

Public Document Pack

LANCASHIRE COMBINED FIRE AUTHORITY

AUDIT COMMITTEE

Thursday, 27 September 2018 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 - 8)
4. EXTERNAL AUDIT - ANNUAL AUDIT LETTER 2017/18 (Pages 9 - 20)
5. INTERNAL AUDIT SERVICE QUALITY ASSURANCE AND IMPROVEMENT PROGRAMME (Pages 21 - 30)
6. INTERNAL AUDIT MONITORING REPORT (Pages 31 - 38)
7. RISK MANAGEMENT UPDATE (Pages 39 - 70)
8. DATE OF NEXT MEETING

The next scheduled meeting of the Committee has been agreed for 10:00 hours on 29 January 2019 in the Main Conference Room, at Lancashire Fire & Rescue Service Headquarters, Fulwood.

Further meetings are: scheduled for 2 April 2019 and 23 July 2019
 proposed for 24 September 2019

9. 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.

10. 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

11. 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.

Agenda Item 3

LANCASHIRE COMBINED FIRE AUTHORITY

AUDIT COMMITTEE

Tuesday, 24 July 2018, 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

C Kenny, Chief Fire Officer (LFRS)
K Mattinson, Director of Corporate Services (LFRS)
J Bowden, Head of Finance (LFRS)
D Brooks, Principal Member Services Officer (LFRS)

In attendance

R Lowry, Internal Audit, Lancashire County Council
R Tembo, External Audit, Grant Thornton
R Baker, External Audit, Grant Thornton

1/18 APOLOGIES FOR ABSENCE

None received.

2/18 DISCLOSURE OF PECUNIARY AND NON-PECUNIARY INTERESTS

None received.

3/18 MINUTES OF THE PREVIOUS MEETING

RESOLVED: - That the Minutes of the last meeting held on 22 March 2018 be confirmed as a correct record and signed by the Chairman.

4/18 INTERNAL AUDIT ANNUAL REPORT 2017/18

The report was presented by Ruth Lowry, Head of Internal Audit, Lancashire County Council. The Internal Audit Annual Report summarised the work that the Internal Audit Service had undertaken during 2017/18 and the key themes arising from it. It provided an opinion on the overall adequacy and effectiveness of the systems of

governance, risk management and internal control.

On the basis of programme of work for the year, the Head of Internal Audit had provided substantial assurance over the framework of governance, risk management and control for 2017/18. It was their opinion that there was a generally sound system of internal control, adequately designed to meet the objectives of Lancashire Combined Fire Authority and the controls were generally applied consistently.

The opinion was based on the individual assurance levels provided for each of the individual audit reviews undertaken in 2017/18, detailed in the report now presented to Members.

Mrs Lowry confirmed that the Training, Learning and Development audit which was in draft at the time of writing the report was now completed and finalised and there were no issues of concern.

The work of the Internal Auditor was one of the key control measures in place within the Authority. As such, the annual report provided an assurance to Members that risks were being managed and controlled, and fed the Authority's overall assessment of the internal controls that operated within the Service.

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

5/18 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 up to the 30 June 2018 was presented by Ruth Lowry.

It was noted that work carried out during the period 1 April 2018 – 30 June 2018 was in accordance with the agreed audit plan and no significant issues had been identified.

The report identified that 7 days had been spent this financial year on the completion of the 2018/19 plan. In addition, the auditors had spent a further 10 days during the first quarter of this financial year in completing and finalising reviews outstanding from the 2017/18 audit plan. The findings from the review were included in the 2017/18 Annual Report which Mrs Lowry had presented to Members alongside this report.

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

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

6/18 ANNUAL GOVERNANCE STATEMENT 2017/18

The Authority was required to produce an Annual Governance Statement as part of the year end process for 2017/18. The Audit Committee had previously approved a revised Code of Corporate Governance, in line with guidance produced jointly by CIPFA (Chartered Institute of Public Finance Accountants) and SOLACE (Society of Local Authority Chief Executives).

The Code defined corporate governance as the way an authority ensured that it was doing the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner.

In order to assess the effectiveness of the Authority's current arrangements a self-assessment had been undertaken by the Executive Board who had considered the various sources of assurance that supported the core principles outlined in the report and the outcome of this was considered by Members under appendix 1 as now presented. One of the key elements of this was external assurance on our systems, and this was provided by our auditors, both of whom provided positive reports, and by the previous Operational Assessment undertaken by Peer Review Team which found 'nothing of significance' that would cause problems. It was noted that the outcome of the Inspection by Her Majesty's Inspectorate of Constabulary, Fire and Rescue Services would be fed into future Governance Statements.

The assessment also considered recommendations made as part of last year's Annual Governance Statement, and an update on the position in respect of these was considered as presented.

It was noted that the Internal Auditors had undertaken a review of Sources of Assurance in the first quarter of 2018/19 as part of the internal audit programme. This review confirmed that LFRS had sufficient, relevant resources of assurance to satisfactorily manage its risks in order to ensure compliance with the Code of Corporate Governance and achieve overall Service objectives.

The various reviews highlighted a number of areas for further improvement. As part of the review, the Service was required to identify and disclose any significant internal control issues, of which there had been none, hence the overall conclusion was that the system of internal controls was adequate.

RESOLVED: - That the Committee endorsed the self-assessment and the Annual Governance Statement as now presented.

7/18 REVISIONS TO THE STATEMENT OF ACCOUNTS 2017/18

The report presented the changes made during the audit of the Statement of Accounts of the Combined Fire Authority for the financial year ended 31 March 2018.

The core Financial Statements for the financial year ended 31 March 2018 were presented to the Resources Committee May. The report confirmed that:-

- the unaudited Statement of Accounts would be signed by the Treasurer to certify that it presented a true and fair view of the financial position of the Authority as at 31 March 2018;
- this would be subject to review by the Authority's external auditors, Grant Thornton;
- that a further report would be presented to the Audit Committee in July, following completion of the external audit;
- at that meeting the Chair of the Audit Committee would be asked to sign the final statement of accounts, as well as the Treasurer;
- Following this a final audited set of accounts would be presented to the Resources Committee for information.

In light of this the Resources Committee noted and endorsed the report and accounts, based on the various outturn reports presented on the same agenda.

Subsequent to that the full set of accounts were produced and signed by the Treasurer and submitted for audit to Grant Thornton.

The Statement of Accounts had now been updated to reflect the following changes identified during the audit (as reported in the Audit Findings Report – elsewhere on the agenda) and a revised statement of accounts was considered by Members, attached as appendix 2.

As all changes requested by Grant Thornton to adjust misstatements, misclassifications and disclosure changes had been made to the accounts the Treasurer to the Fire Authority and the Chair of the Audit Committee were required to approve the revised accounts and sign the Balance Sheet and the Statement of Responsibilities.

Mr Robin Baker confirmed that the view of external audit was that the Authority's 25% ownership of the North West Fire Control should be reflected in the statement of accounts given it was a core part of the performance of the Service.

Members considered the detail of Item 10, External Audit – Audit Findings Report before making the following resolution:

RESOLVED: - That the Committee re-approve the revised Statement of Accounts.

8/18 EXTERNAL AUDIT - AUDIT FINDINGS REPORT 2017/18

This item was considered during the consideration of Item 7, Revisions to the Statement of Accounts.

Under the statutory Code of Audit Practice for Local Government bodies our external auditors, Grant Thornton were required to issue a report to those charged with governance summarising the conclusions from their audit work. Members considered this report which was presented by Mr Robin Baker.

The main issues within the Audit Findings Report were as follows:-

- Audit opinion - the auditor would give an unqualified opinion on the financial statement;
- Value for money - the auditors concluded that the Authority had proper arrangements in all significant respects to ensure it delivered value for money in its use of resources.

The auditors had identified one adjusted mis-statement relating to the treatment of our share of North West West Fire Control, as set out on pages 13-15 of the Audit Findings Report. This issue was highlighted the previous year however following discussions we initially felt that this was not material and hence was not fully accounted for, however, following further discussion we agreed to amend the accounts to reflect this.

The auditors had also identified four adjustments which were required in terms of misclassifications and disclosure changes as set out on page 16 of the Audit Finding Report, and these changes had been incorporated into the final statement of accounts.

RESOLVED: - That the Committee:-

- i) Noted and endorsed the matters raised in the report and the response to these;
- ii) Noted the unqualified opinion on the financial statements;
- iii) Noted the value for money conclusion;
- iv) Noted the amended Statement of Accounts.

9/18 EXTERNAL AUDIT - UNDERSTANDING HOW THE COMMITTEE GAINS ASSURANCE FROM MANAGEMENT

In order to comply with Auditing Standards, the External Auditors, Grant Thornton were required to obtain an assurance as to how those charged with governance gain assurance over management processes and arrangements, as set out in their letter dated May 2018, copy considered by Members.

A response had been prepared by the Chairman of the Audit Committee which was considered by Members.

RESOLVED:- That the Committee noted and endorsed the response submitted.

10/18 EXTERNAL AUDIT - LETTER OF REPRESENTATION

As part of the year-end process the Authority was required to sign a letter of representation. This letter confirmed that the Authority had disclosed all relevant information in its accounts for the year in question and that all issues which should have been brought to the attention of the auditors had been.

The Treasurer confirmed that there were no issues that should have been brought to the attention of the auditors but which had not been. The Treasurer confirmed he would sign the letter at the meeting, as there were no further issues which he felt required disclosure.

RESOLVED: - That the Audit Committee authorised the signing of the letter by the Chairman of the Committee.

11/18 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.

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

In response to a question raised by CC Holgate in relation to the vacant Network Security Manager role, the Director of Corporate Services gave assurance that the work was continuing while a Manager with the appropriate skills was recruited.

In response to a question raised by CC Clarke in relation to risk 25, the outcome of the EU court ruling on the Matzak case, the Director of Corporate Services confirmed that this was a potential risk to all Fire and Rescue Services.

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

12/18 SCHEME OF DELEGATION

The Authority had a Scheme of Delegation which set out the powers delegated to the Chief Fire Officer (CFO), Treasurer and Clerk to act on behalf of the Authority. These had been reviewed and updated to reflect current legislation and recent changes to contract standing orders and financial regulations.

In line with best practice the Scheme of Delegation was reviewed on a regular basis.

The latest review had updated references to relevant legislation, as well as updating the scheme to tie into recent changes on contract standing orders and financial regulations, approved by the Committee in March.

A proposed revised version was considered by Members as now presented. The most significant changes were as follows:-

- Section 2.5 and 2.10 to amend the thresholds for approval of contract variations to reflect the higher of £50,000 or 15% of contract value, as per agreed financial regulations;
- Section 2.7, to align the value at which the CFO and Treasurer can grant exemptions to the contract procedures to £100k, as agreed in contract standing orders. This ensures consistency of contract thresholds at £100,000 thereby reducing the level of confusion that currently occurs whereby three separate thresholds are in place, under the revisions the following will apply:-
 - the CFO and Treasurer can grant exemptions up to this figure, with any which exceed this requiring Authority approval;
 - the CFO and Treasurer can enter into contracts up to this figure, with any which exceed this requiring Authority approval;
 - any contracts which exceed this value are reported to the authority.
- Section 4.12 to increase threshold for writing off debt to £10,000, as per agreed financial regulations;
- Section 7.7 to increase threshold for writing off stock to £10,000, as per agreed financial regulations;
- Section 7.8 and 7.9 updated in line with agreed financial regulations to reflect disposal arrangements for fire appliances, where it is proposed to either:-
 - dispose of these, at below market value, for humanitarian purposes, linked to the organisational objectives, priorities and values of the Service;
 - or to crush/sell them as scrap in order to minimize the risk of them being bought at auction and used inappropriately, thereby minimizing

any reputational risk.

RESOLVED: - That the Audit Committee approved the amendments as proposed.

13/18 DATE OF NEXT MEETING

The next meeting of the Committee would be held on Thursday 27 September 2018 at 10:00 hours in the Main Conference Room at Lancashire Fire and Rescue Service Headquarters, Fulwood.

Further meeting dates were noted for 29 January 2019 and 2 April 2019 and agreed for 23 July 2019

14/18 URGENT BUSINESS - WINTER HILL MAJOR INCIDENT

The Chief advised that at its height there were 32 fire engines in attendance at the Winter Hill incident. When you have an incident that is protracted it is impossible to manage with just your own resources. Lancashire drew on other Services from across the country with assistance from specialist wildfire teams. The support from partners was appreciated, in particular 2 helicopters were provided free of charge one from the Woodland Trust and one from United Utilities and other partners provided track vehicles.

The support from the public was second to none making donations to express their gratitude and goodwill to the Service and its partners.

There was no loss of life or damage to property and the infrastructure was saved.

The Chairman, CC Tomlinson asked that thanks and appreciation to everyone concerned with the Winter Hill major incident be put on record.

M NOLAN
Clerk to CFA

LFRS HQ
Fulwood

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LANCASHIRE COMBINED FIRE AUTHORITY AUDIT COMMITTEE

Meeting to be held on 27 September 2018

EXTERNAL AUDIT – ANNUAL AUDIT LETTER 2017/18 (Appendix 1 refers)

Contact for further information:

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

Executive Summary

The External Auditor's Annual Audit Letter provides an overall assessment of the Authorities performance.

The final agreed letter, submitted by Grant Thornton, is attached as appendix 1.

Decision Required

The Committee is asked to consider noting/endorsing the content of the report as presented.

Information

The Annual Audit Letter represents an overall assessment of our performance, drawing on the auditor's findings and conclusions from their work, which has previously been reported to the Audit Committees.

The audit conclusions included in the letter are consistent with those reported in the Audit Findings report, as follows:

- We gave an unqualified opinion on the Authority's accounts on 24 July 2018;
- We were satisfied that the Authority put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. We reflected this in our audit report to the Authority on 24 July 2018.

Financial Implications

The fees at £30,739 were in line with those previously reported and with the agreed annual budget.

Human Resource Implications

None

Equality and Diversity Implications

None

Environmental Impact

None

Business Risk Implications

The Annual Audit Letter is a public document which gives an independent assessment of the Authority's performance. As such any failure to meet adequate levels of performance may undermine public confidence, exposing the Authority to a wide range of risks, and leading to potential interventions.

Local Government (Access to Information) Act 1985

List of Background Papers

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

Annual Audit Letter

Year ending 31 March 2018

Lancashire Combined Fire Authority

28 August 2018

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Your key Grant Thornton
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2. Audit of the Accounts
3. Value for Money conclusion

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Executive Summary

Purpose

Our Annual Audit Letter (Letter) summarises the key findings arising from the work that we have carried out at Lancashire Combined Fire Authority (the Authority) for the year ended 31 March 2018.

This Letter is intended to provide a commentary on the results of our work to the Authority and external stakeholders, and to highlight issues that we wish to draw to the attention of the public. In preparing this Letter, we have followed the National Audit Office (NAO)'s Code of Audit Practice and Auditor Guidance Note (AGN) 07 – 'Auditor Reporting'. We reported the detailed findings from our audit work to the Authority's Audit Committee as those charged with governance on 24 July 2018

Respective responsibilities

We have carried out our audit in accordance with the NAO's Code of Audit Practice, which reflects the requirements of the Local Audit and Accountability Act 2014 (the Act). Our key responsibilities are to:

- give an opinion on the Authority's financial statements (section two)
- assess the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources (the value for money conclusion) (section three).

In our audit of the Authority's financial statements, we comply with International Standards on Auditing (UK) (ISAs) and other guidance issued by the NAO.

Our work

| | |
|-------------------------------------|---|
| Materiality | We determined materiality for the audit of the Authority's financial statements to be £919,000 which is 2% of the Authority's gross revenue expenditure. |
| Financial Statements opinion | We gave an unqualified opinion on the Authority's financial statements on 24 July 2018. |
| Use of statutory powers | We are required under the Act to give electors the opportunity to raise questions about the Authority's financial statements and we consider and decide upon objections received in relation to the accounts. We did not identify any matters which required us to exercise our additional statutory powers and we did not receive any questions or objections. |
| Value for Money arrangements | We were satisfied that the Authority put in place proper arrangements to ensure economy, efficiency and effectiveness in its use of resources. We reflected this in our audit report to the Authority on 24 July 2018. |
| Certificate | We certify that we have completed the audit of the accounts of Lancashire Combined Fire Authority in accordance with the requirements of the Code of Audit Practice. |

Working with the Authority

During the year we have delivered a number of successful outcomes with you:

- An efficient audit – we delivered an efficient audit with you in June/July 2018 delivering the audited accounts before the deadline
- Sharing our insight – we provided regular audit committee updates covering best practice. We also shared our thought leadership reports

- Providing training – We provided training on local government financial accounts and annual reporting which was attended by your Head of Finance.

We would like to record our appreciation for the assistance and co-operation provided to us during our audit by the Authority's staff.

Grant Thornton UK LLP
28 August 2018

Audit of the Accounts

Our audit approach

Materiality

In our audit of the Authority's financial statements, we use the concept of materiality to determine the nature, timing and extent of our work, and in evaluating the results of our work. We define materiality as the size of the misstatement in the financial statements that would lead a reasonably knowledgeable person to change or influence their economic decisions.

We determined materiality for the audit of the Authority's accounts to be £919,000 which is 2% of the Authority's gross revenue expenditure. We used this benchmark as, in our view, users of the Authority's financial statements are most interested in where the Authority has spent its revenue in the year.

We set a lower threshold of £689,000, above which we reported errors to the Audit Committee in our Audit Findings Report.

The scope of our audit

Our audit involves obtaining sufficient evidence about the amounts and disclosures in the financial statements to give reasonable assurance that they are free from material misstatement, whether caused by fraud or error. This includes assessing whether:

- the accounting policies are appropriate, have been consistently applied and adequately disclosed;
- the significant accounting estimates made by management are reasonable; and
- the overall presentation of the financial statements gives a true and fair view.

We also read the remainder of the Statement of Accounts, the narrative report and the annual governance statement published alongside the Statement of Accounts to check they are consistent with our understanding of the Authority and with the financial statements included in the Statement of Accounts on which we gave our opinion.

We carry out our audit in accordance with ISAs (UK) and the NAO Code of Audit Practice. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our audit approach is based on a thorough understanding of the Authority's business and is risk based. We identified key risks and set out overleaf the work we performed in response to these risks and the results of this work.

Audit of the Accounts (continued)

Significant Audit Risks

These are the significant risks which had the greatest impact on our overall strategy and where we focused more of our work.

| Risks identified in our audit plan | How we responded to the risk | Findings and conclusions |
|---|---|--|
| <p>Valuation of property, plant and equipment The Authority revalues its land and buildings on a five yearly rolling basis to ensure that carrying value is not materially different from fair value. This represents a significant estimate by management in the financial statements.</p> <p>We identified the valuation of land and buildings revaluations and impairments as a risk requiring special audit consideration.</p> | <p>As part of our work we:</p> <ul style="list-style-type: none"> • Reviewed management's processes and assumptions for the calculation of the estimate. • Reviewed the competence, expertise and objectivity of any management experts used. • Reviewed the instructions issued to valuation experts and the scope of their work • Discussed with the Authority's valuer the basis on which the valuation was carried out, challenging the key assumptions. • Reviewed and challenged the information used by the valuer to ensure it was robust and consistent with our understanding. • Tested revaluations made during the year to ensure they were input correctly into the Authority's asset register. • Evaluated the assumptions made by management for those assets not revalued during the year and how management satisfied themselves that these were not materially different to current value. | <p>Valuation of properties was undertaken by a suitably qualified external surveyor. The total gross valuation of the Authority's property, plant and equipment at 31 March 2018 was £78.8m.</p> <p>Our audit work has not identified any issues in respect of valuation of property, plant and equipment.</p> |
| <p>Valuation of pension fund net liability The Authority's LGPS pension fund asset and liability as reflected in its balance sheet represent a significant estimate in the financial statements.</p> <p>The Firefighters Pension schemes pension fund liability as reflected in the balance sheet and notes to the accounts represent significant estimates in the financial statements.</p> <p>We identified the valuation of the pension fund net liability as a risk requiring special audit consideration.</p> | <p>As part of our audit work we have:</p> <ul style="list-style-type: none"> • Identified the controls put in place by management to ensure that the pension fund net liability is not materially misstated and assessed whether those controls were implemented as expected and whether they were sufficient to mitigate the risk of material misstatement. • Reviewed the competence, expertise and objectivity of the actuary who carried out the Authority's pension fund valuation. • Gained an understanding of the basis on which the IAS 19 valuation was carried out, undertaking procedures to confirm the reasonableness of the actuarial assumptions made. • Reviewed the consistency of the pension fund net liability disclosures in notes to the financial statements with the actuarial report from your actuary. | <p>Our audit work has not identified any issues in respect of the valuation of pension fund liability.</p> |

Audit of the Accounts

Significant Audit Risks (continued)

These are the significant risks which had the greatest impact on our overall strategy and where we focused more of our work.

| Risks identified in our audit plan | How we responded to the risk | Findings and conclusions |
|---|--|--|
| <p>Management override of controls</p> <p>Under ISA (UK) 240 there is a presumed risk that the risk of management over-ride of controls is present in all entities. 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 identified management override of controls as a risk requiring special audit consideration.</p> | <p>As part of our audit work we:</p> <ul style="list-style-type: none"> • reviewed accounting estimates, judgements and decisions made by management • tested journal entries • reviewed accounting estimates, judgements and decisions made by management • reviewed unusual significant transactions • reviewed significant related party transactions outside the normal course of business | <p>Our audit work has not identified any issues in respect of management override of controls.</p> |
| <p>Improper revenue recognition</p> <p>Under ISA 240 (UK) there is a presumed risk that revenue may be misstated due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p> | <p>As part of our work we have considered the risk factors set out in ISA240 and the nature of the revenue streams at the Authority, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none"> • there is little incentive to manipulate revenue recognition • opportunities to manipulate revenue recognition are very limited, and • the culture and ethical frameworks of the authority mean that all forms of fraud are seen as unacceptable. | <p>Therefore we do not consider this to be a significant risk for the Authority.</p> |

Audit of the Accounts (continued)

Audit opinion

We gave an unqualified opinion on the Authority's financial statements on 24 July 2018, in advance of the national deadline.

Preparation of the accounts

The Authority presented us with draft accounts in accordance with the national deadline, and provided a good set of working papers to support them. The finance team responded promptly and efficiently to our queries during the course of the audit.

Issues arising from the audit of the accounts

We reported the key issues from our audit to the Authority's Audit Committee on 24 July 2018 in our Audit Findings report. The main issue arising from the audit was that management agreed to adjust the accounts to reflect its share of the North West Fire Control Ltd which provides a call handling and response facility to the Authority and other fire authorities in the North West.

Annual Governance Statement and Narrative Report

We are required to review the Authority's Annual Governance Statement and Narrative Report. It published them on its website in the Statement of Accounts in line with the national deadlines.

Both documents were prepared in line with the CIPFA Code and relevant supporting guidance. We confirmed that both documents were consistent with the financial statements prepared by the Authority and with our knowledge of the Authority.

Whole of Government Accounts (WGA)

We issued an assurance statement which confirmed the Authority was below the audit threshold meaning that we did not need to undertake a detailed review of the consolidation pack.

Other statutory powers

We also have additional powers and duties under the Act, including powers to issue a public interest report, make written recommendations, apply to the Court for a declaration that an item of account is contrary to law, and to give electors the opportunity to raise questions about the Authority's accounts and to raise objections received in relation to the accounts.

We did not identify any issues that required us to apply our statutory powers and duties under the Act. We did not receive any objections from electors to the 2017/18 accounts. There were no circumstances that required us to issue a public interest report in respect of our 2017/18 audit.

Certificate of closure of the audit

We are also required to certify that we have completed the audit of the accounts of Lancashire Combined Fire Authority in accordance with the requirements of the Code of Audit Practice. We issued our certificate of completion of the audit on 24 July 2018.

Value for Money conclusion

Background

We carried out our review in accordance with the NAO Code of Audit Practice, following the guidance issued by the NAO in November 2017 which specified the criterion for auditors to evaluate whether:

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.

Key findings

AGN 03 requires us to disclose our views on significant qualitative aspects of the Authority's arrangements for delivering economy, efficiency and effectiveness.

We focused our work on identifying whether there were any significant risks to our VfM conclusion. We carried out an initial risk assessment in January 2018 and identified no significant risks in respect of specific areas of proper arrangements using the guidance contained in AGN03. We communicated this to the Authority in our Audit Plan dated 22 January 2018.

We continued our review of relevant documents up to the date of giving our report. We did not identify any significant risks.

Overall Value for Money conclusion

We are 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.

Looking ahead

There were no other matters from our work which were significant to our consideration of the Authority's arrangements to secure value for money in its use of resources.

Looking ahead to 2018/19 the Authority will be subject to an inspection by Her Majesty's Inspectorate of Constabulary and Fire and Rescue Services. We will liaise as appropriate with the Inspectorate and take into account their findings as part of our audit of the Authority.

A. Reports issued and fees

We confirm below our final reports issued and fees charged for the audit and confirm there were no fees for the provision of non audit services.

Reports issued

| Report | Date issued |
|-----------------------|-----------------|
| Audit Plan | 22 January 2018 |
| Audit Findings Report | 24 July 2018 |
| Annual Audit Letter | August 2018 |

Fees for non-audit services

| Service | Fees £ |
|-----------------------------------|--------|
| Audit related services | |
| - None | Nil |
| Non-Audit related services | |
| - None | Nil |

Fees

| | Planned £ | Actual fees £ | 2016/17 fees £ |
|---------------------------|---------------|------------------|-------------------|
| Statutory Authority audit | 30,739 | 30,739 | 30,739 |
| Total fees | 30,739 | 30,739 | 30,739 |

Non-audit services

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Authority. The table above confirms that we did not provide non-audit services to the Authority.

The planned fees for the year were in line with the scale fee set by Public Sector Audit Appointments Ltd (PSAA).



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LANCASHIRE COMBINED FIRE AUTHORITY

AUDIT COMMITTEE

Meeting to be held on 27 September 2018

INTERNAL AUDIT SERVICE QUALITY ASSUARANCE AND IMPROVEMENT PROGRAMME

(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.

Decision Required

The Committee is asked to note and endorse the revised Quality Assurance and Improvement Programme.

Information

In 2016 the Committee approved the Internal Audit Quality Assurance and Improvement Programme. In line with requirements this has now been reviewed and an updated programme 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: | | |

Lancashire County Council

Internal Audit Service Quality Assurance and Improvement Programme

1 Introduction

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

2 Relevant professional standards and interpretation

- 2.1 The Accounts and Audit Regulations 2015 refer to "public sector internal auditing standards or guidance". CIPFA is the relevant standard setter for internal audit in local government in the United Kingdom and has published PSIAS which encompass the Mission of Internal Audit and the mandatory elements of the International Professional Practices Framework (the Core Principles for the Professional Practice of Internal Auditing, the Code of Ethics, the Standards and the Definition of Internal Auditing).
- 2.2 PSIAS sets out the requirement for a quality assurance and improvement programme:
- "The chief audit executive must develop and maintain a quality assurance and improvement programme that covers all aspects of the internal audit activity."
- PSIAS 1300 Quality Assurance and Improvement Programme*
- 2.3 A number of other subsidiary standards follow from this that establish clear requirements of any quality assurance and improvement programme. The PSIAS also add further interpretations and requirements for the public sector under the following standards:
- 1310: Requirements of the quality assurance and improvement programme
 - 1311: Internal assessments

- 1312: External assessments
 - 1320: Reporting on the quality assurance and improvement programme
 - 1321: Use of “conforms with the International Standards for the Professional Practice of Internal Auditing”
 - 1322: Disclosure of non-conformance
- 2.4 PSIAS refers to the 'chief audit executive' who, under Lancashire County Council's Internal Audit Charter, is deemed to be the Head of Service – Internal Audit, or head of internal audit.
- 2.5 CIPFA has also published a Local Government Advisory Note setting out additional interpretation and guidance for local government within the United Kingdom.
- 2.6 The quality assurance and improvement programme set out here is designed in accordance with applicable professional requirements, as well as supporting the Internal Audit Service's own drive for continuous improvement.
- 2.7 It is expected that the Internal Audit Service will fully conform to professional standards. However, as required by PSIAS, if non-conformance with the Code of Ethics or the Standards impacts a specific engagement, the service will disclose the principle or rule breached, the reasons, and the impact on the engagement and its results.

3 The framework for quality assurance and improvement

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

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

4 The quality assurance and improvement programme

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

Internal ongoing monitoring of audit assignment quality

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

internal audit activity and uses processes, tools and information considered necessary to evaluate conformance with the Definition of Internal Auditing, the Code of Ethics and the Standards."

PSIAS 1311: Interpretation – Internal assessments

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

Periodic internal assessment of the professional and operational framework

"Periodic assessments are conducted to evaluate conformance with the Code of Ethics and the Standards."

PSIAS 1311: Interpretation – Internal assessments

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

External review

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

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

PSIAS 1312: External Assessments

4.8 Lancashire County Council's Internal Audit Service's self-assessment was externally validated by the Chartered Institute of Internal Auditors in late 2017, and was determined to 'generally conform' with all relevant professional standards.

Appendix A: Relevant standards within *PSIAS*

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

1310: Requirements of the quality assurance and improvement programme

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

1311: Internal assessments

Internal assessments must include:

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

Interpretation:

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

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

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

1312: External assessments

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

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

Interpretation:

External assessments may be accomplished through a full external assessment, or a self-assessment with independent external validation. The external assessor must conclude as to conformance with the *Code of Ethics* and the *Standards*; the external assessment may also include operational or strategic comments.

A qualified assessor or assessment team demonstrates competence in two areas: the professional practice of internal auditing and the external assessment process. Competence can be demonstrated through a mixture of experience and theoretical learning. Experience gained in organisations of similar size, complexity, sector or industry and technical issues is more valuable than less relevant experience. In the case of an assessment team,

not all members of the team need to have all the competencies; it is the team as a whole that is qualified. The chief audit executive uses professional judgment when assessing whether an assessor or assessment team demonstrates sufficient competence to be qualified.

An independent assessor or assessment team means not having either an actual or a perceived conflict of interest and not being a part of, or under the control of, the organisation to which the internal audit activity belongs. The chief audit executive should encourage board oversight in the external assessment to reduce perceived or potential conflicts of interest.

Public sector requirement:

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

1320: Reporting on the quality assurance and improvement programme

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

- The scope and frequency of both the internal and external assessments.
- The qualifications and independence of the assessor(s) or assessment team, including potential conflicts of interest.
- Conclusions of assessors.
- Corrective action plans.

Interpretation:

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

Public sector requirement:

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

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

Indicating that the internal audit activity conforms with the International Standards for the Professional Practice of Internal Auditing is appropriate only

if supported by the results of the quality assurance and improvement programme.

Interpretation:

The internal audit activity conforms with the *Code of Ethics* and the *Standards* when it achieves the outcomes described therein. The results of the quality assurance and improvement programme include the results of both internal and external assessments. All internal audit activities will have the results of internal assessments. Internal audit activities in existence for at least five years will also have the results of external assessments.

1322: Disclosure of non-conformance

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

Public sector requirement

Such non-conformances must be highlighted by the chief audit executive to be considered for inclusion in the governance statement.

Appendix A: Relevant standards within *PSIAS*

Quality

- Achieve 90% good or very good satisfaction scores for the measures of quality of the audit process in questionnaires completed by auditees.
- Achieve positive feedback overall from the Management Team and Audit, Risk and Governance Committee regarding the value of internal audit work.

Productivity

- Achieve 85% of the annual audit plan by number of reviews completed.

Compliance

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

Operational

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

LANCASHIRE COMBINED FIRE AUTHORITY

AUDIT COMMITTEE

Meeting to be held on 27 September 2018

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.

Decision Required

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 14 September 2018 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: | | |

Lancashire Combined Fire Authority
Internal Audit Service
Monitoring report for the period ended
14 September 2018

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 14 September 2018.

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 14 September 2018 was in accordance with the agreed audit plan. To date, 10.5 days have been spent this financial year on completion of the 2018/19 plan, equating to 13% of the total planned audit activity of 80 days.
- 3.2 Additionally, we spent a further 10 days during the first quarter of this financial year in completing and finalising reviews outstanding from the 2017/18 audit plan. The findings from these reviews were included in the 2017/18 Annual Report of the Head of Internal Audit.

Work completed to date

- 3.3 Other than the development of an assurance map in conjunction with the Director of Corporate Services, which was reported to Committee at the meeting of the 24 July, no further assignments from the 2018/19 audit programme have been completed to date.
- 3.4 Our audit of Treasury management arrangements has however commenced, and we have agreed the start dates for our work on Accounts Payable, Accounts Receivable and General Ledger audits.
- 3.5 Our review of Business Continuity arrangements, which was originally scheduled for September has been deferred as a result of service priorities resulting from the Winter Hill incident.
- 3.6 In liaison with the Director of Corporate Services, we have agreed that proposals re the use of the contingency provision will be made following the publication of the HMICFRS inspection report, which is scheduled for the autumn.
- 3.7 We are confident that all assignments can be completed within the financial year.

Overall summary and assurance provided

- 3.8 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.
- 3.9 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.
- 3.10 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

- 3.11 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"> 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 | 0 | 6 | - | - | Scheduled for October 2018 |
| Contingency | 8 | 0 | 8 | - | - | Scope of this review is to be determined following the publication of the HMICFRS inspection results in autumn 2018. |
| Business processes | | | | | | |
| Accounts payable | 10 | 0 | 10 | - | - | Scheduled for November 2018 |
| Accounts receivable | 5 | 0 | 5 | - | - | Scheduled for November 2018 |

Lancashire Combined Fire Authority
 Internal Audit Service - Monitoring report for the period ended 14 September 2018

| Review area | Audit days | | | Assurance | | Comments |
|---|------------|-------------|-------------|-----------|---------------|---|
| | Planned | Actual | Variation | Adequacy | Effectiveness | |
| General ledger | 5 | 0 | 5 | - | - | Scheduled for November 2018 |
| HR and Payroll | 10 | 0 | 10 | - | - | Aim is to complete during quarter 3 |
| Treasury management | 5 | 2.5 | 2.5 | - | - | Fieldwork is progressing |
| Pensions administration | 5 | 0 | 5 | - | - | Aim is to complete during quarter 4 |
| Follow up audit activity | | | | | | |
| <ul style="list-style-type: none"> • Rota management • Training, Learning and Development | 4 | 0 | 4 | N/A | N/A | Aim is to complete during quarter 4 |
| Other components of the audit plan | | | | | | |
| Management activity | 10 | 2.5 | 7.5 | 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 | 0.5 | 1.5 | N/A | N/A | Preparation of data for submission to the Cabinet Office re the 2018/19 matching exercise |
| Total days | 80 | 10.5 | 69.5 | | | |

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 27 September 2018

RISK MANAGEMENT

(Appendices 1 and 2 refer)

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.

In addition a review of the risk management strategy has been undertaken, and an updated strategy is presented for approval

Decision Required

The Committee is asked to:-

- note the actions taken
- endorse the revised corporate risk register
- agree the revised risk management strategy

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 2 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 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. | No change, not due to report till 31/12/2018 | 9 | Medium |
| 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"> • That the proposed pay uplift should be made and negotiations should continue. • That FBU members should be consulted on the issue with a decision made at the Executive Council scheduled for 18-20 September. • That the employers should be informed that their proposal does not address the broader needs of the service or those working within it. • 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. • That plans are drawn up for a major campaign of lobbying at local and | Increases to 12 | Medium |

| | | | | |
|---|--|--|---|--------|
| | | <p>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.</p> <ul style="list-style-type: none"> • 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. <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 | No change, not due to report till 31/12/18 | 9 | Medium |

| | | | | |
|----|---|--|----|--------|
| 9 | Retention and recruitment of RDS staff impacts on RDS appliance availability | No change, not due to report till 31/12/18 | 12 | 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 31/12/18 | 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 31/12/18 | 9 | Medium |
| 14 | Delayed mobilisation, impacting on service delivery | No change, not due to report till 31/12/18 | 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 31/12/18 | 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 | No change, not due to report till 31/3/19 | 9 | Medium |

| | | | | |
|----|---|--|--------------|--------|
| | development that are implemented | | | |
| 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 31/12/18 | 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 31/12/18 | 10 | Medium |
| 22 | Failure to maximise collaborative opportunities presented by Policing and Crime Act 2017 | Well-developed relationships with Lancashire Constabulary and NWS 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 core projects to be progressed to scope report status:- <ul style="list-style-type: none"> • multi office role • response arrangements • public order training at Washington hall | Remains at 9 | Medium |
| 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 | Remains at 9 | Medium |

| | | | | |
|----|--|---|---------------|--------|
| | | needs for the future and consulting with staff in relation to the performance management arrangements. | | |
| 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 |

Risk Management Strategy

The Service has also reviewed its Risk Management Strategy and an updated version is attached as appendix 2. The main changes are:-

- The strategy now cross-references to other key documents, IRMP, Strategic Assessment of Risk etc.
- The definition of Risk Management has been updated to a UK best practice definition
- Reference to project and programme risks has now been included
- The section on responsibilities has been updated

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

Sept 18

| | 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. | Premises based risks are assessed using the ORA process and paperwork. These are then categorised as level 1, 2, or 3 risk and documented accordingly. RIEF process is in place for sharing risk information The Service now has an ability through its RADAR product to store and record/ amend Cat 2 & 3 risk information. Premises risks categorised as level 2 risk have a hazard statement on the mobilising system. The PORIS programme went live on the 1/4/15, as per the project plan. This now gives the Service a fully compliant system against the principles outlined in the CFRA PORIS guidance. All known high risk premises are recorded on the system. | 3 | 3 | 9 | The outstanding plans (86) that required review are on target for completion by the end of July 2018 as scheduled. The new digital form based upon the operational crews iPad are fully functional. All training has been completed including those for Station Managers with regards to audit. Operational Assurance Team scrutiny and reviews will commence in August 2018. Reviews of the Information Sharing Agreements with neighbouring FRS' is ongoing in readiness for digital cascade of risk information exchange for premises within 10km of a county border. | 30/09/2018 | 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 report awaited | 3 | 4 | 12 | Await the final report from the Home Office audit. Continue to monitor the position regarding national pay awards | 31/12/2018 | HoSD | DoSD | Serv Delivery |

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CORPORATE RISK REGISTER

Sept 18

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

CORPORATE RISK REGISTER

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

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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. Plan regularly tested, including exercises. Effective reactive press office and proactive media activity to build positive reputation including on-call arrangements for out-of-hours cover. Media training updated in December 2017 and forms part of middle manager development programme. 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. Social media training forms part of middle manager development programme and is delivered to individuals and teams as required throughout the year. Scanning and planning function helps anticipate and plan for specific reputational risks. | 3 | 3 | 9 | Social media policy and guidance requires review to ensure it keeps pace with issues and trends. Updated media training to be offered to managers outside of middle manager development programme. GDPR compliant guidelines on use of personal data in the form of images to be issued to all staff. | 31/12/2018 | HoCC | HoCC | People & Development |

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| KEY RISKS | RISK MITIGATION/CONTROLS IN PLACE | LIKELIHOOD | IMPACT | RESIDUAL RISK | ACTIONS RECOMMENDED | BY WHEN | BY WHOM | RISK OWNER | DIRECTORATE |
|--|---|------------|--------|---------------|--|------------|---------|------------|---------------|
| <p>Retention and recruitment of RDS staff impacts on RDS appliance availability.</p> | <p>RDS recruitment and retention working group established. Increased RDS basic recruits course population from 12 to 24. Quicker access to BA course on completion of recruit training. TOR support throughout the RDS probationary period. Retained salary scheme introduced and reviewed regularly. The service allows shorter RDS contracts to improve appliance availability. Encourages dual contract staff to contribute to the RDS. RDS availability targets now reduced to 95%. Proactive recruitment by SDM's. Joint working between HR and service delivery to enhance current recruitment processes. RDS Strengthening & Improving programme in place for 2 years now 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 and its being piloted across the Service with good levels of utilisation and improved visibility reported by those staff engaged in recruitment activity. 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.</p> | 3 | 3 | 9 | <p>RDS Pay review implemented during 2017 after Union consultation. Retained Support Officers implemented and now established across the county and the benefits of these roles starting to show through in the distance travelled amongst firefighters in the development stages of their careers. RSO's also focusing upon strengthening Incident Command skills amongst RDS staff to improve competency as well as their sense of feeling valued. On-going activity around RDS recruitment campaigns is starting to show benefits with successful completion of recruits courses in 2017 now running at between 85-95% (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 courses.</p> | 31/12/2018 | HoSD | HoSD | Serv Delivery |

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| KEY RISKS | | RISK MITIGATION/CONTROLS IN PLACE | LIKELIHOOD | IMPACT | RESIDUAL RISK | ACTIONS RECOMMENDED | BY WHEN | BY WHOM | RISK OWNER | DIRECTORATE |
|-----------|---|--|------------|--------|---------------|---|------------|---------|------------|----------------------|
| 10 | Lack of workforce planning resulting in significant over/under provision of staff and resulting impact on service and finances. | A mechanism of workforce planning has now been agreed and this will be reviewed on annual basis. As part of the development of the workforce plan a review of retirement profile is considered which is the main reason for turnover for those staff on grey book terms and conditions, this information is used to plan recruitment and enables us to plan effectively ensuring enough staff. Further to the turnover last year, an internal recruitment campaign and associated recruitment resulted in recruitment to 27 posts. A further recruitment campaign is being conducted for 2017/18 which will be completed by mid-May. Our approach to training and organisational development ensures that staff have the necessary ability, skills and training in order to able to undertake the job role. In terms of managing the risks associated with over establishment, all posts are checked against the post book prior to advertising. Where a post is not established it needs to go through specific authorisation and establishment process which ensures that we control the number of posts we recruit. | 2 | 3 | 6 | 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 | | | | |
| 12 | Ineffective Health and Safety in the workplace, resulting in prosecution, intervention fees etc. | Health and Safety Management System (HSMS) in place. HSA3 – workplace inspection programme. Internal Audit Framework (replace with SHE Annual Review and Station Audit Programme). HSMS developed and re-certificated to OHSAS 18001 H&S standard. SHE department plan to develop, maintain and continuously improve the HSMS. Publication of risk information – GRA's, service orders etc. External audit and scrutiny through VCA External Auditors, Audit and review arrangements in place through SHE Department audit programme. Health, Safety and Environment Advisory Group monitor performance. | 3 | 3 | 9 | Following the independent audit of Health and Safety and Environmental Management Systems 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. | 31/12/2018 | HoSHE | HoSHE | People & Development |

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| KEY RISKS | RISK MITIGATION/CONTROLS IN PLACE | LIKELIHOOD | IMPACT | RESIDUAL RISK | ACTIONS RECOMMENDED | BY WHEN | BY WHOM | RISK OWNER | DIRECTORATE |
|--|--|------------|--------|---------------|---|------------|----------------|------------|---------------------|
| 13 Lack of effective Information management impacting on service delivery and support or leading to a breach of data protection/freedom of information or a loss of sensitive/personal information. | A revised structure to deliver Information Management has been implemented. Nominated Data Protection and Freedom of Information Lead Officers to ensure legal obligations met. All freedom of information requests considered by Exec Board. Performance indicators reported on a regular basis. Location Hub managed centrally allow greater integration of data. performance management software(CORVU) implemented. Data encryption in place.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 the forthcoming General Data Protection Regulation (GDPR) in May 2018 remains a priority. | 3 | 3 | 9 | This workstream will be supported by the recent appointment of our Knowledge Information Officer. This post holder will ensure that Information Sharing Agreements and Information Management Systems are managed to be both efficient and compliant with the forthcoming Date Protection (GDPR) legislative changes. This work is a formal project managed at Group Manager level and has dedicated Terms of reference and work plans. Work remains ongoing in order to deliver performance management integration within our District Plans. Post Incident Activity Logs are now automated and work continues to automate the wider District Plan Key Performance Indicators (KPI's). | 31/12/2018 | HoServ Develop | DoSP | Strategy & Planning |
| 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 | Work is ongoing on a regional footprint to ensure that the data utilised is accurate, therefore leading to the most effective' time in attendance' for all appliances. The initial review of anticipated time in attendance when compared to the actual time in attendance is providing evidence that further changes are not required. Evaluation work is ongoing and it is anticipated that this workstream will close in early 2018. | 31/12/2018 | HoServ Develop | DoSP | Strategy & Planning |
| 15 High levels of staff absence due to outbreak of Ebola. | On-going liaison with LCC Emergency Planning Dept and LRF. Separate BCP plans developed re large scale staff absence. Enhanced sickness and absence policy implemented. OHU department to provide advice to managers/staff. | 1 | 4 | 4 | Discharged | | | | |

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| KEY RISKS | RISK MITIGATION/CONTROLS IN PLACE | LIKELIHOOD | IMPACT | RESIDUAL RISK | ACTIONS RECOMMENDED | BY WHEN | BY WHOM | RISK OWNER | DIRECTORATE |
|--|--|------------|--------|---------------|--|------------|----------------|------------|---------------------|
| 16 Lack of clarity on future of FRS, leading to inertia. | <p>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</p> <p>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.</p> <p>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:-</p> <ul style="list-style-type: none"> • remain as we are • move towards a PCC | 2 | 3 | 6 | Discharged | | | | |
| 17 Failure of ESMCP to deliver a viable communication facility. | <p>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.</p> | 3 | 3 | 9 | <p>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. At this time LFRS is managing the project with business as usual resources following the secondment of our Project Manager to HO, a replacement has been identified and will start in role in April 2018. Significant progress cannot be achieved until after the HO issue the revised National Transition Plan which is expected by April 2018.</p> | 31/12/2018 | HoServ Develop | DoSP | Strategy & Planning |

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| KEY RISKS | RISK MITIGATION/CONTROLS IN PLACE | LIKELIHOOD | IMPACT | RESIDUAL RISK | ACTIONS RECOMMENDED | BY WHEN | BY WHOM | RISK OWNER | DIRECTORATE |
|---|--|------------|--------|---------------|---|------------|----------------|------------|---------------------|
| 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 | | | | |
| 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 we currently run on our command units to manage the incident command system, has gone into administration and will no longer be able to support the software system However we can still use on each Command unit, there will not be any support should this cease to operate. If that was the case we would need to utilise an alternative means of incident command, i.e. white board and pen. The Intellectual Property Rights (IPR) for the Vector software were bought at auction by Telent, who are the prime contractor for the NWFC ICT mobilising and communication. They have presented to say they will ensure that the original Vector developments as promised under the NWFC contract will be delivered. | 3 | 3 | 9 | Trials of the updated software upon the live system identified a number of errors. Therefore the updates were removed and the previous version of the Vector software remains in use and fit for purpose. Development work to fix the issues is ongoing whilst evaluations of a replacement product are scheduled for January 2018. | 31/12/2018 | HoServ Develop | DoSP | Strategy & Planning |

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|-----------|--|---|------------|--------|---------------|--|------------|----------------|------------|----------------------|
| 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. Review amendment to PDA in light of further information from the Grenfell Inquiry | 31/12/2018 | HoServ Develop | DoSP | Strategy & Planning |
| 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 office 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 |

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

September 2018

Making Lancashire Safer
www.lancsfireandrescue.org.uk

1. Our Strategy

Since 2004 all Fire Authorities have been required to produce an ***Integrated Risk Management Plan (IRMP)***. Historically this focused on the risks facing the community, and considered what measures need to be taken to minimise these risks and make our communities a safer place to be. Managing risk in this sense has always been at the core of our service, and in recent years the principles of managing and reducing risk have been extended to include risk that may affect our organisation in general, and our ability to achieve our objectives.

The purpose of this strategy is to define a simple practical framework for the way the Combined Lancashire Fire Authority (CFA), and Lancashire Fire and Rescue Service (LFRS) will manage all such risks. This strategy seeks to identify the various strands within the overall context of risk management, and details the relationship between the strands of risk management that our woven throughout our organisation.

The strategy of the CFA is to maintain a structured risk management framework which identifies records and assesses risk at a corporate level. It is to adopt best practice in the control, understanding and management of risk ensuring wherever possible they are reduced to an acceptable level. Reducing the risk to our organisation is key to the effective planning and delivery of our services, and will ensure we are well placed to protect our staff and our communities by making Lancashire safer.

Defining Risk and Risk Management

ISO 31000 defines Risk as the *“The effect of uncertainty on objectives”* and defines Risk Management as *“The coordinated activities to direct and control an organisation with regard to risk”*.

Put simply, risk management is the process of identifying, assessing and responding to risks that occur in the day to day management of our fire and rescue service. In doing so we will not attempt to eliminate risk completely, but understand and control risks that may be harmful to our staff, our communities, our reputation and our objectives.

Benefits of Risk Management

Successful implementation of risk management will produce many benefits for LFRS. It will help to ensure we can deliver our core functions, maintain the quality of our services, safeguard our reputation and deliver value for money. Specific benefits include;

- Informed decision making on the selection of strategic objectives and targets through the identification and understanding of corporate risk
- Informed decision making on the appropriate assignment of employees and resources to areas of greatest risk
- Reductions in the likelihood and impact of interruptions to service delivery
- Reduced risk of accidents, injury and other safety events
- Informed selection of Programmes and Projects to reduce risk
- Improved financial control and value for money through reduced likelihood of service interruption, litigation or insufficient resourcing
- Maintenance of our good reputation through the identification and reduction of relevant risks
- Increased organisational resilience through effective planning in the likelihood of risks occurring

The Objectives of Risk Management

Our overall risk management objectives are to:

- Integrate risk management into the Service, both operationally and strategically
- Manage risk in accordance with best practice
- Reduce the level of risk faced by the Service
- Ensure legal compliance
- Anticipate and respond to changing social, environmental and legislative requirements
- Prevent injury, damage and loss to stakeholders and employees or property
- Reduce the cost of risk
- Ensure compliance with good governance requirements
- Identify improvement opportunities

2. The Strands of Risk Management

LFRS deals with risk on a daily basis and it is an inherent part of being an emergency service. The types of risks faced vary across the service and it is not possible to capture all these risks in a single document. LFRS has taken the approach of having this overarching Risk Management Strategy document that connects to other strands of risk management throughout the service. This methodology allows for risk to be dealt with in a detailed and thematic manner, whilst the overarching strategy connects these strands together.

Regardless of which type of risk we face the basic process of managing these is consistent, as set out later in the strategy under section 5 “The Risk Management Process”. The focus of this strategy is to explain how Corporate Risk is managed, and the below section explains the connectivity of each of these vital areas of risk management;

2.1 Corporate Risk

This category of risk management is specifically targeted at risk preventing the organisation achieving its corporate objectives, or opportunities which would contribute to the achievement of our corporate objectives. Inevitably this includes some cross over into other areas of risk management, but the focus is specifically on achievement of objectives and the major obstacles to that. It is this strategy document that details our approach to corporate risk management. Section 5 is dedicated to providing the detailed approach to our corporate risk management processes.

2.2 Community Risk

Community Risk Management encompasses all of our prevention, protection and emergency response activities. The process of community risk management is, in essence, no different to that of corporate risk management. It looks at profiling risk within the community using a knowledge led approach, developing plans to reduce the risk, allocating resources on based on the level of risk identified, having appropriate performance management arrangements in place, and reviewing risk to ensure that the actions taken are reducing the level of risk.

The main difference between this and corporate risk management is that the Service uses a more sophisticated analysis process to identify and understand the different risks faced by the community of Lancashire i.e. type, location, cause etc. Ultimately this is used to identify a risk map for Lancashire which is used as a basis for the allocation of resources in our **Emergency Cover Review (2017)**, and also forms the basis of our risk map within our **Integrated Risk Management Plan (2017-22)**, or ‘IRMP’.

2.3 Operational Risk

The service has a suite of ‘Service Orders’ (internal policies) which relate specifically to operational risk management. These policies are specifically targeted at operational activity on the incident ground, where there is a significantly higher level of risk management required in order to direct emergency operations and to control the risk to our staff at incidents scenes. The policies expand the standard approach to risk management to include directing and conducting emergency operations by incorporating risk evaluation (both dynamic and pre-planned), and an assessment of operational approaches to the resolution of any incident - forming the basis for determining what risks are acceptable in different situations.

2.4 Programme and Project Risk

As part of our Strategic Planning Cycle we have three thematic Programme boards, each containing a number of projects. These ultimately feed into a single ‘Corporate Programme Board’, chaired by the Chief Fire Officer. Each project has its own Risk Register, as does each programme, and risk is monitored closely with any items of high risk elevated to the appropriate levels. Any risks which are deemed significant enough by Corporate Programme Board are then included on the Corporate Risk Register.

2.5 Safety, Health and Environment Risk

The service also has a suite of Service Orders and an accompanying **Safety, Health and Environment Policy (2017)** which is targeted at ensuring the health, safety and wellbeing of all groups of staff, contractors, visitors and members of the public, and to ensure compliance with relevant health and safety legislation. Amongst its objectives are to continually develop and maintain systems and procedures to ensure all equipment, plant and premises are safe and do not have an adverse impact on health and wellbeing, nor the environment. It aims to raise awareness, train staff in safety, health, wellbeing and environmental matters, and encourage our staff to play an active role in reducing impacts and risks and contribute to policy and procedural implementation.

2.6 Emergency and Business Continuity Planning

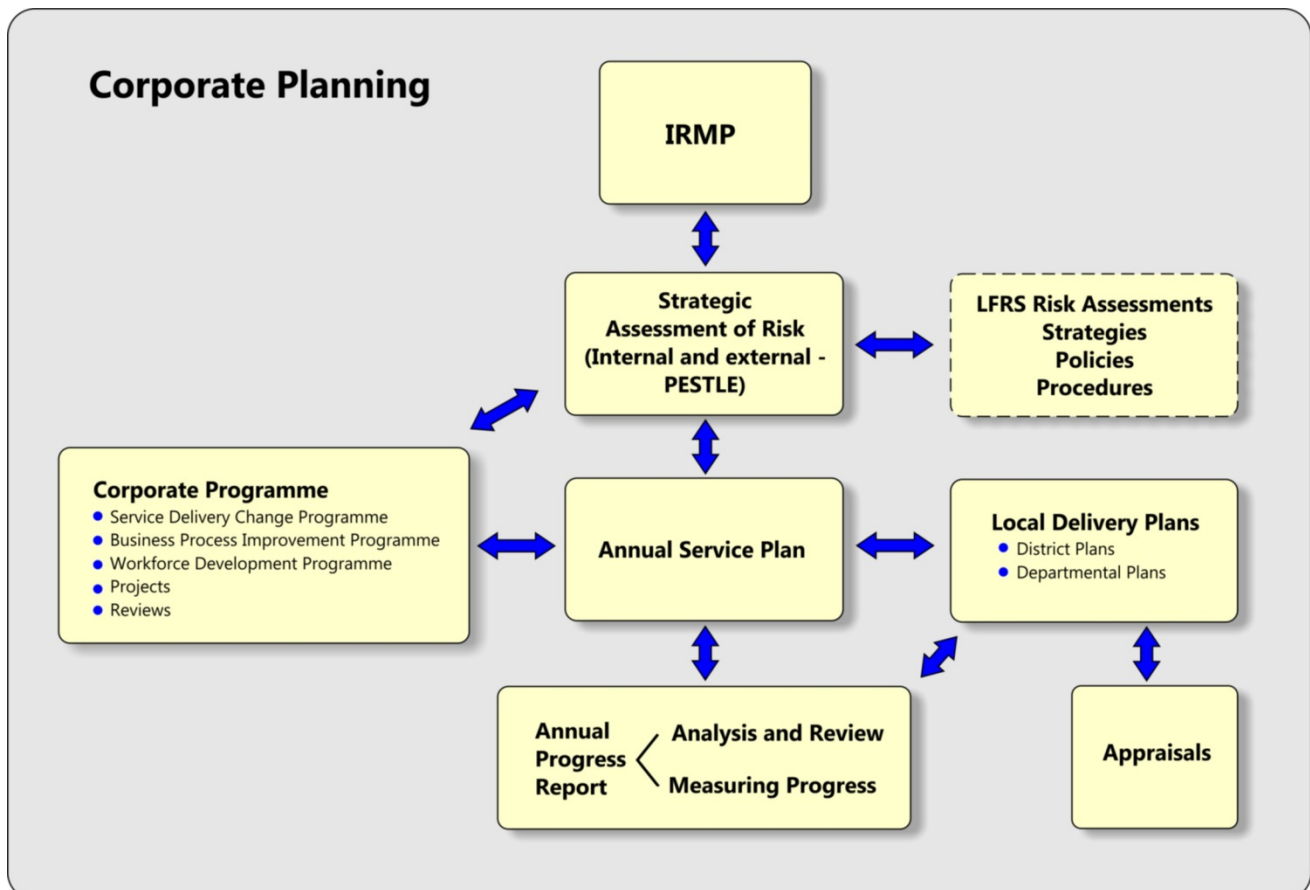
Whilst covered by a separate Policy, one of the biggest risks to the service is an emergency that might affect our ability to deliver our core services to the people of Lancashire. LFRS are legally obliged to have plans in place for such a scenario and as a 'Category 1 responder' (as defined in the **Civil Contingencies Act 2004**) the Combined Fire Authority is required to maintain plans for preventing emergencies, reducing, controlling or mitigating the effects of emergencies, and taking other action in the event of emergencies, all of which should draw on risk assessments. **The Lancashire Resilience Forum** addresses collective responsibilities arising under this Act and as such the Fire service plays a key role within this forum. Ultimately this process is designed to ensure Emergency preparedness.

3. Organisational Context

Integrated risk management planning helps us meet the responsibilities placed on us by the **Fire and Rescue National Framework for England (2018)**. This requires us to have an **IRMP** which identifies and assesses all the foreseeable fire and rescue related risks and challenges which may arise and sets out how we plan to mitigate these risks. Integrated risk management planning is designed to give fire and rescue services the flexibility to use our resources in the most effective way to save lives, improve public safety and reduce emergency incidents. Our IRMP is delivered through the production of an **Annual Service Plan**. Each year the Service Management Team discuss and develop our Annual Service Plan to deliver a clear steer on the priority activities we will lead to manage the real issues we face in front of us year on year built around our five priorities.

Risk in Lancashire will always remain dynamic: it changes over time, differs by area and demographic and needs different interventions to reduce the likelihood of the risk occurring or to lessen its consequences. We identify these risks in our **Strategic Assessment of Risk (SAoR)** which is refreshed annually and is also informed by the Lancashire Resilience Forum Community Risk Register. It is supported by a thorough PESTLE analysis, completed by our Service Management Team using their expertise and knowledge across the various disciplines within LFRS. Through our Risk Management Framework shown below (3.3), we continually assess changing risk and prioritise our response framework.

3.1 Links to Corporate Planning



The above diagram shows our Corporate Planning Process and the links between our IRMP, SAoR and the wider planning process. It demonstrates the linkages to objectives and priorities of the Service, Annual Service Plans, and performance management.

3.2 Local, Regional and National Context.

Our risk management plans will never focus solely on the risks affecting our organisation as a Fire and Rescue service. We must consider ourselves as part of a regional and national multi agency organisation, and therefore take into account risks that can affect our partners and the wider communities of the North West of England, as well as issues at a National level. We will continue to work very closely with the Local Resilience Forum to ensure that a multi-agency response to the wider local, regional and national risks is always achievable. LFRS is represented on the LRF by both the Group Manager for Response & Emergency Planning (REP), and the Emergency Planning Officer. The Group Manager for REP also represents LFRS at a National level on matters relating to the **National Risk Register of Civil Emergencies**.

It is the responsibility of these roles to ensure any relevant risk information is cascaded down for consideration on the LFRS Corporate Risk Register.

3.3 Risk Management Framework.

The following diagram shows the linkage between the different types of risk management:

- Corporate risk management sits at the heart of the process
- Risks cascade down from the corporate risk management process to the individual strands of risk management.
- Risks flow up from the individual strands of risk management into the corporate process, when they are considered significant
- Whilst not shown on the diagram there are also close links between the different types of risk management, i.e. Emergency Planning and Community Risk Management, Emergency Planning and Business Continuity planning, Operational Risk Management and Safety, Health and Environment.



4. Roles and Responsibilities

The variety of risks to which Lancashire Fire and Rescue Service are exposed is such that a multi-layered approach will need to be adopted to ensure full integration of the risk management culture into all levels of LFRS. Risk management must be considered an integral part of every manager's role and impacts upon their daily activities. It enables informed judgements to be made about the suitability and effectiveness of policy and decision making. As such, it is a key element of both corporate and departmental planning, as well as resourcing and service delivery. Effective risk management requires the correct people are identified and take responsibility for risk and specific roles in the management of corporate risk are identified below;

4.1 Lancashire Combined Fire Authority

The elected members of the authority have the responsibility to ensure the implementation of appropriate risk management structures and processes, and to provide sufficient resources to meet agreed objectives. Within the LCFA, the Audit Committee is responsible for agreeing the Risk Management Strategy, as well as reviewing the Corporate Risk Register on a regular basis. This culminates in the Committee's consideration of the **Annual Governance Statement**, which includes reference to risk management arrangements. (Note where a review highlights a need to introduce a new risk onto the corporate risk register, or where the risk score has increased the Chair and Vice Chair of the Audit Committee will be informed, via email, with an update being presented at the subsequent Audit Committee.). The audit committee is responsible for discharging items from the Corporate Risk Register.

4.2 Executive Board

The Executive Board, led by the Chief Fire Officer has overall responsibility for ensuring that LFRS manages risk effectively through the development of a comprehensive corporate Risk Management Strategy, and by ensuring that the decisions taken by both the Authority's Members and the Service's Management give full consideration to the risks associated with those policies.

It is the responsibility of this group to communicate risk management issues to all relevant staff, establish any mitigating actions required, and agree responsibilities for risk control actions and to identify where budget may be required to establish risk control measures or projects.

4.3 Service Management Team

Comprising of Heads of Department and senior management of both operational staff and service support staff, this team are responsible for identifying new significant risks within their areas of expertise, and reviewing both the corporate risk register and risks associated with the Corporate Programme Board on a regular basis.

Within the three Programmes Boards, the three Programme Sponsors have responsibility for their Programme Risk Register, and should report on significant risks by elevating these to the Corporate Programme Board when required.

The representatives from Service Management Team are likely to be the identified Risk Owners of items featuring in the Corporate Risk Register, and is their responsibility to provide updates at the required times. When this board meet as the Corporate Programme Board, it is the responsibility of this board to highlight any significant risks for elevation to the Corporate Risk Register.

4.4 Project Managers

In accordance with the Corporate Planning Service Order, each Project meeting the requirements to report into the Corporate Programme Board will have its own Risk Register. It is the responsibility of the Project Manager to ensure that risks are recorded, and if necessary that they be raised to the Programme Risk Register in agreement with the Strategic Planning and Programme Manager.

4.5 Individual managers and employees

At its most basic level, individual employees and line managers are each charged with the effective management of the risks associated with their particular roles and duties, and for ensuring that significant risks are identified to senior management as soon as they become known. Primarily these responsibilities will be to

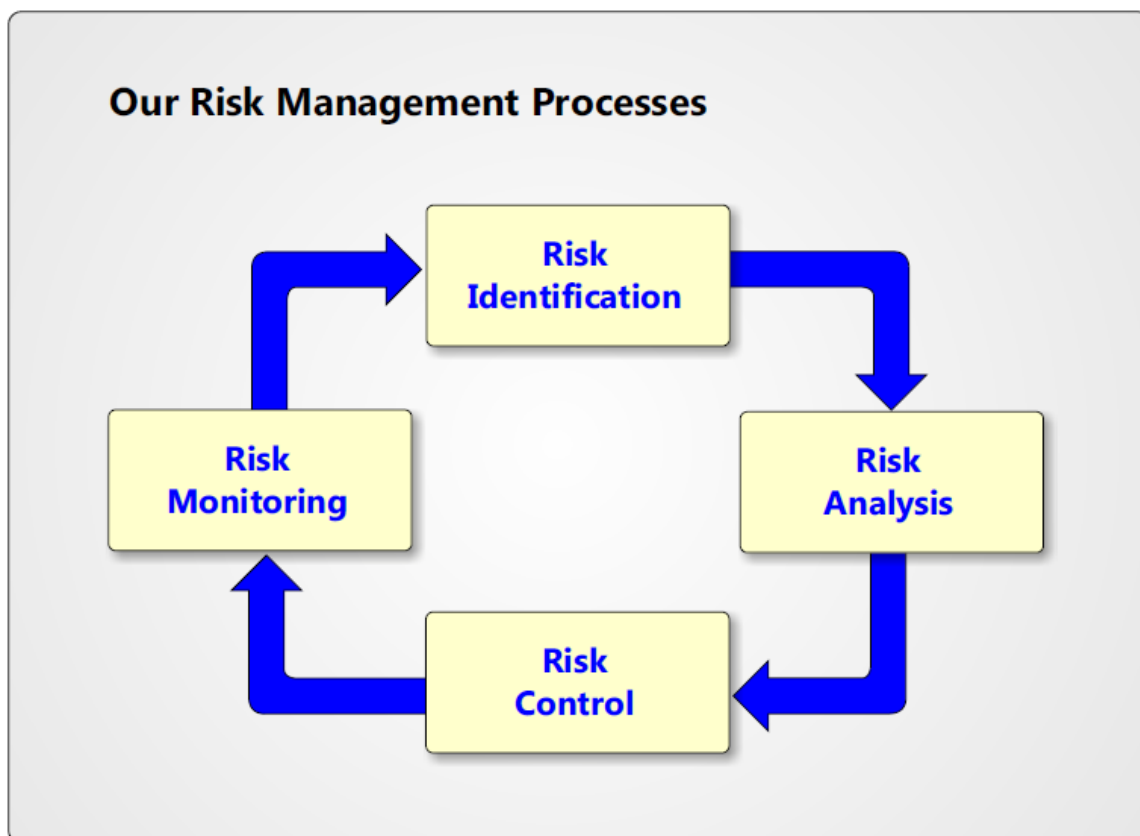
identify potential and actual hazards/risks within the workplace, assist in their reduction, and to comply with health and safety policies. Where individuals possess specialist knowledge in certain fields it is their responsibility to ensure any risks identified are raised to the Service Management Team so that they may be recorded and controlled.

4.6 Director of Corporate Services

The Corporate Risk Register is owned and maintained by the ***Director of Corporate Services***. It is this role which will consider new items for inclusion on the Register, and the post holder is present on the SMT, Corporate Programme Board, and Executive Board. It is the post holder's responsibility to present the Corporate Risk Register to the Audit Committee and to highlight any significant changes or recommendations in the accompanying report.

5. The Risk Management Process

Irrespective of the type of risk management the basic principles are the same. The stages of risk management are shown in the following diagram, which is often referred to as the risk cycle:



5.1 RISK IDENTIFICATION

In order to enable risk to be effectively managed, the nature of the risk must first be identified. This can be done by reviewing the Services/Departments strategic, operational and project objectives, considering both external and internal factors that influence these and identifying all significant risks, which could impact upon these. The basis of risk identification within LFRS is the Annual PESTELO which is accompanied by the ***Strategic Assessment of Risk***.

Once identified and deemed significant enough to represent a Corporate Risk, the items is added to the Corporate Risk Register by the Director of Corporate Services.

5.1.1 The Inclusion of Risk Management Implications in Reports

Risk Management implications must be included in all reports so that these can be taken into account in the decision making process. As such a separate section should be inserted in all Committee/Management Team reports in which the author states what, if any, risks have been identified and how these will be managed. If no risks have been identified a statement should be made to that effect.

5.2 RISK ANALYSIS

Once risks have been identified they need to be assessed in terms of their likelihood and their potential impact on the Service/Department/Project (or 'Severity')

Likelihood and Impact is represented by a score or rating. In order to provide an overall risk factor score the likelihood and impact are multiplied together (see 5.4). Likelihood is assessed based on the probability of the risk occurring within a three year period.

Whilst this scoring is ultimately subjective, it should be based upon historical management information, previous events and near misses, and qualitative and quantitative data where possible. Professional judgment and opinion will also form part of the scoring of likelihood. The tables below reflect the scoring system applied in Lancashire Fire and Rescue Service.

5.2.1 Likelihood Rating

| Rating | Likelihood | Probability |
|--------|----------------|------------------|
| 5 | Almost certain | Greater than 90% |
| 4 | Very likely | 66% to 90% |
| 3 | Likely | 36% to 65% |
| 2 | Possible | 10% to 35% |
| 1 | Unlikely | Less than 10% |

5.2.2 Impact Rating

| | 1 | 2 | 3 | 4 | 5 |
|------------------|------------------------------|---|---|--|---|
| | Insignificant | Minor | Moderate | Significant | Major |
| Financial | £0k - £100k | £100k - £250K | £250k - £500k | £500k - £1m | £1m+ |
| Service Delivery | - | Minor impact on service delivery but all statutory duties met | Some services reduced but still able to meet statutory duties | Some services suspended & unable to meet statutory duties for short period | Some services suspended & unable to meet statutory duties for long period |
| Health & Safety | Cuts & bruises | Broken bones/illness | Loss of life/ major illness | Significant loss of life/ major illness | Major loss of life/ large scale major illness |
| Environmental | - | Minor local environmental damage | Moderate local environmental damage | Major local environmental damage | Major local and significant national environmental damage |
| Objectives | Minimal impact on objectives | Several departmental objectives not met | One corporate objective not met | Two corporate objectives not met | Several corporate objectives not met |
| Key Performance | - | Several corporate KPI | Several KPI not met by | Several corporate KPI | Several corporate KPI |

| Indicators (KPI) | | not met by less than 10% | between 10% & 20% | not met by between 20% and 50% | not met by more than 50% |
|--|---|--|---|---|---|
| Reputation | - | Adverse local media but not a main items | Adverse local media, one of main items | Adverse national publicity | Adverse national publicity, extended period |
| Government Relations/ Inspection Outcome | - | - | HMICFRS Inspection identifies Service as 'Requires Improvement' | HMICFRS Inspection identifies Service as 'Inadequate' | HMICFRS Inspection identifies Service as 'Inadequate' resulting in Service being taken over temporarily |

Based on this assessment the risks which require the greatest level of management can be identified, i.e. those with a high likelihood of occurrence and the severity of impact, as set out *below*

(Note, the **risk scores are a guide only** and some subjective judgement may be required to better reflect the magnitude of the overall risk):

5.2.3 Risk Scoring Matrix

| | | | | | | | |
|------------|---|----------------|---------------|-------|----------|-------------|-------|
| Likelihood | 5 | Almost certain | 5 | 10 | 15 | 20 | 25 |
| | 4 | Very likely | 4 | 8 | 12 | 16 | 20 |
| | 3 | Likely | 3 | 6 | 9 | 12 | 15 |
| | 2 | Possible | 2 | 4 | 6 | 8 | 10 |
| | 1 | Unlikely | 1 | 2 | 3 | 4 | 5 |
| | | | Insignificant | Minor | Moderate | Significant | Major |
| | | | 1 | 2 | 3 | 4 | 5 |
| | | | Impact | | | | |

The overall scores represent the relative importance of the combination of impact and likelihood. This feeds a traffic light system which categorises risk, in order to identify the relative priorities and the need for action, as follows:

- high – red (a score of 15 or more)
- medium – orange (score of between 9 and 14)
- low – yellow (score of between 5 and 8)
- very low – green (a score of less than 5)

5.3 RISK CONTROL

5.3.1 Risk Recording

The Corporate Risk Register is the single document used to manage and control risks at a corporate level. Each risk will be recorded in the prescribed format as follows;

- Description of Risk
- Risk Mitigation/ Controls in place
- Assessment of likelihood and impact to determine the residual risk score
- Action(s) Recommended
- Action(s) Owner
- Risk owner

- Review date
- Directorate

All risks which are scored as either high or medium are included on the Corporate Risk Register. Once a risk score reduces to low or very low it is discharged from the Corporate Risk Register.

5.3.2 Risk Responses

Having identified the risk and action to be taken the Authority has four options:-

- Terminate – cease undertaking the activity that gives rise to the risk, however this is not always possible
- Transfer – transfer the risk to a third part via outsourcing/contracting or via insurance arrangements, but this may come at a cost
- Tolerate – accept the risk as it stands and take no further action
- Treat – take further action to reduce the risk down to an acceptable level at which point the Authority will determine it is able to tolerate the revised risk and no further action if required

5.3.3 Risk Mitigation

Risk mitigation is the process of taking action to minimise the likelihood of the risk event occurring, the frequency with which it might occur and/or reducing the severity of the consequence should it occur. This will involve for example risk avoidance, risk transfer and/or introduction of operating controls.

The controls already in place and any additional controls required will be identified and recorded for each of the key risks. (Note – the benefit of controls should always be evaluated against the additional cost of these).

5.4 RISK MONITORING

The Corporate Risk Register will be maintained on a regular basis and will be discussed as a minimum on a quarterly frequency in line with Audit Committee meetings. An audit trail of all changes to the Risk Register should be maintained.

There is no limit to the frequency that updates may be made to the Risk Register between these meetings and the Director of Corporate Services will be responsible for ensuring maintenance and communication of any required changes.

6. DOCUMENT CONTROL

| | |
|----------------------------|---|
| Title: | Lancashire Fire and Rescue Service Risk Management Strategy |
| Version: | 2.0 (Major update Sep 2018) |
| Author: | Director of Corporate Services |
| Reviewers: | Senior Management Team |
| Contributors: | Strategic Planning and Programme Manager |
| Approval for issue: | CFA |
| Issue Date: | TBC |
| Review Date: | 01/04/2021 (or in line with changes to IRMP) |
| Distribution: | Public Document – LFRS Internet site |

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