually with re-certification every 3 years. Both standards were recommended for continued certification following the last re-certification audit in February 2018. It was noted that the Safety, Health and Environment systems assessment audit outcome was presented annually to the Resources Committee, the minutes of which were subsequently reported to the Authority.

In response to a further question from CC Kay in relation to risk number 13, regarding lack of effective information management, the Director of Corporate Services provided reassurance that training modules were available for all staff regarding data protection and GDPR to increase staff knowledge and engagement with the subject.

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

31/18 DATE OF NEXT MEETING

The next meeting of the Committee would be held on Tuesday 2 April 2019 at 10:00 hours in the Main Conference Room at Lancashire Fire and Rescue Service Headquarters, Fulwood.

Further meeting dates were noted for 23 July 2019 and 24 September 2019 and agreed for 28 January 2020.

M NOLAN
Clerk to CFA

LFRS HQ
Fulwood

LANCASHIRE COMBINED FIRE AUTHORITY AUDIT COMMITTEE

Meeting to be held on 2 April 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.

Recommendation

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

Information

The latest review of the corporate risk register has identified one new risk which warrants consideration for inclusion on the corporate risk register:-

Brexit – there remains a great deal of uncertainty surrounding this issue, however from a risk perspective the following appear to be the key issues to consider:

- Community tensions – this is picked up by the Lancashire Resilience Forum;
- UK economy and impact on longer term funding – this is already covered by Risk 1 (as set out below);
- Business rate income, and hence impact on longer term funding - this is already covered by Risk 1 (as set out below);
- EU funding – we do not budget for any long term EU funding, with the only funding received being one-off funding of approx. £50k for Prince's Trust in 2018/19;
- Procurement issues, including availability and cost of goods – we will clearly need to comply with any changes to legislation arising from exiting the EU, however all indications are that our procurement rules will remain broadly the same. Whilst there is a possibility that the cost of goods will increase it is too early to say the extent and impact of any such increase, as such if this occurs we may need to draw down reserves in order to balance the budget. In terms of availability of goods/services we do not anticipate a significant impact in the short term however, this situation will continue to be closely monitored.

Based on the above analysis it is clear that Brexit presents significant risk however, with the exception of the procurement risk it is felt that these are already covered within the exiting risk register and the LRF risk register. As such it is proposed to add the risk relating to the cost and availability of goods and services to the corporate risk register as a medium risk, with the situation going forward being monitored.

Existing Risks

Of the existing risks 4 have been reviewed, and an updated corporate risk register is attached as appendix 1, with changes summarised below:-

		Update since last meeting	Proposed Risk Score	
1	Insufficient resources due to poor funding settlement, inability to make required savings, additional financial pressures such as RDS pensions etc., plus council tax limits via local referendum resulting in Authority being unable to set a balanced budget.	<p>2019/20 is the final year of the 4 year funding settlement. Funding in 2020 and beyond will be determined by the Government's overall budget and the 2019 Spending Review. The Budget will set overall total for public sector spending which will then be allocated out to departments as part of the Spending Review. Until such time as the outcome of this is known it is impossible to accurately predict future funding levels.</p> <p>Running alongside this is a Fair Funding review and the prospect of moving to a 75% Business Rates Retention model, both of which will impact future funding.</p> <p>As such it is impossible to predict what future funding will look like, which is reflected in the 2019/20 budget report.</p> <p>The draft budget for 2020/21 and beyond assumes a funding freeze, after allowing for additional funding in respect of pension contributions, resulting in an assumed funding gap of up to £1m. The Authority holds sufficient reserves to meet this in the short to medium term.</p>	Increase to 16	High
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	No change, not due to report till 31/12/19.	9	Medium

	on a continuous basis although this is not consistent throughout the Service.			
3	Insufficient staffing resources, due to Industrial Action, to deal with operational demand and fulfil statutory responsibilities.	Following lengthy discussions the employer's side has drafted out a proposed agreement for a multi-year pay settlement. The Fire Brigade Union (FBU) has commenced a consultation exercise with its members prior to further discussion within National Joint Council. Funding of any agreement is dependent on national government contributions, which is currently uncertain, nor should it be assumed that the agreement will be acceptable to the FBU. The FBU has undertaken an audit of all work currently undertaken within Fire and Rescue Services in order to identify those areas which are outside of the agreed role maps. No outcome has been shared with the Service.	Remains at 12	Medium
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.	The Operational Assurance Team continues to assess 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, and monitor knowledge/understanding of issues identified in this.	Remains at 9	Medium

		The dedicated Incident Command Training team continues to evaluate performance in this area, and Incident Commanders are now required to maintain a command license.		
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.	No change, not due to report till 31/12/19.	9	Medium
9	Retention and recruitment of RDS staff impacts on RDS appliance availability.	No change, not due to report till 31/12/19.	9	Medium
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.	No change, not due to report till 31/12/19.	9	Medium
13	Lack of effective Information Management impacting on service delivery and support or leading to a breach of data protection/freedom of information or a loss of sensitive/personal information.	No change, not due to report till 31/12/19.	9	Medium
14	Delayed mobilisation, impacting on service delivery.	No change, not due to report till 31/12/19.	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.	No change, not due to report till 31/12/19.	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 development that are implemented.	We have achieved a Security accreditation in Cyber Essentials, which demonstrates that we are a secure organisation to deal with and will help promote collaborative working. We have been updating our back office infrastructure and preparing for the next generation Windows 10 and Office 2016 that will be delivered next financial year. We have continued to develop bespoke packages, such as Assurance Monitoring System. We continue to carry vacancies within the team and are working with HR to fill these.	Remains at 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.	No change, not due to report till 31/12/19.	9	Medium
21	Risk of rapid external fire spread in high rise premise resulting in a major incident.	No change, not due to report till 31/12/19.	10	Medium
22	Failure to maximise collaborative opportunities presented by Policing and Crime Act 2017.	No change, not due to report till 31/12/19.	9	Medium
23	Lack of leadership capacity impacting on delivery of services.	No change, not due to report till 31/12/19.	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.	No change, not due to report till 30/9/19.	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:		

CORPORATE RISK REGISTER

Mar 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 pay, 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 (19/20 is the final year of this). The Final Settlement for 19/20 was in line with the four year settlement previously agreed. However there still remains a great deal of uncertainty surrounding the impact of Brexit. Funding in 2020 and beyond will be determined by the Governments overall budget and the 2019 Spending Review. The Budget will set overall total for public sector spending which will then be allocated out to departments as part of the Spending Review. Until such time as the outcome of this is known it is impossible to accurately predict future funding levels. 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. The draft budget assume future funding is frozen. The Authority will continue to review opportunities for further savings. The Authority holds sufficient reserves to enable it to meet anticipated funding gaps in the short to medium term.	4	4	16	Continue to monitor position and review implications arising from Brexit, Spending Review, Fair funding review and Local Retention of Business Rates. Continue to identify savings opportunities	31/03/2020	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 independant 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. This has been reviewed and reissued to all SMT and relevant staff. The Home Office has undertaken an audit of our arrangements, with the final reported noting our arrangements.	3	4	12	Continue to monitor the position regarding national pay awards and related role map reviews.	31/03/2020	HoSD	DoSP	Strategy & Planning

CORPORATE RISK REGISTER

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	KEY RISKS	RISK MITIGATION/CONTROLS IN PLACE	LIKELIHOOD	IMPACT	RESIDUAL RISK	ACTIONS RECOMMENDED	BY WHEN	BY WHOM	RISK OWNER	DIRECTORATE
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

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KEY RISKS	RISK MITIGATION/CONTROLS IN PLACE	LIKELIHOOD	IMPACT	RESIDUAL RISK	ACTIONS RECOMMENDED	BY WHEN	BY WHOM	RISK OWNER	DIRECTORATE
<p>Operational staff do not have the required skills to operate safely at an incident with the potential to result in F/F injuries or fatalities.</p>	<p>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 exists recognising the vital importance of this skill to safe and effective operations. Incident Commanders are now required to maintain a command license. 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.</p>	3	3	9	<p>Monitor effectiveness of Operational Assurance Performance Report in disseminating information</p>	31/03/2020	HoTOR	DoSD	Serv Delivery

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KEY RISKS	RISK MITIGATION/CONTROLS IN PLACE	LIKELIHOOD	IMPACT	RESIDUAL RISK	ACTIONS RECOMMENDED	BY WHEN	BY WHOM	RISK OWNER	DIRECTORATE
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

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	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

Mar 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"> • Health and Safety Management System (HSMS) in place certified to OHSAS 18001:2007 to develop, maintain and continuously improve the HSMS. • Operational Assurance Programme. • HSA3 – workplace inspection programme. • 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. • External audit and scrutiny through External Auditors. • Health, Safety and Environment Advisory Group / Health and Safety Consultation Meeting monitor performance. • Annual SHE Report presented to CFA. • LFRS SHE Audit and Development Plan to develop, maintain, ensure compliance, review and continuously improve the HSMS. 	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

CORPORATE RISK REGISTER

Mar 19

KEY RISKS	RISK MITIGATION/CONTROLS IN PLACE	LIKELIHOOD	IMPACT	RESIDUAL RISK	ACTIONS RECOMMENDED	BY WHEN	BY WHOM	RISK OWNER	DIRECTORATE
14 Delayed mobilisation, impacting on service delivery.	System uses AVLs to locate the nearest available pump, based on anticipated 'run time'. 2014 saw the implementation of a new Global ITN road speed setting developed from historical evidence provided by Cheshire FRS. This implementation along with changes to Station geographical locations, the removal of road restrictions (imposed on the ITN by the developers) and the development of new response plans has seen an improvement in mobilising with appliances arriving with greater accuracy between the proposed and actual run times. Restrictions have been imposed on the system to ensure non critical incidents are attended by the host station whilst preventing a lengthy run time and/or a slow response time. This restriction ensures both the spread of resources is maintain and the continued use of RDS whilst preventing Whole time appliances being taken out of higher risk areas, this also reduces the need for standby/closing in moves.	3	3	9	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				

CORPORATE RISK REGISTER

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KEY RISKS	RISK MITIGATION/CONTROLS IN PLACE	LIKELIHOOD	IMPACT	RESIDUAL RISK	ACTIONS RECOMMENDED	BY WHEN	BY WHOM	RISK OWNER	DIRECTORATE
17 Failure of ESMCP to deliver a viable communication facility.	Emergency Services Mobile Communication Programme (ESMCP) is a national project which will deliver a replacement communications and data service using 4G technology. The new broadband data services will replace the existing private mobile radio system provided by Airwave. Main contracts awarded to EE and Motorola for the network and network equipment respectively. Since the signing of the contract, there has been considerable work done by the suppliers, central programme team and emergency services in the regions. However there are still some areas that need to be resolved, and therefore the original go live for the North West (the first region go-live) September 2017, has moved on 6 months to April 2018. The current Airwave contract has been extended until 2019, in order to ensure that the roll out of the new system is complete before the existing contact ends.	3	3	9	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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KEY RISKS		RISK MITIGATION/CONTROLS IN PLACE	LIKELIHOOD	IMPACT	RESIDUAL RISK	ACTIONS RECOMMENDED	BY WHEN	BY WHOM	RISK OWNER	DIRECTORATE
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 updating our back Office infrastructure and preparing for the next generation Windows 10 and Office 2016 that will be delivered next financial year. They have continued to develop bespoke packages, such as Assurance Monitoring System. ICT continue to carry vacancies within the team and are working with HR to fill these.	31/03/2020	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

CORPORATE RISK REGISTER

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KEY RISKS		RISK MITIGATION/CONTROLS IN PLACE	LIKELIHOOD	IMPACT	RESIDUAL RISK	ACTIONS RECOMMENDED	BY WHEN	BY WHOM	RISK OWNER	DIRECTORATE
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	31/12/2019	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	31/12/2019	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				

CORPORATE RISK REGISTER

Mar 19

	KEY RISKS	RISK MITIGATION/CONTROLS IN PLACE	LIKELIHOOD	IMPACT	RESIDUAL RISK	ACTIONS RECOMMENDED	BY WHEN	BY WHOM	RISK OWNER	DIRECTORATE
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
26	Increase in costs of and/or lack of availability of goods and services, following Brexit	We are continuing to monitor any trends in terms of this, with a view to identifying the extent of any impact. If costs increase significantly in the short term we will need to drawdown reserves in order to deliver a balanced budget. We have not seen any evidence that the availability of essential goods/services has been affected at this moment in time.	3	4	12	Continue to monitor impact	30/09/2019	HoProc	DoCS	Corporate Services

HIGH	1
MEDIUM	17
MEDIUM/LOW	5
LOW	3
	<u>26</u>

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Scores

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

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**LANCASHIRE COMBINED FIRE AUTHORITY
AUDIT COMMITTEE**

Meeting to be held on 2 April 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 20 March 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

20 March 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 20 March 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 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 20 March 2019 was in accordance with the agreed audit plan, and to date, 69 days have been spent this financial year on completion of the 2018/19 plan, equating to 86% of the total planned audit activity of 80 days. A summary of the status of this work is shown below.

Assurance map

- 3.2 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. We concluded that 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.

Key financial systems

- 3.3 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 additionally obtained assurance that the agreed actions from the prior year audits have been implemented.
- 3.4 Similarly, during this period we have completed our work on HR/ Payroll processes, and again provided **substantial** assurance. Valid appointments have been correctly established and the right amount is paid to individuals at the right time. Monitoring arrangements are in place to prevent and detect any anomalies or errors that might arise. A Service Level Agreement (SLA) is in place with Greater Manchester Fire and Rescue Service (GMFRS) which has been signed by both parties. Monthly meetings are held with GMFRS to review each pay run and identify and rectify any issues on a timely basis. Additionally annual meetings are also held to review the SLA and address any performance issues.

Business Continuity

- 3.5 Our review of Business Continuity arrangements was finalised in February 2019, and we provided **moderate** assurance over the business continuity arrangements operated across Lancashire Fire and Rescue Service (LFRS). The Business Continuity Management System in place within LFRS has been aligned to the Business Continuity Institute's Good Practice Guidelines.
- 3.6 An up to date policy is in operation and the critical activities of the Service have been identified. Adequate business continuity plans are in place at a Strategic, Tactical and Operational (Department and Station) level and a business continuity exercise is undertaken annually. Business continuity training was also last provided for members of the Service Management Team in November 2018.

Training, Learning and Development - Follow up

- 3.7 Three medium and three low risk actions were raised in our original report, dated July 2018. Two of these actions have been fully implemented, with one (relating to the review and update of service orders) ongoing. The remaining three actions have been superseded. One of these is due to limitations in the reporting functionality of PDRpro (the system used to record firefighter training), with two no longer being required due to the direct support and guidance currently being provided to firefighters and officers, by the Training and Operational Review team. We are satisfied that the alternative arrangements should address the initial risks our review had identified.

Rota management – Follow up

- 3.8 Two medium and two low residual risk actions were raised in our original report, dated March 2018. Except for one action, which has been superseded, all actions have been appropriately implemented.

Optimising Rota Management

- 3.9 As notified to the committee in January, we have been utilising the contingency provision from the audit plan through the provision of input and support into the *Optimising Rota Management Project* under the governance of the Service Delivery Programme Board. Our involvement in the project is now coming to a close and we are currently producing our draft report.

Pension administration

- 3.10 We will be obtaining assurance regarding the proper administration of the Fire Pension Schemes directly from the work performed by the internal auditors of the Local Pensions Partnership Limited. At the current time, we have not yet received confirmation that this work is complete.

Overall summary and assurance provided

- 3.11 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.
- 3.12 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.

- 3.13 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

- 3.14 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	6	4	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"> • Ensuring all policies have an assigned owner and a scheduled review frequency. • Considering the need for tender panel members to confirm that they have no conflicts of interest to declare. • Maintaining a record of the dates and findings of the annual review of the register of gifts and hospitality. • Updating the fraud risk assessments on a bi-annual basis.
Service delivery and support						
Business Continuity Planning	6	9	(3)	✓	✓	Our report was issued in February 2019. Two medium and two low residual risk actions were agreed in relation to: <ul style="list-style-type: none"> • The further development and enhancement of the training programme; • The creation of a formal business continuity test schedule; • Updating SO690-Business Continuity; and • Ensuring compliance with the business continuity review schedule.
				Moderate assurance		

Review area	Audit days			Assurance		Comments
	Planned	Actual	Variation	Adequacy	Effectiveness	
Contingency	8	9	(1)	o/s	o/s	We have been working alongside the Optimising Rota Management project team with the aim of supporting the identification of issues in the current arrangements surrounding management of rotas, detached duties and overtime across the Service, in order to identify how efficiencies can be realised.
Business processes						
Treasury management	5	4	1	✓	✓	Our report was finalised in September. No areas for improvement were identified.
				Substantial assurance		
HR and Payroll	10	9	1	✓	✓	Our report was finalised in February. No areas for improvement were identified.
				Substantial assurance		
Accounts payable	10	7	3	✓	✓	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	4	1	✓	✓	
				Substantial assurance		
General ledger	5	4	1	✓	✓	
				Substantial assurance		
Pensions administration	5	0.5	4.5	o/s	o/s	

Review area	Audit days			Assurance		Comments
	Planned	Actual	Variation	Adequacy	Effectiveness	
<i>Follow up audit activity</i>						
<ul style="list-style-type: none"> Rota management Training, Learning and Development 	4	5	(1)	N/A	N/A	Our work on the follow up assignments was completed in February 2019. Based on the information and explanations provided to us, we are satisfied that except for the actions that had been superceded, all remaining actions have been appropriately implemented.
<i>Other components of the audit plan</i>						
Management activity	10	8.5	1.5	N/A	N/A	Work in the period has included production of the 2017/18 Annual Report, preparation of the quarterly monitoring reports and attendance at Audit Committee, and establishment of the 2019/20 Internal audit Plan.
National Fraud Initiative	2	3	(1)	N/A	N/A	Preparation of data for submission to the Cabinet Office re the 2018/19 matching exercise.
Total days	80	69	11			

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
<p>Full assurance: 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.</p>	<p>Substantial assurance: the framework of control is adequately designed and/ or effectively operated.</p>
<p>Substantial assurance: 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.</p>	<p>Moderate assurance: 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.</p>
<p>Limited assurance: Weaknesses in the design and/ or inconsistent application of controls put the achievement of the service's objectives at risk.</p>	<p>Limited assurance: 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.</p>
<p>No assurance: Weaknesses in control and/ or consistent non-compliance with controls could result/ has resulted in failure to achieve the service's objectives.</p>	<p>No assurance: 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.</p>

LANCASHIRE COMBINED FIRE AUTHORITY AUDIT COMMITTEE

Meeting to be held on 2 April 2019

INTERNAL AUDIT PLAN 2019/20 (Appendix 1 refers)

Contact for further information:

Keith Mattinson - Director of Corporate Services - Telephone 01772 866804

Executive Summary

The attached document sets out the final proposed Internal Audit Plan for 2019/20.

Recommendation

The Committee is asked to agree the Internal Audit Plan for 2019/20.

Information

The internal auditors are required to produce an Annual Audit Plan, setting out areas they intend to review during the year. A proposed plan is attached as Appendix 1, and will be presented by the Internal Audit Manager.

The plan utilises a total of 70 days in 2019/20. This is lower than previous years, which included 80 days, and reflects the reduction in time auditing Pensions (as reported previously the audit assurance is now provided by Deloitte who audit the Local Pensions Partnership), as well as the move to one non-finance based audit per year, previously we have undertaken two such reviews. This reduction equates to a £3k saving. The Head of Internal Audit believes the reduced number of days are still sufficient to enable her to form an overall audit conclusion.

Financial Implications

Delivery of the plan will cost £23k which is in line with budget provision.

Human Resource Implications

None

Equality and Diversity Implications

None

Business Risk Implications

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

Environmental Impact

None

Local Government (Access to Information) Act 1985

List of Background Papers

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

Lancashire Combined Fire Authority

Internal Audit Service

Internal Audit Plan: 2019/20

1 Introduction

- 1.1 This paper sets out a draft plan of work to be undertaken by the Internal Audit Service for the Combined Fire Authority for the coming financial year. The plan amounts to a total resource of 70 audit days, which equates to an overall cost of £22,750 (ex VAT) at our daily rate of £325. This represents a reduction in the overall audit programme of 10 days compared to prior years.

2 The purpose of the audit plan

- 2.1 Responsibility for maintaining and reviewing the system of internal control and for implementing a system of governance and risk management rests with the Combined Fire Authority. However the process by which the Annual Governance Statement is produced includes obtaining assurances on the effectiveness of key controls and internal audit provides one of the key sources of such assurance.
- 2.2 The Head of Internal Audit is required by professional standards to provide an opinion addressing governance, risk management and control and thereby to provide assurance that the risks to the objectives of Lancashire Combined Fire Authority are being adequately and effectively controlled.
- 2.3 The Audit Committee's terms of reference require it to review and approve the internal audit plan.

3 Statutory and professional requirements relating to internal audit

- 3.1 Internal audit's function is established by the Accounts and Audit Regulations 2015, which are supported by professional standards for internal audit in the public sector and an advisory note specifically for local government in the United Kingdom. The key requirements of the regulations and of the Public Sector Internal Audit Standards (PSIAS) are set out below.

Internal audit: "A relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes taking into account public sector internal auditing standards or guidance."

Regulation 5. (1)

Review of internal control system: "A relevant authority must, each financial year (a) conduct a review of the effectiveness of the system of internal control [...] and (b) prepare an annual governance statement."

Regulation 6. (1)

Definition of internal auditing

"Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes."

"The provision of assurance services is the primary role for internal audit in the UK public sector. This role requires the chief audit executive to provide an annual internal audit opinion based on an objective assessment of the framework of governance, risk management and control."

"Internal auditors must incorporate knowledge of controls gained from consulting engagements into evaluation of the organisation's control processes."

*Public Sector Internal Audit Standards, 2017
published by the Relevant Internal Audit Standard Setters*

- 3.2 The regulations therefore establish the requirement for an internal audit function and its provision of an opinion on governance, risk management and control processes, following public sector internal auditing standards. Professional standards likewise mandate the provision of such an opinion. They also recognise that internal audit involves the provision of both assurance and consultancy services, but assurance is its primary function and any consultancy work must inform the assurance opinion.

4 Internal audit coverage to support an annual overall opinion

- 4.1 An internal audit plan designed to provide the evidence necessary to support an opinion on governance, risk management and control needs to encompass the following:
- Coverage of the key components of each part of the opinion, namely, governance, risk management and control;
 - Sufficient coverage over operations as a whole so that a fair assessment may be made across the Service;
 - Coverage of the controls that serve to mitigate the most significant risks to an acceptable level;
 - Coverage of the controls that operate most broadly to mitigate the most significant risks in the greatest number of individual instances to an acceptable level; and
 - Follow up of the actions agreed by management to mitigate risks identified through previous audit activity.
- 4.2 Because the overall opinion covers a 12 month financial period, the evidence will relate to the controls in operation for that period.

5 Relationship to the risk management process

- 5.1 A risk-based audit plan will take into consideration the risks assessed as most significant by the organisation's managers, and should seek to provide assurance over the operation of the controls that serve to reduce the most significant risks to the greatest degree.
- 5.2 Using the corporate risk register and working with the Director of Corporate Services, we have sought to identify the areas with the greatest inherent risk, where these risks are regarded as having been effectively mitigated by strong controls. These are the controls on which the Combined Fire Authority and

Lancashire Fire and Rescue Service is placing the greatest reliance and over which it therefore needs the greatest assurance.

6 The Authority's 'lines of defence' and other sources of assurance

- 6.1 The Internal Audit Service is only the Combined Fire Authority's third line of defence in a model that represents management as the first line, responsible for directly assessing, controlling and mitigating risks; and any in-service compliance activity that confirms these controls as the second. Where such 'second line' compliance functions are available, we focus our audit work on assessing the control exerted by them rather than on repeating their work.
- 6.2 Where it is known that assurance will be provided from another body, (for example, Her Majesty's Inspectorate of Constabulary and Fire and Rescue Service, or the external auditors), the Internal Audit Service will not duplicate work but will take it into account if it is relevant to the overall opinion on governance, risk management and control. We will ensure as far as possible that the committee is made aware of such assurance.

7 The audit approach adopted by the Internal Audit Service

- 7.1 The Internal Audit Service follows a risk-based audit methodology, working closely with managers to understand the risks to the service, system or process being audited and then testing the controls in place. The audit process therefore involves two phases. During phase one we establish a framework of risks and controls, which enables us to assess the adequacy of the controls designed to mitigate the risks identified, and during the second phase we test the effectiveness of the controls in operation. The nature of the audit work performed does however vary and can include either or both of these phases.
- 7.2 Whilst a service is in the process of transformation or remodelling we can support the managers in the design of a control framework that will manage the risks to service objectives. This would represent consultancy rather than assurance work.
- 7.3 Where assurance is required over a control system that has not previously been audited in its present form we undertake a full review including both audit phases, and we will provide an opinion on both the adequacy of design and the effectiveness in operation of the controls in place.
- 7.4 Finally we may undertake compliance testing annually of systems we have previously audited because they are fundamental to the overall control framework.
- 7.5 Where managers can confirm that action has been taken as agreed during a previous audit to mitigate any high or medium risks identified we will seek evidence to support this, but other than obtaining management assurances, we will not generally follow up actions designed to mitigate only low risks.

8 Degrees of assurance

8.1 For 2019/20 we categorise our assurance levels, using the following definitions:

Assurance categories and definitions
Substantial assurance: the framework of control is adequately designed and/ or effectively operated.
Moderate assurance: 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.
Limited assurance: 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.
No assurance: 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.

9 Deployment of audit resources

9.1 The plan is stated in terms of days input, which represents our best estimate of the way in which the audit resources will be deployed. The plan itself should however be viewed as a fluid document, with the specific content of individual reviews being subject to revision if required following the more detailed scoping meetings held with client management teams prior to formal commencement of individual audit reviews.

9.2 The content and outline scope of each audit within the plan, as well as an estimate of the number of audit days considered appropriate, is provided in the table below:

Audit review and anticipated timing	Outline audit scope	Days	Planning principle
<i>Governance and business effectiveness</i>			
Overall governance, risk management and control arrangements	In addition to the direct assurance gained from the individual audit assignments listed below, we will additionally gain assurance as follows:	10	Phase two (Obtaining assurance that key controls previously examined in

Audit review and anticipated timing	Outline audit scope	Days	Planning principle
<i>Quarter 4</i>	<ul style="list-style-type: none"> • We will consider the robustness of the risk management arrangements from our involvement and attendance at the meetings of the Audit Committee. • We will obtain assurance regarding the adequacy of governance arrangements, through our review of the minutes of the Executive Board, the Service Management Team and the Corporate Programme Board. • We will assess the overall adequacy of the control environment via a review of the key sources of assurance available to the Service, as reflected in the assurance map developed during 2018-19, which will include consideration of the work completed by the Operational Assurance team. 		detail are still operating effectively)
<i>Service delivery and support</i>			
Contact centre <i>Quarter 3</i>	<ul style="list-style-type: none"> • The review will assess the adequacy and effectiveness of the case management arrangements operated by the Service in relation to the scheduling of the Home Fire Safety Checks. • The review will also assess the adequacy of the arrangements in place to manage demand. 	12	Phase one and two - we will both document the control framework and then assess the effectiveness in operation of controls
<i>Business processes</i>			
Accounts payable <i>Quarter 3</i>	The audit will consider whether there are adequate and effective controls in place to ensure:	7	Phase two (compliance testing of

Audit review and anticipated timing	Outline audit scope	Days	Planning principle
	<ul style="list-style-type: none"> • Compliance with financial regulations and the scheme of delegation. • Processes employed for the ordering, receipting and payment of goods and services is appropriate and efficient. • Inaccurate, illegitimate or duplicate orders/ invoices are not processed and paid. 		existing controls)
Accounts receivable <i>Quarter 3</i>	<p>The audit will consider whether there are adequate and effective controls in place to ensure:</p> <ul style="list-style-type: none"> • Invoices are raised on a timely basis for all goods and services provided. • Invoices are cancelled or written off appropriately. • Income is correctly accounted for. • Debtors are actively managed so as to reduce the level of bad debts and loss of income. 	4	Phase two (compliance testing of existing controls)
General ledger <i>Quarter 3</i>	<p>The audit will consider whether there are adequate and effective controls in place to ensure:</p> <ul style="list-style-type: none"> • Access to the accounting systems is appropriately managed and controlled. • There are no unauthorised changes to the accounting records. • Financial data is complete, timely and accurate. • Misappropriations or errors are detected. 	4	Phase two (compliance testing of existing controls)
HR/ Payroll <i>Quarter 3</i>	<p>The audit will consider whether there are adequate and effective controls in place to ensure:</p> <ul style="list-style-type: none"> • Access to the HR and payroll systems is appropriately managed and controlled. 	10	Phase two (compliance testing of existing controls)

Audit review and anticipated timing	Outline audit scope	Days	Planning principle
	<ul style="list-style-type: none"> • Key HR and payroll data and information is securely retained. • No unauthorised or invalid appointments have been made and valid appointments have been correctly established. • No unauthorised or inaccurate payments or adjustments to pay have been processed. • Staff are paid in a timely manner. • Payroll costs and deductions are correctly accounted for. 		
Treasury management <i>Quarter 3</i>	The audit will consider whether there are adequate and effective controls in place to ensure: <ul style="list-style-type: none"> • The regulatory framework/ internal treasury management strategy/ policy is followed. • Treasury management reports to members are accurate and clear. • Investment and borrowing decisions are based on accurate and complete cash flow forecasting data. • There is effective scrutiny of Treasury management activity by those charged with governance. 	4	Phase two (compliance testing of existing controls)
Pension administration <i>Quarter 4</i>	Assurance will be obtained directly from the work completed by the internal auditors of the Local Pension Partnership Limited.	1	Assurance from external sources
<i>Follow up audit activity</i>			
Development of the Assurance map	<ul style="list-style-type: none"> • Each review will incorporate a self-assessment by management of the progress made in implementing agreed actions; and 	4	Required by the Public Sector Internal Audit Standards
Business Continuity Planning			

Audit review and anticipated timing	Outline audit scope	Days	Planning principle
	<ul style="list-style-type: none"> • Selective test checking of controls introduced to address identified unmitigated risk. 		
<i>Other components of the audit plan</i>			
Management activity	<ul style="list-style-type: none"> • Attendance at meetings of the Audit Committee. • Production of the annual audit plan. • Preparation of the monitoring reports. • Preparation of the annual report of the Head of Internal Audit. • Liaison with external audit. 	10	Compliance with the terms of the Internal Audit Charter
National Fraud Initiative	<ul style="list-style-type: none"> • Support to staff in the testing of the data matches identified. 	4	Contribution to fraud prevention
<i>Approved days</i>		70	

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