

Public Document Pack

LANCASHIRE COMBINED FIRE AUTHORITY

AUDIT COMMITTEE

Tuesday, 28 July 2020 - Virtual meeting accessible via MS Teams and YouTube (as a live webcast) commencing at 10.00 am.

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

IF ANY MEMBER OF THE PRESS AND PUBLIC WISH TO RAISE A QUESTION FOR THE CHAIRMAN PLEASE DO SO NO LATER THAN 3 WORKING DAYS IN ADVANCE OF THE MEETING BY EMAIL TO: DIANE BROOKS@LANCSFIRERESCUE.ORG.UK.

AGENDA

PART 1 (open to press and public)

Chairman's Announcement – Open and Transparent Virtual Committee Meeting

In response to the Covid-19 Pandemic the Government has made regulations that enable virtual meetings.

This meeting will be accessible for Committee Members via Microsoft Teams and for members of the press and public via a live webcast on YouTube.

1. APOLOGIES FOR ABSENCE
2. DISCLOSURE OF PECUNIARY AND NON-PECUNIARY INTERESTS

Members are asked to consider any pecuniary and non-pecuniary interests they may have to disclose to the meeting in relation to matters under consideration on the agenda.
3. MINUTES OF THE PREVIOUS MEETING (PAGES 1 - 4)
4. INTERNAL AUDIT - ANNUAL REPORT 2019/20 (PAGES 5 - 20)
5. ANNUAL GOVERNANCE STATEMENT (PAGES 21 - 42)
6. EXTERNAL AUDIT - AUDIT PLAN 2019/20 (PAGES 43 - 62)
7. EXTERNAL AUDIT - UNDERSTANDING HOW THE AUDIT COMMITTEE GAINS ASSURANCE FROM MANAGEMENT (PAGES 63 - 68)
8. INTERNAL AUDIT PLAN 2020/21 (PAGES 69 - 80)
9. RISK MANAGEMENT (PAGES 81 - 102)

10. SCALE OF AUDIT FEES 2020/21 (PAGES 103 - 106)

11. DATE OF NEXT MEETING

The next scheduled meeting of the Committee has been agreed for 10:00 hours on 29 September 2020 – venue to be agreed.

12. 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.

13. EXCLUSION OF PRESS AND PUBLIC

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

PART 2

14. URGENT BUSINESS (PART 2)

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

LANCASHIRE COMBINED FIRE AUTHORITY

AUDIT COMMITTEE

Tuesday, 28 January 2020, at 10.00 am in the Main Conference Room, Service Headquarters, Fulwood.

MINUTES

PRESENT:

Councillors

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

Officers

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

In attendance

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

20/19 APOLOGIES FOR ABSENCE

None received.

21/19 DISCLOSURE OF PECUNIARY AND NON-PECUNIARY INTERESTS

None received.

22/19 MINUTES OF THE PREVIOUS MEETING

RESOLVED: - That the Minutes of the last meeting held on 24 September 2019 be confirmed as a correct record and signed by the Chairman.

23/19 EXTERNAL AUDIT - AUDIT REPORT AND SECTOR UPDATE 2019/20

Mr Baker advised that Mr Tembo had left Grant Thornton and a new Engagement Manager, Mr Ayre would be attending the next meeting.

Mr Baker presented the external audit progress and sector update report which detailed progress at January 2020 in relation to the financial statements and value for money conclusion for 2019/20. The report also set out what the External

Auditors would do and their planned completion date.

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

CC Holgate stated that some viewed changes to the audit process as overkill in some areas given the whole of the sector was not the same; one size did not fit all. It created more fees and costs and generated inappropriate examination where it wasn't warranted.

Mr Baker confirmed that the standards and guidance for auditors were set by the Financial Reporting Council who would judge and assess their performance. The Director of Corporate Services confirmed that likewise, the Authority's accounts were produced in line with CIPFA's guidance and we were duty bound to comply. He confirmed the auditors did vary their approach depending on the complexity of the audit. He felt the fees had been set too low which put a greater responsibility on the LFRS financial team.

In response to a question raised by CC Shedwick, Mr Baker confirmed that the Financial Reporting Council wanted more challenge around the approach taken to valuations. For example, the County Council had a very large property portfolio where Grant Thornton would instruct a separate valuer but the same approach was not needed for the Fire Authority.

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

24/19 INTERNAL AUDIT MONITORING REPORT 2019/20

The Internal Auditors produced a summary of progress against the annual plan for each Audit Committee meeting, setting out progress to date and any significant findings. The report covering the period to 17 January 2020 was presented by Judith Taylor. The report detailed the progress to date in undertaking the agreed coverage and the planned schedule of audit dates for the remainder of the financial year.

The report identified that 26.5 days had been spent this financial year on the completion of the 2019/20 plan which equated to 38% of the total planned audit activity of 70 days. Consistent with previous years, the audit programme was scheduled for completion during the second half of the financial year.

Progress to date in relation of the plan was provided and discussed by Members. It was noted that:

- Work would be completed during quarter 4 to provide an overall opinion on the adequacy and effectiveness of governance and risk management arrangements;
- Fieldwork had started for the audit of Home Fire Safety Checks;
- The audit had been scoped for HR and Payroll processes;
- Assurance regarding pensions administration would be obtained directly from the work completed by the internal auditors of the Local Pension Partnership Limited;
- Processes for: Accounts payable, Accounts receivable, General ledger and Treasury management had all received substantial assurance;
- Follow up activity regarding the Assurance map, Business continuity planning and Optimising rota management project would be completed during quarter 4;

- Other components of the audit plan included management activity and the National Fraud Initiative.

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

25/19 RISK MANAGEMENT

The report highlighted action taken in respect of corporate risk since the last Audit Committee meeting. The latest review of the corporate risk register had not identified any new risks which warranted inclusion on the corporate risk register and of the existing risks, 10 had been reviewed.

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

The Director of Corporate Services highlighted: -

- Risk numbers 2 and 21 - a new Built environment Assessment Team had been created which would give the Service a greater understanding of the risk that existed across the building stock in Lancashire, specifically in relation to the more complex built environment, that incorporated modern methods of construction, which warranted a more focussed and detailed assessment and that would subsequently enhance the operational service delivery and protection services that we could offer;
- Risk number 23 – the performance management system now included a career conversation. It was noted that the future workforce needs were reviewed on an ongoing basis. This was particularly relevant in light of the potential impact of transitional pension arrangements, which may affect the number of personnel retiring and therefore capacity within the organisation.

In addition, the Director of Corporate Services proposed a new risk 'flu pandemic' be added to the corporate risk register given the recent outbreak of the coronavirus in China. He reassured Members that business continuity plans were in place; these would be revisited and refreshed and a desk top exercise would also be undertaken.

RESOLVED: - That the Audit Committee noted the actions taken, endorsed the revised corporate risk register and approved the addition of a new risk for 'flu pandemic'.

26/19 DATE OF NEXT MEETING

The next meeting of the Committee would be held on Tuesday 31 March 2020 at 10:00 hours in the Main Conference Room at Lancashire Fire and Rescue Service Headquarters, Fulwood.

Further meeting dates were noted as either 21 or 28 July 2020 and 29 September 2020.

M NOLAN
Clerk to CFA

LFRS HQ
Fulwood

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**LANCASHIRE COMBINED FIRE AUTHORITY
AUDIT COMMITTEE**

Meeting to be held on 28 July 2020

**INTERNAL AUDIT ANNUAL REPORT 2019/20
(Appendix 1 refers)**

Contact for further information:

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

Executive Summary

The Internal Audit Annual Report summarises the work that the Internal Audit Service undertook during 2019/20 and the key themes arising from it. It provides an opinion on the overall adequacy and effectiveness of the systems of governance, risk management and internal control.

On the basis of programme of work for the year, the Head of Internal Audit can provide substantial assurance regarding the adequacy of design and effectiveness in operation of the organisation's frameworks of governance, risk management and control. Further details are provided in the report attached as appendix 1.

Recommendation:

The Committee is asked to note and endorse the report.

Information

As contained in the Executive Summary above and the attached appendix.

Financial Implications

None

Environmental Impact

None

Equality and Diversity Implications

None

Human Resource Implications

None

Business Risk Implications

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

Local Government (Access to Information) Act 1985

List of Background Papers

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

Lancashire Combined Fire Authority

Internal Audit Service

**Annual report of the head of internal audit for the year
ended 31 March 2020**

1 Introduction

Purpose of this report

- 1.1 This report summarises the work that the Internal Audit Service undertook during 2019/20 and the key themes arising in relation to risk management, governance and internal control.

The role of internal audit

- 1.2 The Internal Audit Service is an assurance function designed to evaluate and improve the effectiveness of risk management, control and governance processes. The Public Sector Internal Audit Standards (PSIAS) require the head of internal audit to provide an opinion on the frameworks of governance, risk management and control of Lancashire Combined Fire Authority and a written report to those charged with governance, timed to support the annual governance statement.
- 1.3 All the work planned for the year has been completed as far as possible and assurance over the services, systems and processes that operated during 2019/20 has been given where feasible. The report therefore addresses the range of controls that were operating before the wholesale organisational changes required to respond to the coronavirus pandemic were introduced. As a result, the scope of our audit work has been restricted in some cases as we have been unable to conduct all the procedures we would otherwise have conducted. The impact of this is recorded in the summary of work performed.
- 1.4 The scope of our work, management and audit's responsibilities, the basis of my assessment, and access to this report are set out in Annex 1 to this report. The levels of assurance the Internal Audit Service provides are set out in Annex 2.
- 1.5 An Internal Audit Service Charter is in place that establishes the framework within which Lancashire County Council's Internal Audit Service operates to best serve the Combined Fire Authority and to meet its professional obligations under applicable professional standards.

Acknowledgements

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

Ruth Lowry
Head of Internal Audit, Lancashire County Council
July 2020

2 Overall opinion on governance, risk management and internal control

Overall opinion

- 2.1 Overall, I can provide substantial assurance regarding the adequacy of design and effectiveness in operation of the organisation's frameworks of governance, risk management and control.
- 2.2 In forming my opinion I have considered the work undertaken by the Internal Audit Service throughout the year as well as the work of external assurance providers and information available from less formal sources than planned audit engagements.
- 2.3 Overall, a strong control environment continues to operate, overseen by a Service Management Team that is responsive to internal audit findings and committed to continuous improvement.
- 2.4 No significant areas of weakness in governance, risk management or control have been identified from our audit work and where areas for improvement have been identified, actions have been agreed to enhance aspects of the control framework further and to ensure that it is effectively operated throughout.

Wider sources of assurance available to the Combined Fire Authority

- 2.5 The results of the July 2018 HMICFRS inspection on the effectiveness and efficiency with which LFRS prevents and protects the public, and responds to fires and other emergencies, and how well it looks after its personnel was published in December 2018. HMICFRS graded LFRS as 'Good' in all elements within the three areas noted above, with the exception of 'Outstanding' in relation to promoting the right values and cultures. We are pleased to note that LFRS has made good progress in addressing the few minor areas for improvement identified by HMICFRS.
- 2.6 Assurance is also provided by Grant Thornton as the Authority's external auditor. Grant Thornton issued an unqualified opinion on the 2018/19 financial statements and they were also 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 2019.

2 Internal audit work undertaken

Overall governance, risk management and control arrangements

- 2.1 Our overall opinion on risk management, governance and internal control has been informed by our ongoing attendance at each of the meetings of the Audit Committee at which a Risk Management update report is provided by the Director of Corporate Services and through the work we conduct on individual audit assignments.
- 2.2 We additionally have obtained assurance regarding governance and risk management arrangements through our review of the minutes of both internal and external meetings, including the committees of the Combined

Fire Authority, the Executive Board, the Service Management Team and additionally the Corporate Programme Board.

2.3 In addition to the above we have considered the arrangements in place to manage and monitor gifts and hospitality, complaints, related party transactions, compliance with GDPR and service order procedures.

2.4 The above review has not identified any weaknesses in governance, risk management or internal control that need to be brought to the attention of committee, and the results of the above exercise confirms that LFRS has sufficient, relevant sources of assurance to satisfactorily manage its risks in order to achieve overall Service objectives.

Treasury management

2.5 Our work on treasury management was completed in August 2019, and we were able to provide substantial assurance over the controls in this area. A treasury management strategy is approved by the Combined Fire Authority on an annual basis and our testing confirmed that treasury management activities are consistent with it.

Accounts payable, accounts receivable, general ledger

2.6 Our audit on these three key financial systems was finalised in November 2019, and we were again able to provide substantial assurance across all three systems. A strong control environment continues to be maintained by the finance and procurement teams at LFRS.

2.7 Financial Regulations and relevant policies are in place and up to date, and accessible for all staff to view. Furthermore, the monitoring of expenditure and the recovery of debts is appropriately carried out and segregation of duties is maintained and documentation is appropriately authorised.

Human resources (HR) and payroll

2.8 Our audit was finalised in February 2020 and we provided substantial assurance over the HR and payroll processes examined.

2.9 A strong control environment continues to exist so as to ensure that valid appointments have been correctly established and the right amount is paid to individuals at the right time. Monitoring arrangements are additionally in place to prevent and detect any anomalies or errors that might arise.

Home fire safety checks

2.10 We completed a review of the case management arrangements operated by Lancashire Fire and Rescue Service in relation to the scheduling of home fire safety checks in April 2020. We also assessed the adequacy of the arrangements in place to manage demand.

2.11 Overall, we were able to provide moderate assurance. Home fire safety checks are appropriately managed and controlled to ensure visits are targeted at the most vulnerable members of the public. Additionally, a review of the quality of referrals coming from preferred providers is underway in order to manage demand, and a quality assurance

programme is used to ensure a standard consistent approach is in operation by all personnel undertaking these checks. We did however find that the outcomes of checks are not consistently recorded.

Pension administration

- 2.12 At the current time, we have not yet received confirmation from the internal auditors of Local Pension Partnership Ltd that this work has been completed.

Follow-up work

- 2.13 Under PSIAS, management has responsibility for ensuring that agreed actions in audit reports are implemented. Internal Audit should obtain assurances that actions have been implemented as agreed, or that senior management has accepted the risk of not taking action.
- 2.14 Our follow-up audit of actions arising from our 2018/19 assurance mapping exercise has been completed, and we can confirm that each of the minor areas for improvement have been addressed.
- 2.15 Our ability to conduct the remaining two follow-up reviews scheduled for 2019/20 has been restricted as a result of the coronavirus pandemic. We will therefore incorporate these into the 2020/21 audit programme.

Fraud/ special investigations

- 2.16 No specific incidences of fraud or irregularity have been brought to our attention.

National Fraud Initiative (NFI)

- 2.17 The NFI is a statutory data matching process for health, local government and other public sector providers managed by the Cabinet Office. It flags inconsistencies in data within payroll, pensions, creditors and procurement which may indicate fraud or highlight emerging fraud risks.
- 2.18 Following the submission of data in October 2018, the resulting matches were released by the Cabinet Office in January 2019. The table below provides details of the total number of matches identified, the number of matches identified, processed, cleared to date and the errors found.

Category of data	Number of matches identified	Number of matches processed	Number of matches in progress	Errors
Pensions	61	61	0	1
Payroll	55	55	0	0
Creditors	245	245	0	0
VAT overpaid	19	19	0	1
Procurement	1	1	0	0
Total	381	381	0	2

- 2.19 One discrepancy has been identified in respect of pension injury benefits payable. The value of this has been estimated at £22,000. Further work is

ongoing to confirm whether this is an overpayment and to recover any relevant amounts. The NFI system also identified one instance where VAT had been recorded incorrectly in respect of one invoice. This has since been corrected on the Oracle system.

3 Implications for the Annual Governance Statement

- 3.1 In making its annual governance statement the Combined Fire Authority should consider this report in relation to internal control, risk management and corporate governance.
- 3.2 Whilst we have agreed a small number of actions to enhance the controls in place for the audit reviews we have completed, we do not consider there are any matters arising from the audit work conducted during 2019/20 that require specific identification in the annual governance statement.

4 Internal audit inputs and performance

- 4.1 Work carried out during 2019/20 was in accordance with the audit plan presented and approved by the Audit Committee in March 2019. Details of the assurance provided, and key issues identified for each of the areas covered is set out in the 'Summary of findings and assurance' table which forms part of Section 7 of this report. This shows that 50 days were spent delivering the audit plan against a provision of 70 days.
- 4.2 Action plans have been agreed, where appropriate in respect of all final audit reports. These indicate that positive action has been, or will be taken to address any areas for improvement identified. Implementation of these plans will be followed up as part of our 2020/21 audit plan.

5 Internal audit quality assurance and improvement

- 5.1 PSIAS requires that the quality of internal audit activity is assessed through 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.
- 5.2 The Internal Audit Service has designed procedures and an audit methodology that conform to 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 audit managers assess the quality of each audit concurrently as it progresses, and each year a post-audit file review process is conducted by the head of internal audit, with any learning points being shared with the team.
- 5.3 An external assessment of the Internal Audit Service's self-assessment of its compliance with PSIAS was last conducted in November 2017 which confirmed that the service fully meets nearly all the Standards, as well as the Definition, Core Principles and the Code of Ethics, which form the mandatory elements of the IPPF. All actions arising from the review were addressed by June 2018.

- 5.4 The Internal Audit Service requested feedback from its auditees following completion of two audit assignments. One response was received and the feedback was very positive about the conduct of our audit work.

6 Summary of findings

Overall summary and assurance provided

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

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

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

Summary of our findings and assurance

Review area	Audit days			Assurance		Comments
	Planned	Actual	Variation	Adequacy	Effectiveness	
Governance and business effectiveness						
Overall governance, risk management and internal control arrangements	10	4	6	There is a sound framework of control operating across LFRS and there are appropriate risk management and governance controls in place.		Our work was completed in April 2020. Two minor areas for improvement were identified relating to enhancements to the complaints register and the GDPR action plan.
Service delivery and support						
Home Fire Safety Checks (previously Contact centre)	12	11.5	0.5	✓	✓	Our work was completed in April 2020, and the report has now been finalised. Two medium and four low residual risk actions have been agreed including: <ul style="list-style-type: none"> The production of written guidance on the use of the RADAR system including maintaining a record of when hard copy documents have been issued. Ensuring outcomes of HFSC visits are appropriately and accurately recorded, with missed or cancelled visits being monitored. Considering the requirements surrounding the booking of HFSC visit timeslots in station calendars.
				Moderate assurance		
Business processes						
HR and Payroll	10	7	3	✓	✓	Our audit review was finalised in February 2020. No areas for improvement were identified.
				Substantial assurance		

Review area	Audit days			Assurance		Comments
	Planned	Actual	Variation	Adequacy	Effectiveness	
Pensions administration	1	0.5	0.5	No information has yet been received from LPPL.		Assurance will be obtained directly from the work completed by the internal auditors of the Local Pension Partnership Limited.
Treasury management	4	3.5	0.5	✓	✓	Our audit report was finalised in August 2019 with two low residual risk actions agreed in relation to: <ul style="list-style-type: none"> • The annotation of the Treasury Management Practice documents to confirm when last reviewed; and • The signing of the contract with the council's external advisors. Both the above actions are to be taken forward by the LCC Treasury Management and Pensions Manager.
				Substantial assurance		
Accounts payable	7	8	(1)	✓	✓	Our audit report, covering each of these reviews was finalised in November 2019. Three low residual risk actions were agreed in relation to the Accounts payable system:
				Substantial assurance		
Accounts receivable	4	4.5	(0.5)	✓	✓	
				Substantial assurance		
				✓	✓	

Review area	Audit days			Assurance		Comments
	Planned	Actual	Variation	Adequacy	Effectiveness	
General ledger	4	4.5	(0.5)	Substantial assurance		<ul style="list-style-type: none"> • The Head of Finance will remind the LCC procurement team to ensure supplier amendments are not processed in the absence of approval from LFRS; • A contract extension document will be produced for a contract subject to a rolling extension; and • The LCC Core Systems team will on a quarterly basis review the validity of BTLS/LCC staff access permissions to the LFRS Oracle applications.
<i>Follow-up audit activity</i>						
Assurance map, Business Continuity Planning and Optimising Rota Management project	4	1	3	N/A	N/A	We have been unable to conduct our follow up work in relation to Business Continuity Planning and the Optimising Rota Management Project. These will be carried forward to the 2020/21 internal audit programme. The actions raised following our work on the Assurance map have all been satisfactorily implemented.

Review area	Audit days			Assurance		Comments
	Planned	Actual	Variation	Adequacy	Effectiveness	
<i>Other components of the audit plan</i>						
Management activity	10	5	5	N/A	N/A	Work in the period has included: <ul style="list-style-type: none"> • Production of the 2018/19 Annual Report of the Head of Internal Audit; • Preparation of the quarterly monitoring reports for Audit Committee (June, September, January and March); • Update of the Internal Audit Charter and Engagement Letter; and • Production of the 2020/21 Internal Audit Plan.
National Fraud Initiative	4	0.5	3.5	N/A	N/A	A minimal amount of time has been incurred in supporting LFRS regarding their participation in the NFI process.
Total days	70	50	20			

Annex 1: Scope, responsibilities and assurance

Approach

- 1 The Internal Audit Service operates in accordance with Public Sector Internal Audit Standards, 2017. The scope of internal audit encompasses all of the governance, risk management and control processes of the Combined Fire Authority including where they are provided by other organisations on their behalf.

Responsibilities of management and internal auditors

- 2 It is management's responsibility to maintain systems of risk management, internal control and governance. Internal audit is an element of the internal control framework assisting management in the effective discharge of its responsibilities and functions by examining and evaluating controls.
- 3 Lancashire Combined Fire Authority has taken the decision to outsource their internal audit provision, and Lancashire County Council's Internal Audit Service was the appointed service provider for 2019/20.
- 4 It is the role of the Internal Audit Service to provide independent assurance that these risk management, control and governance processes are adequately designed and effectively operated. The PSIAS makes clear that the provision of this assurance is internal audit's primary role and that this requires the head of internal audit to provide an annual opinion based on an objective assessment of the framework of governance, risk management and control.
- 5 This assessment will be supported by the identification, analysis, evaluation and documentation of sufficient information on each individual audit assignment, and the completion of sufficient assignments to support an overall opinion for the organisation as a whole.
- 6 Internal auditors cannot be held responsible for internal control failures. However we have planned our work so that we have a reasonable expectation of detecting significant control weaknesses. We have reported all such weaknesses to you as they have become known to us, without undue delay, and have worked with you to develop proposals for remedial action.
- 7 The requirement to be independent and objective means that the Internal Audit Service cannot assume management responsibility for risk management, control or governance processes. However the Internal Audit Service may support management by providing consultancy services. These are advisory in nature and are generally performed at the specific request of the organisation, with the aim of improving governance, risk management and control and will also contribute to the overall assurance opinion.
- 8 Accountability for responses to the Internal Audit Service's advice and recommendations for action lies with the Senior Management Team, which either accepts and implements the advice or accepts the risks associated with not taking action. Audit advice, including where the Internal Audit Service has been consulted about significant changes to internal control systems, is given without prejudice to the right of the Internal Audit Service to review and recommend further action on the relevant policies, procedures, controls and operations at a later date.

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

Basis of our assessment

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

Limitations to the scope of our work

- 12 There have been no limitations to the scope of our audit work, except that have resulted as a result of the Coronavirus pandemic and which are noted in the main body of the report.

Limitations on the assurance that internal audit can provide

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

Access to this report and responsibility to third parties

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

Annex 2: Audit assurance levels and classification of agreed actions

Audit assurance

For 2019/20 the assurance we can provide over any area of control has fallen into one of four categories as follows:

Substantial assurance: the framework of control is adequately designed and/ or effectively operated overall.

Moderate assurance: the framework of control is adequately designed and/ or effectively operated overall, but some action is required to enhance aspects of it and/ or ensure that it is effectively operated throughout the service, system or process.

Limited assurance: there are some significant weaknesses in the design and/ or operation of the framework of control that put the achievement of the service, system or process' objectives at risk.

No assurance: there are some fundamental weaknesses in the design and/ or operation of the framework of control that could result in failure to achieve the service, system or process' objectives.

Actions proposed by the Internal Audit Service

We categorise the issues we raise in the context of the residual risk to which the service is exposed. The agreed actions are therefore defined as 'extreme', 'high', 'medium' or 'low' in relation to the residual risk they are designed to address and fall into the following categories:

Extreme residual risk: critical and urgent in that failure to address the risk could lead to one or more of the following: catastrophic loss of the service, loss of life, significant environmental damage or significant financial loss, with related national press coverage and substantial damage to the service's reputation. *Remedial action must be taken immediately.*

High residual risk: critical in that failure to address the issue or progress the work would lead to one or more of the following: failure to achieve organisational objectives, significant disruption to the service's business or to users of its services, significant financial loss, inefficient use of resources, failure to comply with law or regulations, or damage to the service's reputation. *Remedial action must be taken urgently.*

Medium residual risk: failure to address the issue or progress the work could impact on operational objectives and should be of concern to senior management. *Prompt specific action should be taken.*

Low residual risk: matters that individually have no major impact on achieving the service's objectives, but where combined with others could give cause for concern. *Specific remedial action is desirable.*

**LANCASHIRE COMBINED FIRE AUTHORITY
AUDIT COMMITTEE**

Meeting to be held on 28 July 2020

**ANNUAL GOVERNANCE STATEMENT 2019/20
(Appendices 1 and 2 refer)**

Contact for further information:-

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

Executive Summary

The Authority is required to publish an Annual Governance Statement along with the Authority's financial statements, following a review of the effectiveness of the internal controls in place. The report and the statement set out the key elements of the Authority's governance framework, how these have been evaluated, the outcome of the assessment of effectiveness and any areas for improvement.

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

Recommendation

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

Background

The Authority is required to produce an Annual Governance Statement as part of the year end process for 2019/20.

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

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

Included within the Code are the following core principles:-

1. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law;
2. Ensuring openness and comprehensive stakeholder engagement;
3. Defining outcomes in terms of sustainable economic, social, and environmental benefits;
4. Determining the interventions necessary to optimise the achievement of the intended outcomes;
5. Developing the entity's capacity, including the capability of its leadership and the individuals within it;
6. Managing risks and performance through robust internal control and strong public financial management;
7. Implementing good practices in transparency, reporting, and audit to deliver effective accountability.

In order to assess the effectiveness of the Authority's current arrangements a self-assessment has been undertaken by the Executive Board, considering the various sources of assurance which support the core principles outlined above, and the outcome of this is attached as appendix 1. One of the key elements of this is external assurance on our systems, and this is provided by our auditors, both of whom provide positive reports, and by the HMICFRS Inspection which rated the Service as Good.

The assessment also considers recommendation made as part of last year's Annual Governance Statement, and an update on the position in respect of these is set out below:-

Area for Improvement	Action to date	Complete/ On-going	Owner
Continue to develop, and embed, the new assurance monitoring system app to collate information and intelligence from multiple sources, as well as linking to national learning	Work is on-going to build the Assurance Monitoring System that will link into LFERS debrief App and include an action tracker that will track actions from the debriefs and other assurance work (NOL, JOL etc). All communications and evidence will be stored on the system rather than on spreadsheets, folders and individuals email accounts. The action tracker is being built so that it can be used to track actions from meetings.	On-going, target date March 21	Head of Digital Transformation

Performance manage the completion of appraisals and introduce new tools to improve the appraisal conversation	A new appraisal process and form was introduced in year for all staff, with appropriate guidance provided. We will develop it further to be delivered online, and provide additional training in relation to the management of performance.	On-going, target date March 21	Head of Human Resources
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As a result of the various reviews a number of areas for further improvements have been identified:-

- Develop 360-degree assessments for leaders to inform personal development;

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

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

Financial Implications

None

Human Resource Implications

None

Equality and Diversity Implications

None

Environmental Impact

None

Business Risk Implications

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

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

Paper	Date	Contact
Code of Corporate Governance	Mar 2017	Keith Mattinson, Director of Corporate Services
Internal Audit Annual Report	June 2020	
External Auditors Audit Findings Report	July 2019	
HMICFRS Inspection Report	December 2018	
Reason for inclusion in Part II, if appropriate:		

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

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

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

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

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

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

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

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

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

- Outcomes from reviews by other bodies including external and statutory inspectorates and the external auditors.

We are satisfied that effective governance arrangements are in place, including a sound system of internal control throughout the year ended 31 March 2020 and is on-going, with the following improvements proposed.

- Develop 360-degree assessments for leaders to inform personal development

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

**SOURCES OF ASSURANCE:
LANCASHIRE FIRE AND RESCUE SERVICE/LANCASHIRE COMBINED FIRE AUTHORITY 2019/20**

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

**SOURCES OF ASSURANCE:
LANCASHIRE FIRE AND RESCUE SERVICE/LANCASHIRE COMBINED FIRE AUTHORITY 2019/20**

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

**SOURCES OF ASSURANCE:
LANCASHIRE FIRE AND RESCUE SERVICE/LANCASHIRE COMBINED FIRE AUTHORITY 2019/20**

KEY ELEMENTS OF GOVERNANCE	ASSESS- MENT	COMMENTS
		<p>Internal Audit provided substantial assurance regarding the adequacy of design and effectiveness in operation of the organisation's frameworks of governance, risk management and control</p> <p>Recommendations from audit reviews implemented</p> <p>No substantiated complaints against the service</p> <p>HMICFRS Inspection rated the Service as Good in all categories, other than Outstanding in Culture. No major areas for improvement identified</p>
<p>Developing and communicating a vision which specifies intended outcomes for citizens and service users and is used as a basis for planning.</p> <p>Translating the vision into objectives for the authority and its partnerships</p>	<p>Good</p>	<p>Integrated Risk Management Plan covers 2017-2022</p> <p>Annual Service Plan, setting out Vision, Activities, Priorities and Values.</p> <p>KPIs identified for each of our priorities</p> <p>Suite of strategies/policies etc. regularly reviewed.</p> <p>Consultation and Communication Strategy setting out how we will consult with public and service users</p> <p>Assessment of compliance with National Framework</p> <p>Effective Corporate Programme Board arrangements, split into 4 Boards:-</p> <ul style="list-style-type: none"> • Business Process Improvement Programme • Workforce Development Programme • Service Delivery Change Programme • Capital Projects Programme Board (established in 18/19). <p>All major projects and revise follow similar format and report to CPB</p> <p>Terms of reference for all Programme Board items agreed at outset and delivery against</p>

**SOURCES OF ASSURANCE:
LANCASHIRE FIRE AND RESCUE SERVICE/LANCASHIRE COMBINED FIRE AUTHORITY 2019/20**

KEY ELEMENTS OF GOVERNANCE	ASSESS- MENT	COMMENTS
		these monitored on a bi-monthly basis
<p>Reviewing the effectiveness of the decision-making framework, including delegation arrangements, decision making in partnerships, information provided to decision makers and robustness of data quality.</p>	Good	<p>Appropriate governance arrangements in place, CFA plus 5 Committees.</p> <p>Updated Committee terms of reference agreed, supported by Standing Orders, and Scheme of Delegation and Financial Regulations, which have all been reviewed and updated in last 3 years.</p> <p>BCP arrangements in place in respect of systems and information, including regular backing up and storage of data.</p> <p>ICT Disaster Recovery Plan in place</p>
<p>Measuring the performance of services and related projects and ensuring that they are delivered in accordance with defined outcomes and that they represent the best use of resources and value for money.</p>	Good	<p>Comprehensive performance management information presented to SMT/Performance Committee on a regular basis</p> <p>KPIs agreed with monitoring arrangements in place</p> <p>Annual Report</p> <p>HMICFRS Inspection regime</p> <p>Operational Assurance Audit Team to review:-</p> <ul style="list-style-type: none"> • operational preparedness • operational response • operational learning <p>The quarterly publication - Safety Health and Environment and Operational Assurance Performance Summary identifies learning from incidents etc.</p> <p>External Audit review</p> <p>Comprehensive financial information reporting framework</p>

**SOURCES OF ASSURANCE:
LANCASHIRE FIRE AND RESCUE SERVICE/LANCASHIRE COMBINED FIRE AUTHORITY 2019/20**

KEY ELEMENTS OF GOVERNANCE	ASSESS- MENT	COMMENTS
		<p>Medium Term Financial Plan and balanced budget in place</p> <p>Service reviews identified to deliver savings</p> <p>Resources redirected into priority areas such as prevention and protection</p> <p>Consistently exceeded efficiency targets</p>
<p>Defining and documenting the roles and responsibilities of the executive, non-executive, scrutiny and officer functions, with clear delegation arrangements and protocols for effective communication in respect of the authority and partnership arrangements.</p>	<p>Good</p>	<p>Updated Committee terms of reference agreed, supported by Standing Orders, and Scheme of Delegation and Financial Regulations, which have all been reviewed and updated in last 3 years</p> <p>Strategy Group meetings inform members of developments in a less formal manner</p> <p>Member/Officer protocol in place setting out respective roles and relationships etc.</p> <p>Member champions covering:-</p> <ul style="list-style-type: none"> • Community Safety • Equality, Diversity and Inclusion • Health and Wellbeing • Road Safety <p>Job descriptions for all staff</p> <p>Regular briefing sessions before Committees and as and when required</p> <p>Induction/training provided to all members</p>
<p>Ensuring the authority's financial management arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Chief financial Officer in Local Government and, where they do not, explain why and how they deliver</p>	<p>Good</p>	<p>Self-assessment of the role of the Treasurer is compliant with the governance requirements set out in CIPFAs Statement on the Role of the Chief Financial Officer in Local Government</p> <p>Qualified Treasurer, sits on Exec Board and reports directly to Chief Fire Officer</p>

**SOURCES OF ASSURANCE:
LANCASHIRE FIRE AND RESCUE SERVICE/LANCASHIRE COMBINED FIRE AUTHORITY 2019/20**

KEY ELEMENTS OF GOVERNANCE	ASSESS- MENT	COMMENTS
the same impact.		<p>Regular appraisal, with updated process implemented this year</p> <p>Revised appraisal/performance management process and form introduced .</p> <p>Contract standing orders, financial regulations, budget holder instructions in place and regularly reviewed</p> <p>Comprehensive budget setting/monitoring arrangement in place, linked to corporate objectives and priorities. Budget is delegated appropriately and aligned with operational responsibility</p>
Ensuring effective arrangements are in place for the discharge of the monitoring officer function.	Good	<p>Clerk to the Authority is the monitoring officer</p> <p>Appropriately qualified/experienced</p> <p>Regular appraisal</p> <p>Procedural standing orders reviewed</p> <p>Scheme of delegation updated and agreed by Audit Committee</p>
Ensuring effective arrangements are in place for the discharge of the head of paid service function.	Good	<p>CFO is the head of paid service</p> <p>Regular appraisal with Chairman</p>
Providing induction and identifying the development needs of members and senior officers in relation to their strategic roles, supported by appropriate training	Good	<p>Member Training and Development Committee</p> <p>All Members subject to a one to one to identify training and development needs. Specific Member training budget to address outcomes of this.</p> <p>Senior Officers subject to appraisal system, including identification of training and development needs</p>

**SOURCES OF ASSURANCE:
LANCASHIRE FIRE AND RESCUE SERVICE/LANCASHIRE COMBINED FIRE AUTHORITY 2019/20**

KEY ELEMENTS OF GOVERNANCE	ASSESS- MENT	COMMENTS
		Introduce 360 degree assessments for leaders within the organisation
<p>Reviewing the effectiveness of the framework for identifying and managing risks and demonstrating clear accountability.</p>	<p>Good</p>	<p>Comprehensive Risk Mgt Strategy</p> <p>Corporate Risk Register</p> <p>Corporate Programme Board items include an assessment of risk</p> <p>Strategic BCP in place and tested on a regular basis. Departmental Business Impact Assessments and Recovery Plans in place. Specific BCP training provided to Heads of Dept.</p> <p>Additional resilience built into ICT network</p> <p>Appropriate insurance arrangements</p>
<p>Ensuring effective counter-fraud and anti-corruption arrangements are developed and maintained.</p>	<p>Good</p>	<p>Anti-fraud policy</p> <p>Fraud risk assessment updated in 2018/19 (next update scheduled 2020/21)</p> <p>Full compliance with National Fraud Initiative, 1 Pension Injury case which is being reviewed and liaison with individual is on-going</p>
<p>Ensuring the assurance arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Head of Internal Audit and, where they do not, explain why and how they deliver the same impact.</p>	<p>Good</p>	<p>Internal Audit is outsourced to Lancashire County Council</p> <p>Internal Audit Charter in place</p> <p>Internal Audit Service Quality Assurance and Improvement Programme process agreed</p> <p>Lancashire County Council comply with CIPFA statement</p> <p>Head of Internal Audit has direct access to Audit Committee, Treasurer, Clerk and Chief Fire Officer as well as Members of the Authority</p>

**SOURCES OF ASSURANCE:
LANCASHIRE FIRE AND RESCUE SERVICE/LANCASHIRE COMBINED FIRE AUTHORITY 2019/20**

KEY ELEMENTS OF GOVERNANCE	ASSESS- MENT	COMMENTS
Undertaking the core functions of an audit committee, as identified in CIPFA’s Audit Committees: Practical Guidance for Local Authorities.	Good	Audit Committee established and terms of reference agreed, covering core functions of an Audit Committee Audit Committee have access to both Internal and external auditors, and are provided with an opportunity to discuss issues without Officers being present
Ensuring that the authority provides timely support, information and responses to external auditors and properly considers audit findings and recommendations	Good	Audit Committee established All core functions of an Audit Committee are covered by the existing terms of reference Head of Internal Audit has direct access to Audit Committee, Treasurer, Clerk and Chief Fire Officer as well as Members of the Authority Audit Committee have access to both Internal and external auditors, and are provided with an opportunity to discuss issues without Officers being present No issues identified by either Internal or External Auditor,
Incorporating good governance arrangements in respect of partnerships and other joint working and ensuring that they are reflected across the authority’s overall governance structures.	Good	A framework has been developed to review potential partnership arrangements utilising the following criteria: <ul style="list-style-type: none"> • Will it make Lancashire Safer? • Will undertaking the activity potentially damage our brand? • Does it fit with the public image of the FRS? • Will it detract from our ability to undertake other operational or preventative functions, if so to what extent? • Is there a significant negative financial impact? • Is the activity likely to fit comfortably with our stakeholders (Trade Unions, Firefighters, CFS staff, Partners, Home Office, etc.)? Statement of Intent signed with Lancashire Constabulary Collaboration Group established, with regular reports to members

**SOURCES OF ASSURANCE:
LANCASHIRE FIRE AND RESCUE SERVICE/LANCASHIRE COMBINED FIRE AUTHORITY 2019/20**

KEY ELEMENTS OF GOVERNANCE	ASSESS- MENT	COMMENTS
<p>Staff resources are adequate in numbers and skills to deliver the service objectives. The roles and responsibilities of staff and members have been clearly defined and are understood, and appropriate guidance and training are in place</p>	<p>Good</p>	<p>Workforce Development Strategy agreed</p> <p>Agreed establishment in line with approved budget. Agreed process for revising establishment.</p> <p>Job descriptions in place</p> <p>Appropriate recruitment checks undertaken</p> <p>Staff induction process in place, incorporating LearnPro module</p> <p>Code of conduct in place and provided to all staff as part of induction.</p> <p>Appropriate performance management arrangements</p> <p>Appraisal system in place, including identification of training and development needs</p> <p>Use of:-</p> <ul style="list-style-type: none"> • Coaching and Mentoring • Leadership Conferences <p>Operational Assurance Audit Team to review:-</p> <ul style="list-style-type: none"> • operational preparedness • operational response • operational learning <p>Updated staff engagement strategy and improvement action plan agreed and implemented.</p> <p>Revised staff survey undertaken in 18/19.</p> <p>'Star' awards in place where staff nominate 'star' colleagues who live our values, and based on a judging panel awards are given to staff (and publicised throughout the</p>

**SOURCES OF ASSURANCE:
LANCASHIRE FIRE AND RESCUE SERVICE/LANCASHIRE COMBINED FIRE AUTHORITY 2019/20**

KEY ELEMENTS OF GOVERNANCE	ASSESS- MENT	COMMENTS
		<p>organisation).</p> <p>Updated Intranet delivered in 19/20, incorporating social networking to connect staff across the service</p>
<p>There are adequate contingency procedures to ensure that services can be resumed in case of emergency.</p> <p>Contingency procedures are well communicated</p>	<p>Good</p>	<p>Strategic BCP in place and tested on a regular basis. Departmental Business Impact Assessments and Recovery Plans in place. Specific BCP training provided to Heads of Dept.</p> <p>BCP is considered as a standing item on SMT</p> <p>BCP plan tested on a regular basis, and amended as required</p> <p>Active member of Lancashire Resilience Forum</p> <p>Appropriate BCP arrangements in place in respect of systems and information,</p>
<p>Processes have been established to ensure that corporate and local service policies and procedures are implemented effectively and are periodically reviewed</p>	<p>Good</p>	<p>System of internal control established</p> <p>Policies and service orders are regularly reviewed, in line with an agreed timetable</p> <p>Internal audit reviews have not identified any significant weaknesses</p> <p>External audit reviews have not identified any significant weaknesses</p>

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

Scope of Responsibility

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

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

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

1. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law
2. Ensuring openness and comprehensive stakeholder engagement
3. Defining outcomes in terms of sustainable economic, social, and environmental benefits
4. Determining the interventions necessary to optimise the achievement of the intended outcomes
5. Developing the entity's capacity, including the capability of its leadership and the individuals within it
6. Managing risks and performance through robust internal control and strong public financial management
7. Implementing good practices in transparency, reporting, and audit to deliver effective accountability

(A copy of the code, setting out the core and supporting principles, what the Authority commits itself to do and how it will do this can be found on our website at <https://www.lancsfirerescue.org.uk/wp-content/uploads/2018/04/Code-of-Corporate-Governance.pdf>)

This statement explains how the Authority has complied with the code and also meets the requirements of regulation 6(2) of the Accounts and Audit Regulations 2015 in relation to the publication of a statement on internal control.

The Purpose of the Governance Framework

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

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

The governance framework has been in place at the Authority for the year ended 31 March 2020 and up to the date of approval of the 2019/20 Statement of Accounts.

The Governance Framework

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

- The Integrated Risk Management Plan (IRMP) describes our aims, priorities, equality objectives and values, setting out our ambitions and how we will deliver them in the medium term. The current plan covering 2017-2022 can be found on our website at <https://www.lancsfirerescue.org.uk/wp-content/uploads/2018/04/Integrated-Risk-Management-Plan.pdf>
- Annual Service Plan details the activities we will undertake to deliver the strategy set out in our IRMP. The current plan has been extended due to the Coronavirus pandemic and now covers 2020/22 was approved this year and can be found on our website at <https://vault.ecloud.co.uk/lancsfire/2020/06/Digital-ASP-20-22.pdf>
- A Communication Strategy and the Consultation Strategy;
- A comprehensive performance management framework, with the Performance Committee and Service Management Team receiving regular reports on performance against targets and any corrective action taken to address any variances. On an annual basis the Authority publishes an Annual Performance Report, setting out its overall performance against key performance indicators;
- A Corporate Programme Board provides oversight across 4 areas:-
 - Business Process Improvement Programme
 - Workforce Development Programme
 - Service Delivery Change Programme
 - Capital Projects Programme.All major projects and reviews follow similar format and report to Corporate Programme Board
- The Authority operates a Committee Structure aligned to strategic objectives, within agreed Terms of Reference, as follows:-
 - The Audit Committee - To advise on the adequacy and effectiveness of the Authority's Internal and External Audit Service and risk management arrangements, which operates in line with the core functions identified in CIPFAs Audit Committees – Practical Guidance for Local Authorities;
 - The Resources Committee - To consider reports and make decisions relating to financial, human resources and property related issues

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

Review of effectiveness

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

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

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

- The Integrated Risk Management Plan covers the five year period 2017-2022.
- We updated our Strategic Assessment of Risk.
- A revised Annual Service Plan has been agreed, covering 2020/22 (this is now a 2 year plan due to the Coronavirus pandemic), providing clarity, both internally and externally, on our priorities set out in the IRMP and describes what our ambitions are for each priority, as well as setting out the projects and actions that will be delivered, developed or reviewed during the coming year against each of our priorities. This is supported by Local Delivery Plans.
- A framework exists to review potential partnership arrangements utilising the following criteria:
 - Will it make Lancashire Safer?
 - Will undertaking the activity potentially damage our brand?
 - Does it fit with the public image of the FRS?
 - Will it detract from our ability to undertake other operational or preventative functions, if so to what extent?
 - Is there a significant negative financial impact?
 - Is the activity likely to fit comfortably with our stakeholders (Trade Unions, Firefighters, CFS staff, Partners, Home Office, etc.)?
- Statement of Intent: Enhanced Collaboration between LFRS and Constabulary approved at Joint Exec Board. Joint Collaboration group established, reporting through to Members.
- An Operational Assurance Team undertake a programme of service wide station assurance visits to identify areas for improvement and track these through to completion, and publicise any improvements through a regular newsletter, thus enhancing operational preparedness, operational response and operational learning.
- Performance appraisal incorporating values is undertaken throughout the Service

- Internal Audit services were provided by Lancashire County Council, who comply with CIPFA's Code of Internal Audit Practice. The service is designed to give assurance that the Authority maintains adequate systems of internal control and to make recommendations on ways to enhance these where felt necessary.
- We have undertaken an Assurance mapping exercise, with our Internal Auditors, which has confirmed that a strong assurance framework is in place.
- As part of the 2019/20 internal audit plan the auditors undertook various reviews and gave the overall opinion that they can *“provide substantial assurance regarding the adequacy of design and effectiveness in operation of the organisation's frameworks of governance, risk management and control.”*
- Grant Thornton provide an external audit service to the Authority, and as such the effectiveness of the system of internal controls is also informed by their work. The latest Annual Audit letter did not identify any significant weaknesses in internal control arrangement and provided the following audit conclusions in relation to 2018/19:
 - Financial statements – *“We gave an unqualified opinion on the Authority's financial statements on 30 July 2019.”*
 - Value for money conclusion – *“We were satisfied that the Authority put in place proper arrangements to ensure economy, efficiency and effectiveness in its use of resources.”*
- HMICFRS undertook its first inspection of the Service. Overall the Service was rated as Good, in all categories other than 'Promoting the right values and culture' in which it was rated outstanding. This was the highest overall rating of any Service in the first tranche of inspections, and the only outstanding rating. *“Overall, we commend Lancashire Fire and Rescue Service for its performance. We are confident it is well equipped for this to continue.”* and *“It provides an effective service”* and *“It provides an efficient and affordable service by making good use of its resources”*

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

Area for Improvement	Action to date	Complete/ On-going	Owner
Continue to develop, and embed, the new assurance monitoring system app to collate information and intelligence from multiple sources, as well as linking to national learning	Work is on-going to build the Assurance Monitoring System that will link into LFRS debrief App and include an action tracker that will track actions from the debriefs and other assurance work (NOL, JOL etc). All communications and evidence will be stored on the system rather than on spreadsheets, folders and individuals email accounts. The action tracker is being built so that it can be used to track actions from meetings	On-going, target date March 21	Head of Digital Transformation
Performance manage the completion of appraisals and	A new appraisal process and form was introduced in year for all staff, with appropriate guidance provided. We will develop it further to be	On-going, target date March 21	Head of Human Resources

introduce new tools to improve the appraisal conversation	delivered online, and provide additional training in relation to the management of performance		
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We have been advised on the implications of the result of the review of the effectiveness of the governance framework by the Audit Committee and a plan to address weaknesses and ensure continuous improvement of the system is in place.

Significant governance issues

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

Whilst no significant governance issues were identified, the following new areas for improvement, are listed below:

- Develop 360-degree assessments for leaders to inform personal development

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

Signed:

County Councillor F DeMolfetta,
Chairman,
Lancashire Combined Fire
Authority
8 July 2020

J Johnston,
Chief Fire Officer,
Lancashire Fire and Rescue
Service
8 July 2020

K Mattinson CPFA,
Treasurer,
Lancashire Combined Fire
Authority
8 July 2020

LANCASHIRE COMBINED FIRE AUTHORITY AUDIT COMMITTEE

Meeting to be held on 28 July 2020

EXTERNAL AUDIT – AUDIT PLAN 2019/20 (Appendix 1 refers)

Contact for further information:

Keith Mattinson – Director of Corporate Services – telephone 01772 866804

Executive Summary

The attached report sets out the proposed external audit plan for 2019/20.

Recommendation

The Committee is asked to agree the external audit plan for 2019/20 and the increased fee proposal.

Information

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

The plan highlights the additional work auditors are required to do in terms of:-

- Increased challenge and depth of work;
- Property plant and equipment valuations;
- Pensions;
- New accounting standards.

Having discussed issues with the Engagement Lead the Treasurer is of the opinion that all of the issues do result in an increased workload, which is reflected in the proposed fee. As highlighted elsewhere on the agenda the treasurer believes that these issues are consistent across the sector and as such should be dealt with by Public Sector Audit Appointment Limited (PSAA) agreeing revised baselines, as opposed to being left to local discussion.

The plan proposes an audit completion date of 30 November 2020. Members will recall previous discussions whereby the audit completion date target was brought forward to 31 July for the accounting year 2017/18. The proposed change arises due to the scale of work auditors are required to undertake in a relatively short period of time, the limited resource available to them to undertake this and the impact of Coronavirus on the process. As such Grant Thornton is proposing extending the timeframe in order to ensure that the audits are completed to the appropriate standard with the timetable agreed. It is worth re-iterating that the 31 July target deadline was missed in numerous cases last year.

The amended Accounts and Audit Regulations confirm that as a result of Coronavirus the deadlines for approval of the unaudited accounts by the Treasurer is 31 August at the latest, earlier if possible, and we must publish final audited accounts by 30 November, but if the audit is not complete by that date we must state that it has not been audited yet, and subsequently republish once the audit is complete. Several authorities had to follow this guidance last year.

Financial Implications

The proposed audit fee takes account of the agreed base fee of £23.7k (as set by PSAA) plus a further £4.7k to reflect the additional work required as reflected in the audit plan as presented. This results in a total fee of £28.4k.

Business Risk Implications

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

Environmental Impact

None

Equality and Diversity Implications

None

Human Resource Implications

None

Local Government (Access to Information) Act 1985

List of Background Papers

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

External Audit Plan

Year ending 31 March 2020

Lancashire Combined Fire Authority

July 2020

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Contents



Your key Grant Thornton
team members are:

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Appendix

A. Audit quality – national context

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

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1. Introduction & headlines

Purpose

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

Respective responsibilities

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

Scope of our audit

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

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

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

Our audit approach is based on a thorough understanding of the Authority's business and is risk based.

Significant risks

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

- Management override of control
- Valuation of land and buildings
- Valuation of net pension fund liability

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

Materiality

We have determined planning materiality to be £1.22m (PY £1.046m) for the Authority, which equates to 2% of your prior year gross expenditure for the year. We are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. Clearly trivial has been set at £0.056m (PY £0.052m).

Value for Money arrangements

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

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

Audit logistics

Our interim visit took place in March 2020 and our year end audit will start in August and finish in September 2020. Our key deliverables are this Audit Plan and our Audit Findings Report. The latter report will be reported to the Audit Committee in November 2020.

Our fee for the audit will be £28,419 (PY: £28,169) for the Authority, subject to the Authority meeting our requirements set out on page 13.

Independence

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

2. Key matters impacting our audit

Factors

The wider economy and political uncertainty

Local Government funding continues to be stretched with increasing cost pressures and demand from residents. For Lancashire Combined Fire Authority, at month 10 you are forecasting an underspend against budget of around £0.1m. Overall, the Authority is well placed to meet the financial challenges in the medium term. However, the Authority is likely to be faced with a funding gap in the future, the extent of which depends on future council tax decisions and the outcome of the 'Fair Funding Review'

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

Financial reporting and audit – raising the bar

The Financial Reporting Council (FRC) has set out its expectation of improved financial reporting from organisations and the need for auditors to demonstrate increased scepticism and challenge, and to undertake more robust testing as detailed in Appendix 1.

Our work in 2018/19 has highlighted areas where local government financial reporting, in particular, property, plant and equipment and pensions, needs to be improved, with a corresponding increase in audit procedures. We have also identified an increase in the complexity of local government financial transactions which require greater audit scrutiny.

Covid-19

The coronavirus global pandemic is impacting how people work. Whilst it is a constantly evolving picture, we are expecting the delivery of the audit to be impacted by staff at audited bodies and audit teams working remotely to avoid spreading the virus as well inevitable sick days reducing staff capacity.

Our response

We will consider your arrangements for managing and reporting your financial resources as part of our work in reaching our Value for Money conclusion.

We will consider whether your financial position leads to material uncertainty about the going concern of the Authority and will review related disclosures in the financial statements.

As a firm, we are absolutely committed to meeting the expectations of the FRC with regard to audit quality and local government financial reporting. Our proposed work and fee, as set further in our Audit Plan, has been agreed with the Director of Finance and is subject to PSAA agreement.

Since early March, we have been liaising with members of your finance team to discuss how we can work together effectively to deliver the audit despite the restrictions on unnecessary physical interaction.

Following the government's announcement on Monday 16th March, we also closed our offices for the foreseeable future and have asked our people to work from home rather than in the office.

All of our staff are set up to work remotely and we use a variety of tools to communicate and share information such as Microsoft Teams and Inflo.

3. Significant risks identified

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

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
The revenue cycle includes fraudulent transactions	<p>Under ISA (UK) 240 there is a rebuttable 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>Having considered the risk factors set out in ISA240 and the nature of the revenue streams at Lancashire Combined Fire 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 • the culture and ethical frameworks of local authorities, including Lancashire Combined Fire Authority, mean that all forms of fraud are seen as unacceptable 	<p>Therefore we do not consider this to be a significant risk for Lancashire Combined Fire Authority.</p>
Management over-ride of controls	<p>Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities.</p> <p>The Authority faces external scrutiny of its spending and this could potentially place management under undue pressure in terms of how they report performance.</p> <p>We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>We will:</p> <ul style="list-style-type: none"> • evaluate the design effectiveness of management controls over journals • analyse the journals listing and determine the criteria for selecting high risk unusual journals • test unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration • gain an understanding of the accounting estimates and critical judgements applied made by management and consider their reasonableness with regard to corroborative evidence • evaluate the rationale for any changes in accounting policies, estimates or significant unusual transactions.

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Significant risks identified

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
<p>Valuation of land and buildings</p> <p style="writing-mode: vertical-rl; transform: rotate(180deg);">Page 50</p>	<p>The Authority revalues its land and buildings on a rolling five-yearly basis with assets not valued in year subject to a desktop valuation. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved (£86.5m) and the sensitivity of this estimate to changes in key assumptions. Additionally, management will need to ensure the carrying value in the Authority financial statements is not materially different from the current value at the financial statements date, where a rolling programme is used.</p> <p>We therefore identified valuation of land and buildings, particularly revaluations and impairments, as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>We will:</p> <ul style="list-style-type: none"> • evaluate management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work • evaluate the competence, capabilities and objectivity of the valuation expert • write to the valuer to confirm the basis on which the valuation was carried out • challenge the information and assumptions used by the valuer to assess completeness and consistency with our understanding of the Authority's valuer's report and the assumptions that underpin the valuation. • test revaluations made during the year to see if they had been input correctly into the Authority's asset register • evaluating the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value at year end.

Significant risks identified

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
Valuation of the pension fund net liability	<p>The Authority's pension fund net liability, as reflected in its balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements.</p> <p>The pension fund net liability is considered a significant estimate due to the size of the numbers involved (£864.9 million in the Authority's balance sheet) and the sensitivity of the estimate to changes in key assumptions.</p> <p>We therefore identified valuation of the Authority's pension fund net liability as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>We will:</p> <ul style="list-style-type: none"> • update our understanding of the processes and controls put in place by management to ensure that the Authority's pension fund net liability is not materially misstated and evaluate the design of the associated controls; • evaluate the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work; • assess the competence, capabilities and objectivity of the actuary who carried out the Authority's pension fund valuation; • assess the accuracy and completeness of the information provided by the Authority to the actuary to estimate the liability; • test the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary; • undertake procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report; and • obtain assurances from the auditor of the Lancashire County Pension Fund as to the controls surrounding the validity and accuracy of membership data; contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements. • obtain assurances from PwC in respect of the valuation of the Firefighters' Pension Scheme liability valuation by Government Actuary's Department (GAD).

Significant risks identified

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
<p>Covid-19</p>	<p>The global outbreak of the Covid-19 virus pandemic has led to unprecedented uncertainty for all organisations, requiring urgent business continuity arrangements to be implemented. We expect current circumstances will have an impact on the production and audit of the financial statements for the year ended 31 March 2020, including and not limited to;</p> <ul style="list-style-type: none"> • Remote working arrangements and redeployment of staff to critical front line duties may impact on the quality and timing of the production of the financial statements, and the evidence we can obtain through physical observation • Volatility of financial and property markets will increase the uncertainty of assumptions applied by management to asset valuation and receivable recovery estimates, and the reliability of evidence we can obtain to corroborate management estimates • Financial uncertainty will require management to reconsider financial forecasts supporting their going concern assessment and whether material uncertainties for a period of at least 12 months from the anticipated date of approval of the audited financial statements have arisen; and • Disclosures within the financial statements will require significant revision to reflect the unprecedented situation and its impact on the preparation of the financial statements as at 31 March 2020 in accordance with IAS1, particularly in relation to material uncertainties. <p>We therefore identified the global outbreak of the Covid-19 virus as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>We will:</p> <ul style="list-style-type: none"> • Work with management to understand the implications the response to the Covid-19 pandemic has on the organisation’s ability to prepare the financial statements and update financial forecasts and assess the implications on our audit approach • Liaise with other audit suppliers, regulators and government departments to co-ordinate practical cross sector responses to issues as and when they arise • Evaluate the adequacy of the disclosures in the financial statements in light of the Covid-19 pandemic. • Evaluate whether sufficient audit evidence using alternative approaches can be obtained for the purposes of our audit whilst working remotely • Evaluate whether sufficient audit evidence can be obtained to corroborate significant management estimates such as asset valuations and recovery of receivable balances • Evaluate management’s assumptions that underpin the revised financial forecasts and the impact on management’s going concern assessment • Discuss with management any potential implications for our audit report if we have been unable to obtain sufficient audit evidence

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We will communicate significant findings on these areas as well as any other significant matters arising from the audit to you in our Audit Findings Report in November 2020.

4. Other matters

Other work

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

- We read your Narrative Report and Statement on Annual Governance Arrangements and any other information published alongside your financial statements to check that they are consistent with the financial statements on which we give an opinion and consistent with our knowledge of the Authority
- We carry out work to satisfy ourselves that disclosures made in your Annual Governance Statement are in line with the guidance issued by CIPFA
- We carry out work on your consolidation schedules for the Whole of Government Accounts process in accordance with NAO group audit instructions
- We consider our other duties under the Local Audit and Accountability Act 2014 (the Act) and the Code, as and when required, including:
 - Giving electors the opportunity to raise questions about your 2019/20 financial statements, consider and decide upon any objections received in relation to the 2019/20 financial statements
 - Issue of a report in the public interest or written recommendations to the Authority under section 24 of the Act, copied to the Secretary of State
 - Application to the court for a declaration that an item of account is contrary to law under Section 28 or for a judicial review under Section 31 of the Act or
 - Issuing an advisory notice under Section 29 of the Act.
- We certify completion of our audit.

Other material balances and transactions

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

Going concern

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

5. Materiality

The concept of materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

Misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Materiality for planning purposes

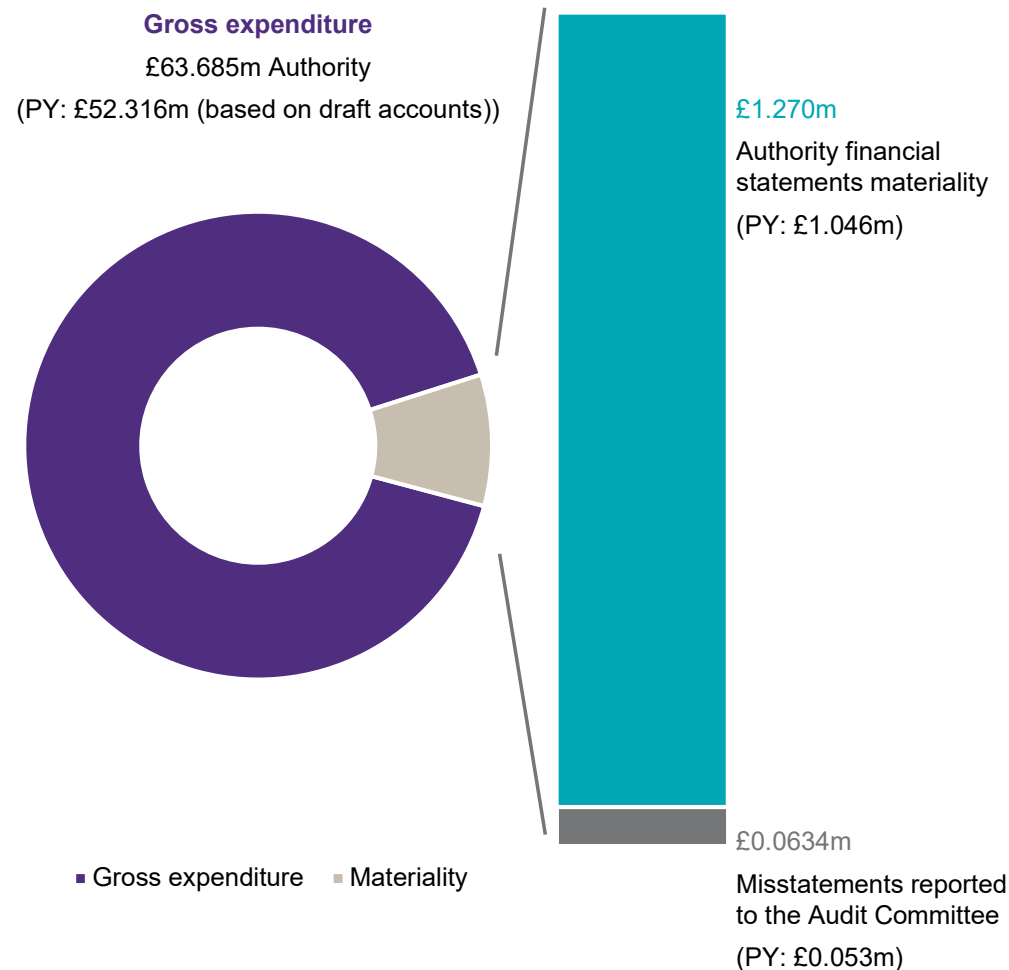
We have determined financial statement materiality based on a proportion of the gross expenditure of the Authority for the financial year. In the prior year we used the same benchmark. Materiality at the draft account stage of our audit is £1.270m (PY £1.046m) for the Authority, which equates to around 2% of your draft account gross expenditure on net cost of service for the year.

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

Matters we will report to the Audit Committee

Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Audit Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work. Under ISA 260 (UK) 'Communication with those charged with governance', we are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. ISA 260 (UK) defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria. In the context of the Authority, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £0.064m (PY £0.053m).

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



6. Value for Money arrangements

Background to our VFM approach

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

The guidance identifies one single criterion for auditors to evaluate:

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

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

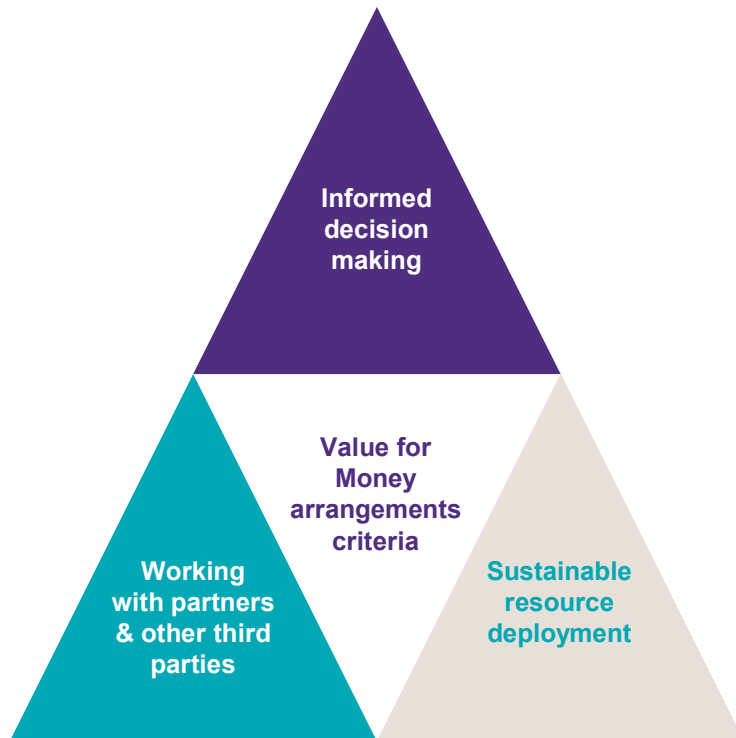
Significant VFM risks

When we completed our initial risk assessment, we did not identify any significant risks.

We have updated our VFM risk assessment to document our understanding of your arrangements to ensure critical business continuity in the current environment. We have not identified any new VFM risks in relation to Covid-19.

We will continue our review of your arrangements, including reviewing your Annual Governance Statement, before we issue our auditor's report.

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7. Audit logistics & team



Andrew Smith, Key Audit Partner

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



Andy Ayre, Audit Manager

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



Olalekan Ayilara, Audit In-charge

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

Client responsibilities

Where clients do not deliver to the timetable agreed, we need to ensure that this does not impact on audit quality or absorb a disproportionate amount of time, thereby disadvantaging other clients. Where the elapsed time to complete an audit exceeds that agreed due to a client not meeting its obligations we will not be able to maintain a team on site. Similarly, where additional resources are needed to complete the audit due to a client not meeting their obligations we are not able to guarantee the delivery of the audit to the agreed timescales. In addition, delayed audits will incur additional audit fees.

Our requirements

To minimise the risk of a delayed audit, you need to ensure that you:

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

9. Audit fees

Planned audit fees 2019/20

Across all sectors and firms, the FRC has set out its expectation of improved financial reporting from organisations and the need for auditors to demonstrate increased scepticism and challenge and to undertake additional and more robust testing. Within the public sector, where the FRC has recently assumed responsibility for the inspection of local government audit, the regulator requires that all audits achieve a 2A (few improvements needed) rating.

Our work across the sector in 2018/19 has highlighted areas where local government financial reporting, in particular, property, plant and equipment and pensions, needs to be improved. We have also identified an increase in the complexity of local government financial transactions. Combined with the FRC requirement that 100% of audits achieve a 2A rating this means that additional audit work is required. We have set out below the expected impact on our audit fee. The table overleaf provides more details about the areas where we will be undertaking further testing.

As a firm, we are absolutely committed to meeting the expectations of the FRC with regard to audit quality and local government financial reporting. Our proposed work and fee for 2019/20 at the planning stage, as set out below and with further analysis overleaf, has been agreed with the Director of Finance and is subject to PSAA agreement.

	Actual Fee 2017/18	Actual Fee 2018/19	Proposed fee 2019/20
Authority Audit	£30,739	£28,169	£28,419
Total audit fees (excluding VAT)	£30,739	£28,169	£28,419

Assumptions

In setting the above fees, we have assumed that the Authority will:

- prepare a good quality set of accounts, supported by comprehensive and well-presented working papers which are ready at the start of the audit
- provide appropriate analysis, support and evidence to support all critical judgements and significant judgements made during the course of preparing the financial statements
- provide early notice of proposed complex or unusual transactions which could have a material impact on the financial statements.

Relevant professional standards

In preparing our fee estimate, we have had regard to all relevant professional standards, including paragraphs 4.1 and 4.2 of the FRC's [Ethical Standard](#) which stipulate that the Engagement Lead (Key Audit Partner) must set a fee sufficient to enable the resourcing of the audit with staff of appropriate skills, time and abilities to deliver an audit to the required professional standard.

Audit fee variations – Further analysis

Planned audit fees

The table below shows the planned variations to the original scale fee for 2019/20 based on our best estimate at the audit planning stage. Further issues identified during the course of the audit may incur additional fees. In agreement with PSAA (where applicable) we will be seeking approval to secure these additional fees for the remainder of the contract via a formal rebasing of your scale fee to reflect the increased level of audit work required to enable us to discharge our responsibilities. Should any further issues arise during the course of the audit that necessitate further audit work additional fees will be incurred, subject to PSAA approval.

Audit area	£	Rationale for fee variation
Scale fee	23,669	
Raising the bar	1,000	The Financial Reporting Council (FRC) has highlighted that the quality of work by all audit firms needs to improve across local audit. This will require additional supervision and leadership, as well as additional challenge and scepticism in areas such as journals, estimates, financial resilience and information provided by the entity.
Pensions – valuation of net pension liabilities under International Auditing Standard (IAS) 19	1,750	We have increased the granularity, depth and scope of coverage, with increased levels of sampling, additional levels of challenge and explanation sought, and heightened levels of documentation and reporting.
PPE Valuation – work of experts	1,750	As above, the FRC has also determined that auditors need to improve the quality of audit challenge on PPE valuations across the sector. We have therefore increased the volume and scope of our audit work to ensure an adequate level of audit scrutiny and challenge over the assumptions that underpin PPE valuations.
New standards / developments	250	You are required to respond effectively to new accounting standards, and we must ensure our audit work in these new areas is robust. IAS8 includes disclosure requirements in relation to accounting standards that have been issued but not yet adopted, including IFRS 16 <i>Leases</i> . We will also respond to the audit risks arising from the Covid-19 pandemic, as set out on page 8. We will adapt our response as appropriate during the course of the audit and will communicate any further implications for the scope of our work, and any associated fee, on a timely basis.
Revised scale fee (to be approved by PSAA)	28,419	

10. Independence & non-audit services

Auditor independence

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

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

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

Other services provided by Grant Thornton

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

Any changes and full details of all fees charged for audit related and non-audit related services by Grant Thornton UK LLP and by Grant Thornton International Limited network member Firms, will be included in our Audit Findings report at the conclusion of the audit.

The firm is committed to improving our audit quality – please see our transparency report - <https://www.grantthornton.co.uk/globalassets/1.-member-firms/united-kingdom/pdf/annual-reports/interim-transparency-report-2019.pdf>

Appendices

A. Audit Quality – national context

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Appendix A: Audit Quality – national context

What has the FRC said about Audit Quality?

The Financial Reporting Council (FRC) publishes an annual Quality Inspection of our firm, alongside our competitors. The Annual Quality Review (AQR) monitors the quality of UK Public Interest Entity audits to promote continuous improvement in audit quality.

All of the major audit firms are subject to an annual review process in which the FRC inspects a small sample of audits performed from each of the firms to see if they fully conform to required standards.

The most recent report, published in July 2019, shows that the results of commercial audits taken across all the firms have worsened this year. The FRC has identified the need for auditors to:

- improve the extent and rigour of challenge of management in areas of judgement
- improve the consistency of audit teams' application of professional scepticism
- strengthen the effectiveness of the audit of revenue
- improve the audit of going concern
- improve the audit of the completeness and evaluation of prior year adjustments.

The FRC has also set all firms the target of achieving a grading of '2a' (limited improvements required) or better on all FTSE 350 audits. We have set ourselves the same target for public sector audits from 2019/20.

Other sector wide reviews

Alongside the FRC, other key stakeholders including the Department for Business, energy and Industrial Strategy (BEIS) have expressed concern about the quality of audit work and the need for improvement. A number of key reviews into the profession have been undertaken or are in progress. These include the review by Sir John Kingman of the Financial Reporting Council (Dec 2018), the review by the Competition and Markets Authority of competition within the audit market, the ongoing review by Sir Donald Brydon of external audit, and specifically for public services, the Review by Sir Tony Redmond of local authority financial reporting and external audit. As a firm, we are contributing to all these reviews and keen to be at the forefront of developments and improvements in public audit.

What are we doing to address FRC findings?

In response to the FRC's findings, the firm is responding vigorously and with purpose. As part of our Audit Investment Programme (AIP), we are establishing a new Quality Board, commissioning an independent review of our audit function, and strengthening our senior leadership at the highest levels of the firm, for example through the appointment of Fiona Baldwin as Head of Audit. We are confident these investments will make a real difference.

We have also undertaken a root cause analysis and put in place processes to address the issues raised by the FRC. We have already implemented new training material that will reinforce the need for our engagement teams to challenge management and demonstrate how they have applied professional scepticism as part of the audit. Further guidance on auditing areas such as revenue has also been disseminated to all audit teams and we will continue to evolve our training and review processes on an ongoing basis.

What will be different in this audit?

We will continue working collaboratively with you to deliver the audit to the agreed timetable whilst improving our audit quality. In achieving this you may see, for example, an increased expectation for management to develop properly articulated papers for any new accounting standard, or unusual or complex transactions. In addition, you should expect engagement teams to exercise even greater challenge management in areas that are complex, significant or highly judgmental which may be the case for accounting estimates, going concern, related parties and similar areas. As a result you may find the audit process even more challenging than previous audits. These changes will give the audit committee – which has overall responsibility for governance - and senior management greater confidence that we have delivered a high quality audit and that the financial statements are not materially misstated. Even greater challenge of management will also enable us to provide greater insights into the quality of your finance function and internal control environment and provide those charged with governance confidence that a material misstatement due to fraud will have been detected.

We will still plan for a smooth audit and ensure this is completed to the timetable agreed. However, there may be instances where we may require additional time for both the audit work to be completed to the standard required and to ensure management have appropriate time to consider any matters raised. This may require us to agree with you a delay in signing the announcement and financial statements. To minimise this risk, we will keep you informed of progress and risks to the timetable as the audit progresses.

We are absolutely committed to delivering audit of the highest quality and we should be happy to provide further detail about our improvement plans should you require it.



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LANCASHIRE COMBINED FIRE AUTHORITY

AUDIT COMMITTEE

Meeting to be held on 28 July 2020

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

Contact for further information:

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

Executive Summary

In order to comply with International Auditing Standards, the External Auditors, Grant Thornton, are required to obtain an assurance as to how those charged with governance gain assurance over management processes and arrangements. The letter requesting this is attached as appendix 1.

A response has been prepared and submitted by the Chair of the Audit Committee, and is attached as appendix 2. (It is worth noting that Management has had to submit a similar response in connection with the processes in place to prevent and detect fraud and ensure compliance with law and regulations, as well as views on key areas affecting the financial statements.)

Recommendation

The Committee is asked to note and endorse the response submitted.

Information

As stated in the Executive Summary.

Financial Implications

None.

Business Risk Implications

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

Environmental Impact

None

Equality and Diversity Implications

None

Human Resource Implications

None

Local Government (Access to Information) Act 1985

List of Background Papers

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



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Appendix 1

County Councillor Nikki Hennessy
Chair of the Audit Committee
Lancashire Fire and Rescue Services
Garstang Road
Preston
Lancashire
PR2 3LH

Grant Thornton UK LLP
Royal Liver Building,
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1 April 2020

Dear Cllr Hennessy,

Lancashire Combined Fire Authority Financial Statements for the year ended 31 March 2020

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

I would be grateful, therefore, if you could respond to the questions on the attached schedule.

For information, we are also required to make enquiries of management and recently sent a letter and schedule of questions to Keith Mattinson. We suggested it may be useful to co-ordinate your response with that of management.

If you are in agreement with this, I would be grateful for your formal response by 21 July 2020, thus ensuring it covers the full twelve-month period for 2019/20.

Please feel free to contact me if you wish to discuss anything in relation to this request.

Yours sincerely

A handwritten signature in black ink that reads "Andy Ayre".

Andy Ayre
Engagement Manager
For Grant Thornton UK LLP

T +44 (0)20 7728 2338
E andy.j.ayre@uk.gt.com

Chartered Accountants
Member firm within Grant Thornton International Ltd
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Response from Audit Committee Chair

Fraud risk assessment

Auditor Question	Response
Have the Fire Authority assessed the risk of material misstatement in the financial statements due to fraud?	Yes
What are the results of this process?	No material risk identified as there is a reconciliation between the management accounts reported to Resources Committee and the financial accounts presented to Audit Committee
What processes do the Fire Authority have in place to identify and respond to risks of fraud?	Quarterly check for duplicate AP transactions. Participation in the NFI, whistle blowing and anti-fraud policies.
Have any specific fraud risks, or areas with a high risk of fraud, been identified and what has been done to mitigate these risks?	No
Are internal controls, including segregation of duties, in place and operating effectively?	Yes Review by Internal and External Audit Reported in Annual Governance Statement
If not, where are the risk areas and what mitigating actions have been taken?	N/a
Are there any areas where there is a potential for override of controls or inappropriate influence over the financial reporting process (for example because of undue pressure to achieve financial targets)?	No
Are there any areas where there is a potential for misreporting?	No
How does the Audit Committee exercise oversight over management's processes for identifying and responding to risks of fraud?	Updated corporate risk register is presented at each Audit Committee, update report relating to NFI is also reported to the Committee
What arrangements are in place to report fraud issues and risks to the Audit Committee?	Updated corporate risk register is presented at each Audit Committee, update report relating to NFI is also reported to the Committee In the event of a fraud occurring, Audit Committee would be informed and kept updated
How do the Fire Authority communicate and encourage ethical behaviour of its staff and contractors?	Agreed set of values includes trust and Integrity. Employee code of conduct. Code of Corporate Governance. Contractor terms and conditions.

How do you encourage staff to report their concerns about fraud? Have any significant issues been reported?	Agreed whistle blowing and anti-fraud policies No
Are you aware of any related party relationships or transactions that could give rise to risks of fraud?	No, only significant related party relates to Treasurer whose wife is Treasurer at Blackburn with Darwen Council, as detailed in the accounts Related Party Transaction note
Are you aware of any instances of actual, suspected or alleged, fraud since 1 April 2019?	One discrepancy identified via NFI in respect of potential overpayment of FF Injury Pensions, we are currently liaising with the individual in respect of this

Law and regulation

Auditor Question	Response
What arrangements do the Fire Authority have in place to prevent and detect non-compliance with laws and regulations?	In addition to the Anti-Fraud and Whistleblowing policies referred to earlier, all Committee reports are reviewed by the Clerk to the Authority and the Treasurer to the Authority to ensure compliance with legal and financial regulations.
How does management gain assurance that all relevant laws and regulations have been complied with?	As above
How is the Audit Committee provided with assurance that all relevant laws and regulations have been complied with?	As above
Have there been any instances of non-compliance or suspected non-compliance with law and regulation since 1 April 2019?	No
What arrangements do the Fire Authority have in place to identify, evaluate and account for litigation or claims?	Year-end process to identify contingent liabilities/outstanding litigation and claims On-going DFM monitoring arrangements Discussion with Clerk/Solicitor
Is there any actual or potential litigation or claims that would affect the financial statements?	No
Have there been any reports from other regulatory bodies, such as HM Revenues and Customs, which indicate non-compliance?	No

LANCASHIRE COMBINED FIRE AUTHORITY

AUDIT COMMITTEE

Meeting to be held on 28 July 2020

INTERNAL AUDIT PLAN 2020/21

(Appendix 1 refers)

Contact for further information:

Keith Mattinson - Director of Corporate Services - Telephone 01772 866804

Executive Summary

The attached document sets out the final proposed Internal Audit Plan for 2020/21.

Recommendation

The Committee is asked to agree the Internal Audit Plan for 2020/21.

Information

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

The plan utilises a total of 70 days in 2020/21, which is in line with 2019/20.

Financial Implications

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

Human Resource Implications

None

Equality and Diversity Implications

None

Business Risk Implications

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

Environmental Impact

None

Local Government (Access to Information) Act 1985

List of Background Papers

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

Lancashire Combined Fire Authority

Internal Audit Service

Internal Audit Plan: 2020/21

1 Introduction

- 1.1 This paper sets out a draft plan of work to be undertaken by the Internal Audit Service for the Combined Fire Authority for the coming financial year. The plan amounts to a total resource of 70 audit days, which equates to an overall cost of £23,450 (ex VAT) [2019/20: £22,750] at our daily rate of £335 [2019/20: £325], representing a 3% increase over the prior year.

2 The purpose of the audit plan

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

3 Statutory and professional requirements relating to internal audit

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

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

Regulation 5. (1)

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

Regulation 6. (1)

Definition of internal auditing

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

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

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

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

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

4 Internal audit coverage to support an annual overall opinion

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

5 Relationship to the risk management process

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

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

- 6.1 The Internal Audit Service is only the Combined Fire Authority's third line of defence in a model that represents management as the first line, responsible for directly assessing, controlling and mitigating risks; and any in-service compliance activity that confirms these controls as the second. Where such 'second line' compliance functions are available, we focus our audit work on assessing the control exerted by them rather than on repeating their work.

6.2 Where it is known that assurance will be provided from another body, (for example, Her Majesty's Inspectorate of Constabulary and Fire and Rescue Service, or the external auditors), the Internal Audit Service will not duplicate work but will take it into account if it is relevant to the overall opinion on governance, risk management and control. We will ensure as far as possible that the committee is made aware of such assurance.

7 The audit approach adopted by the Internal Audit Service

7.1 The Internal Audit Service follows a risk-based audit methodology, working closely with managers to understand the risks to the service, system or process being audited and then testing the controls in place.

7.2 Whilst a service is in the process of transformation or remodelling we can support the managers in the design of a control framework that will manage the risks to service objectives. This would represent consultancy rather than assurance work.

7.3 Where assurance is required over a control system that has not previously been audited in its present form we undertake a full review including both audit phases, and we will provide an opinion on both the adequacy of design and the effectiveness in operation of the controls in place.

7.4 Finally we may undertake compliance testing annually of systems we have previously audited because they are fundamental to the overall control framework.

7.5 Where managers can confirm that action has been taken as agreed during a previous audit to mitigate any high or medium risks identified we will seek evidence to support this, but other than obtaining management assurances, we will not generally follow up actions designed to mitigate only low risks.

8 Degrees of assurance

8.1 For 2020/21 we categorise our assurance levels, using the following definitions:

Assurance categories and definitions
Substantial assurance: the framework of control is adequately designed and/ or effectively operated overall.
Moderate assurance: the framework of control is adequately designed and/ or effectively operated overall, but some action is required to enhance aspects of it and/ or ensure that it is effectively operated throughout the service, system or process.
Limited assurance: there are some significant weaknesses in the design and/ or operation of the framework of control that put the achievement of the service, system or process' objectives at risk.
No assurance: there are some fundamental weaknesses in the design and/ or operation of the framework of control that could result in failure to achieve the service, system or process' objectives.

9 Deployment of audit resources

- 9.1 The plan is stated in terms of days input, which represents our best estimate of the way in which the audit resources will be deployed. The plan itself should however be viewed as a fluid document, with the specific content of individual reviews being subject to revision if required following the more detailed scoping meetings held with client management teams prior to formal commencement of individual audit reviews.
- 9.2 The content and outline scope of each audit within the plan, as well as an estimate of the number of audit days considered appropriate, is provided in the table below:

Audit review and anticipated timing	Outline audit scope	Days	Planning principle
<i>Governance and business effectiveness</i>			
Overall governance, risk management and control arrangements <i>Quarter 4</i>	In addition to the direct assurance gained from the individual audit assignments listed below, we will additionally gain assurance as follows: <ul style="list-style-type: none"> • We will consider the robustness of the risk management arrangements from our involvement and attendance at the meetings of the Audit Committee. • We will obtain assurance regarding the adequacy of governance arrangements, through our review of the minutes of the Executive Board, the Service Management Team and the Corporate Programme Board. 	3	Phase two (Obtaining assurance that key controls previously examined in detail are still operating effectively)
<i>Service delivery and support</i>			
Safeguarding	<ul style="list-style-type: none"> • We will assess the adequacy and effectiveness of the processes and controls in place to ensure LFRS works effectively with partner agencies to help prevent abuse and neglect and to provide a consistent approach when responding to safeguarding concerns. • We will additionally consider whether there are appropriate 	10	Phase one and two - we will both document the control framework and then assess the effectiveness

Audit review and anticipated timing	Outline audit scope	Days	Planning principle
	controls in place to ensure that firefighters and staff are able to recognise a person at risk of abuse or neglect in order that appropriate action is taken to protect them from harm should an emergency arise or to focus prevention activity towards them.		in operation of controls
Compliance with GDPR/ data Protection standards	<ul style="list-style-type: none"> We will assess the adequacy and effectiveness of the processes and controls in place to ensure compliance with the General Data Protection Regulations and the Data Protection Act, regarding the storage, location and delivery of the right information to the right people at the right time. 	10	Phase one and two - we will document the control framework and then assess the effectiveness in operation of controls
Business processes			
Accounts payable <i>Quarter 3</i>	<p>The audit will consider whether there are adequate and effective controls in place to ensure:</p> <ul style="list-style-type: none"> Compliance with financial regulations and the scheme of delegation. Processes employed for the ordering, receipting and payment of goods and services is appropriate and efficient. Inaccurate, illegitimate or duplicate orders/ invoices are not processed and paid. 	7	Phase two (compliance testing of existing controls)
Accounts receivable <i>Quarter 3</i>	<p>The audit will consider whether there are adequate and effective controls in place to ensure:</p> <ul style="list-style-type: none"> Invoices are raised on a timely basis for all goods and services provided. Invoices are cancelled or written off appropriately. Income is correctly accounted for. 	4	Phase two (compliance testing of existing controls)

Audit review and anticipated timing	Outline audit scope	Days	Planning principle
	<ul style="list-style-type: none"> Debtors are actively managed so as to reduce the level of bad debts and loss of income. 		
General ledger <i>Quarter 3</i>	The audit will consider whether there are adequate and effective controls in place to ensure: <ul style="list-style-type: none"> Access to the accounting systems is appropriately managed and controlled. There are no unauthorised changes to the accounting records. Financial data is complete, timely and accurate. Misappropriations or errors are detected. 	4	Phase two (compliance testing of existing controls)
HR/ Payroll <i>Quarter 3</i>	The audit will consider whether there are adequate and effective controls in place to ensure: <ul style="list-style-type: none"> Access to the HR and payroll systems is appropriately managed and controlled. Key HR and payroll data and information is securely retained. No unauthorised or invalid appointments have been made and valid appointments have been correctly established. No unauthorised or inaccurate payments or adjustments to pay have been processed. Staff are paid in a timely manner. Payroll costs and deductions are correctly accounted for. 	10	Phase two (compliance testing of existing controls)
Treasury management <i>Quarter 3</i>	The audit will consider whether there are adequate and effective controls in place to ensure: <ul style="list-style-type: none"> The regulatory framework/ internal treasury management strategy/ policy is followed. Treasury management reports to members are accurate and clear. Investment and borrowing decisions are based on accurate 	4	Phase two (compliance testing of existing controls)

Audit review and anticipated timing	Outline audit scope	Days	Planning principle
	and complete cash flow forecasting data. <ul style="list-style-type: none"> • There is effective scrutiny of Treasury management activity by those charged with governance. 		
Pension administration <i>Quarter 4</i>	<ul style="list-style-type: none"> • Assurance will be obtained directly from the work completed by the internal auditors of the Local Pension Partnership Limited. • Additional ad hoc work may be conducted as required. 	1	Assurance from external sources
<i>Follow up audit activity</i>			
Home Fire Safety Check	<ul style="list-style-type: none"> • The review will incorporate a self-assessment by management of the progress made in implementing agreed actions; and • Selective test checking of controls introduced to address identified unmitigated risk. 	2	Required by the Public Sector Internal Audit Standards
Business Continuity Planning and Optimising Rota Management project	<ul style="list-style-type: none"> • We were unable to conduct our follow up work in relation to Business Continuity Planning and the Optimising Rota Management Project due to restrictions imposed as a result of the Coronavirus pandemic. As a result, this follow up activity has been carried forward from the 2019/20 internal audit programme. 	2	Required by the Public Sector Internal Audit Standards
<i>Other components of the audit plan</i>			
Management activity	<ul style="list-style-type: none"> • Attendance at meetings of the Audit Committee. • Production of the annual audit plan. • Preparation of the monitoring reports. • Preparation of the annual report of the Head of Internal Audit. • Liaison with external audit. 	10	Compliance with the terms of the Internal Audit Charter

Audit review and anticipated timing	Outline audit scope	Days	Planning principle
National Fraud Initiative	<ul style="list-style-type: none"> Support to LCFA with the NFI data matching process. For 2020/21 activity will focus on the data submissions required as part of the two year audit cycle. 	3	Contribution to fraud prevention
Approved days		70	

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**LANCASHIRE COMBINED FIRE AUTHORITY
AUDIT COMMITTEE**

Meeting to be held on 28 July 2020

**RISK MANAGEMENT
(Appendix 1 refers)**

Contact for further information:

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

Executive Summary

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

Recommendation

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

Information

The latest review of the corporate risk register has not identified any new risks which warrant consideration for inclusion on the corporate risk register.

Existing Risks

Of the existing risks 10 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	2019/20 was the final year of the 4 year funding settlement. We had previously anticipated a new 4 year Spending Review being publicised, however due to uncertainty this has been delayed until summer 2020. As such 20/21 is a one year settlement, with a four year settlement anticipated later this year. Running alongside this is a Fair Funding Review and the prospect of moving to a 75% Business Rates Retention model, both of which will impact future funding. As such it is impossible to predict what future funding will look like, which is reflected in the Medium	Remains at 16	High

		<p>Term Financial Strategy (MTFS). The budget for 21/22 and beyond assumes a funding increase of 1.5% each year, and is based on assumptions contained within the MTFS shows a funding gap of up to £0.6m in subsequent years. The Authority holds sufficient reserves to meet this in the short to medium term.</p> <p>The March 2020 Budget launched the Comprehensive Spending Review 2020 (CSR), setting out the overall level of public spending within which the CSR will be delivered. It is unclear what will happen to this given the current pandemic. The latest assumption is that we will see a further one year budget in 21/22 and a subsequent Spending Review report in that year, covering resource budgets for three years from 2022/23.</p>		
2	<p>Premises Risk Information: That operational staff do not have available adequate and reliable premises information to efficiently resolve operational incidents: Risk information is provided to operational staff based on premises information and premises risk are identified on a continuous basis although this is not consistent throughout the Service.</p>	<p>No change, not due to report till 30/9/20</p>	9	Medium
3	<p>Insufficient staffing resources, due to Industrial Action, to deal with operational demand and fulfil statutory responsibilities</p>	<p>We are continuing to monitor the position regarding national pay awards, pensions and related role map reviews.</p> <p>The latest Employees Side pay claim issued in June 2020 highlighted that " Using CPI as the measure of inflation a competent</p>	Remains at 12	Medium

		firefighter needs an increase of £4,091 to restore real wages lost over the decade of austerity” and went on to say “the employers’ side of the NJC needs to urgently address these issues by means of an immediate and substantial pay increase to NJC rates of pay”		
4	Lack of availability of water supplies for fire fighting prevents effective fire fighting resulting in additional damage to property and increased risk to life.	Previously discharged		
5	The increasing age profile of operational staff could adversely affect our ability to deliver effective emergency response.	Previously discharged		
6	Operational staff do not have the required skills to operate safely at an incident with the potential to result in F/F injuries or fatalities.	The Operational Assurance Team continues to assess operational readiness through station visits, incident / exercise monitoring and debriefing. The team publishes a quarterly performance report to promote staff awareness of key operational performance issues, and monitor knowledge / understanding of issues identified in this. The dedicated Incident Command Training team continues to evaluate performance in this area, and Incident Commanders are now required to maintain a command license.	Remains at 9	Medium
7	Failure of key ICT systems resulting in disruption to services	New Wide Area Network complete. Due to complete migration to windows 10 and Office 2019. Start work to consolidate our 3 data centres to facilitate any potential SHQ relocation. Extend the use of Cloud services where appropriate. Upgrade Exchange infrastructure.	Remains at 9	Medium

8	Loss of corporate reputation through negative publicity	No change, not due to report till 31/12/20	9	Medium
9	Retention and recruitment of RDS staff impacts on RDS appliance availability	No change, not due to report till 31/12/20	9	Medium
10	Lack of workforce planning resulting in significant over/under provision of staff and resulting impact on service and finances	Previously discharged		Medium
11	Lack of compliance with legislation resulting in prosecution or compliance order	Previously discharged		
12	Ineffective Health and Safety in the workplace, resulting in prosecution, intervention fees etc.	No change, not due to report till 30/9/20	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 31/12/20	9	Medium
14	Delayed mobilisation, impacting on service delivery	No change, not due to report till 30/9/20	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.	In 2019/20 the Programme awarded contracts to 2 suppliers for the creation and delivery of fixed vehicle devices for use in the fire appliances and wider fleet. The NW region is working closely	Remains at 9	Medium

		with these providers to ensure the equipment meets our technical and end user requirements. In April 2020 the Programme made available equipment that has enabled LFRS to commence with the testing of coverage in order to gain the required assurances that the provision of network coverage is to contractual criteria and fit for purpose.		
18	Inability to maintain service provision in spate conditions	Previously discharged		
19	Failure to maximise the opportunities that technological advances present due to a lack of capacity within the ICT department, and an inability of staff to keep pace with new development that are implemented	Creation of Digital Transformation as a standalone department will allow ICT to focus on core infrastructure and increase development capacity once fully staffed. Currently recruiting additional staff for this team Introducing 4 apprentice roles across ICT and DT. Continue to review priorities for development capabilities.	Remains at 9	Medium
20	Loss of support for Vector Incident Command product with the product name Command Support System (CSS) leading to ineffective command function at large incidents	No change, not due to report till 30/12/20	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 30/9/20	10	Medium
22	Failure to maximise collaborative opportunities presented by Policing and Crime Act 2017	Blue Light Collaboration Board has been extended to NWAS and both Programme and Sponsor level attendance at meetings is from the 3 blue light services. In order to evaluate the effectiveness of the collaboration work to date consultants have been commissioned to carry out a review of the work to date. This work has been delayed due to the	Remains at 9	Medium

		ongoing Covid 19 Pandemic and findings will be considered once the report is completed.		
23	Lack of leadership capacity impacting on delivery of services	No change, not due to report till 31/12/20	9	Medium
24	Insufficient preparation for inspection programme leading to opportunities being lost in terms of national learning and Lancashire's ability to effectively communicate its progress and awareness	Previously discharged		
25	The outcome of the EU court ruling on the Matzak case relating to on-call arrangements in Belgium has a detrimental impact on service provision and/or cost.	Previously discharged		
26	Increase in costs of and/or lack of availability of goods and services, following Brexit	No change, not due to report till 30/9/20	12	Medium
27	Increase in costs associated with changes to pensionability of allowances	The Service has agreed with representative bodies which allowances are pensionable, and an implementation date of 1 June 2020 is the timeframe for implementing this. The position on backdating is unclear and the service is still in discussion with representative bodies on this. An additional £600k has been included in the 20/21 budget to cover additional employer contribution costs associated with this.	Remains at 16	High

28	Discontinued or long term malfunction in the KPI management software product (CORVU)	Interim maintenance of CorVu continues within team to maintain functionality. The upskilling of the new GIS Analyst to reduce the single point of failure is underway. We are continuing to review systems used in the sector to inform replacement options.	Remains at 6	Low
29	High levels of staff absence due to pandemic.	The pandemic Business Continuity Plan was implemented from March 2020 in response to Covid-19. Incident Management Teams and various sub-groups were implemented to manage impacts including – enhanced monitoring of staff absence levels, notification processes, Health & Safety guidance, appliance crewing models, increased home and remote working, re-defined core activities and support to Lancashire Resilience Forum work streams. Occupational Health Unit department to provide advice to managers/staff. Ongoing liaison with LRF / Emergency Planning Depts. To date staff absence as a result of the pandemic has been low and hence appliance availability has been maintained throughout the period to date.	Remains at 25	High

Financial Implications

None

Human Resource Implications

None

Equality and Diversity Implications

None

Environmental Impact

None

Business Risk Implications

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

Local Government (Access to Information) Act 1985

List of Background Papers

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

CORPORATE RISK REGISTER

Jun 20

	KEY RISKS	RISK MITIGATION/CONTROLS IN PLACE	LIKELIHOOD	IMPACT	RESIDUAL RISK	ACTIONS RECOMMENDED	BY WHEN	BY WHOM	RISK OWNER	DIRECTORATE
1	Insufficient resources due to poor funding settlement, inability to make required savings, additional financial pressures such as pay, pensions etc., plus council tax limits via local referendum resulting in Authority being unable to set a balanced budget.	The Government has confirmed that the multi-year settlement offers have been agreed with all single purpose fire and rescue authorities (19/20 is the final year of this). The Final Settlement for 19/20 was in line with the four year settlement previously agreed. However there still remains a great deal of uncertainty surrounding the impact of Brexit. Funding in 2020 and beyond will be determined by the Governments overall budget and the 2019 Spending Review. The Budget will set overall total for public sector spending which will then be allocated out to departments as part of the Spending Review. Until such time as the outcome of this is known it is impossible to accurately predict future funding levels. In addition the Government is currently consulting on a Fair Funding Review and changes to the Business Rates Retention Scheme, both of which may impact on future funding. The draft budget assume future funding is frozen. The Authority will continue to review opportunities for further savings. The Authority holds sufficient reserves to enable it to meet anticipated funding gaps in the short to medium term.	4	4	16	Continue to monitor position and review implications arising from Brexit, Spending Review, Fair funding review and Local Retention of Business Rates. Continue to identify savings opportunities	31/03/21	DoCS	DoCS	Corp Serv
2	Premises Risk Information: That operational staff do not have available adequate and reliable premises information to efficiently resolve operational incidents: Risk information is provided to operational staff based on premises information and premises risk are identified on a continuous basis although this is not consistent throughout the Service.	The gathering of operational risk information is a key activity within LFRS. The service has adopted an integrated approach to managing the risk; thereby ensuring safe systems of work for all employees. LFRS will undertake incident pre planning and the gathering of operational risk information to enable: *The prevention of injury and ill health of firefighters and other emergency responders *Management and mitigation of risks in the community *Continual improvement in the provision of, accurate, relevant and timely operational information *Compliance with the legal duties on Fire and Rescue Authorities in relation to operational risk information *Compliance with formal guidance and “best practice” models; and Audit and review mechanisms. Premises based risks are assessed using the Provision of Risk Information to Staff (PORIS) methodology. The risk based information is formulated via an application on the iPad and categorised from Level 1 through to Level 5 (e.g. Top Tier COMAH Sites.) All known high risk premises are recorded on the system.	3	3	9	The Operational Assurance Team have carried out the independent scrutiny, of SSRI reviews (across varying levels) completed within 2019. A key priority through 20 / 21 is the review of SSRI plans associated with built environment risks. This will be completed jointly by the newly created BEAT (Built Environment Assessment Team). Information Sharing Agreements with neighbouring FRS' are completed for digital cascade of risk information exchange for premises within 10km of a county border. REP are undertaking assurance (dip sample) of Level 4 PORIS.	30/09/20	HoSD	DoSD	Serv Delivery
3	Insufficient staffing resources, due to Industrial Action, to deal with operational demand and fulfil statutory responsibilities.	LFRS has a separate contingency plan in place that is specific to industrial action. This has been reviewed and reissued to all SMT and relevant staff. The Home Office has undertaken an audit of our arrangements, with the final reported noting our arrangements.	3	4	12	Continue to monitor the position regarding national pay awards, pensions and related role map reviews.	30/06/21	HoSD	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
4	Lack of availability of water supplies for fire fighting prevents effective fire fighting resulting in additional damage to property and increased risk to life.	The Service commissions, adopts, systematically inspects and repairs mains fed fire fighting hydrants across the County. We maintain operational plans that display the location of available hydrants and open water supplies. Accurate hydrant information now provided to FES. Hydrant inspections moved to a risk based programme. New SSI Hydrant Manager update - Central system (within FES) is now up and running with current information being available on appliance MDT's. Hydrant tech's now moved over to Toughbook's for hydrant management and reporting of defects. We have Strategic Hydrants (those with a flow rate of above 1,500 litres per minute), then Risk Category 1, 2 and 3. Strategic are tested annually, Risk 1 annually, Risk 2 every two years, and Risk 3 every three years. Defects are repaired either in-house by the Hydrant Technicians, or reported to United Utilities (Strategic being marked urgent). Strategic Hydrants are always flow tested and this is recorded on the hydrant asset in SSI. Other hydrants are dry tested Increased use of HVP for larger incidents.	2	3	6	Discharged				
5	The increasing age profile of operational staff could adversely affect our ability to deliver effective emergency response.	Fitness Assessments introduced and included as part of the Crew Training as of 1st April 14. Remedial action to ensure that acceptable levels of fitness are developed and maintained. Provision of facilities for physical exercise and training on operational stations. Currently staff are timetabled to take a fitness test, are subject to health monitoring and managers can refer staff to OHU if they have concerns. The Service provides a physiotherapy service, critical incident debriefing and counselling if needed.	3	2	6	Discharged				

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KEY RISKS	RISK MITIGATION/CONTROLS IN PLACE	LIKELIHOOD	IMPACT	RESIDUAL RISK	ACTIONS RECOMMENDED	BY WHEN	BY WHOM	RISK OWNER	DIRECTORATE
<p>Operational staff do not have the required skills to operate safely at an incident with the potential to result in F/F injuries or fatalities.</p>	<p>Recruitment of Whole-time and RDS staff is undertaken against national standards. Initial and Continuation training delivery is based on National Occupational Standards (NOS), National Operational Guidance (NOG) and Training Specifications. Role related competencies have been identified and recorded within the PDR Pro system with appropriate retraining frequencies identified. Initial and Refresher training delivered to cover a wide range of specialist skills. Particularly risk Critical areas such as Breathing Apparatus are centrally assessed to ensure uniformity. An Operational Assurance policy is in place delivered through a dedicated Operational Assurance Team that continually assesses operational readiness through station visits, incident / exercise monitoring and debriefing. The team publishes a quarterly performance report to promote staff awareness of key operational performance issues. As well as internal learning sources, the team receives National Operational Learning (NOL) in relation to nationwide incidents, Rule 43 Letters and Joint Operational Learning from other blue light Services and Resilience Forum Partners. Such learning results in a range of actions including REC1 safety bulletins, changes to operational policy and training content (both courses and e-learning) and thus constant evolution/improvement in safety and effectiveness. A dedicated Incident Command Training team exists recognising the vital importance of this skill to safe and effective operations. Incident Commanders are now required to maintain a command license. Retained Support Officers have been appointed and their responsibilities include recruitment and training. The Service continues to invest in training props to ensure realistic hot fire training conditions. Through the Operational Assurance Group, Prevention, Protection and Response Task and Strategic Groups along with the Health, Safety and Environment Advisory Groups, internal and external learning are monitored and fed into the Training and Operational Review department to influence operational training.</p>	3	3	9	<p>Monitor effectiveness of Operational Assurance Performance Report in disseminating information</p>	31/03/21	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	Complete the implementation of the new WAN Start work to consolidate our 3 data centres to facilitate any potential SHQ relocation. Extend the use of Cloud services where appropriate. Achieve Cyber Essentials Plus. Upgrade Exchange infrastructure. Complete migration to windows 10 and Office 2019	30/06/21	HoICT	HoICT	Strategy & Planning
8 Loss of corporate reputation through negative publicity.	Emergency communication plan and toolkit covers all aspects of risk including business continuity issues, emergencies and broader reputational risk, and fulfils requirements of the Lancashire Resilience Forum emergency communications plan. Documents were updated in September 2018 following Winter Hill moorland fire learning. Plan regularly tested during exercises. Effective reactive press office and proactive media activity to build positive reputation including on-call arrangements for out-of-hours cover. Media and social media training forms part of middle manager development programme and is delivered to individuals and teams as required throughout the year. A social media management tool was procured in February 2018 which provides ability to monitor and manage, if required, social media activity by stations. Communication plans for all corporate projects include internal communication to ensure staff are well informed to reduce risk of misinformation. Corporate use of social media is embedded in communication plans with policy and guidance in place. Scanning and planning function helps anticipate and plan for specific reputational risks and daily media monitoring highlights inaccurate reporting and emerging issues that that need to be addressed or corrected.	3	3	9	Revised image consent forms have been produced in line with GDPR however social media guidelines are yet to be updated in respect of images and personal data, as a preferred method of processing and storing images has yet to be determined by the Service. Revised media and social media training to be delivered	31/12/20	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
9 Retention and recruitment of RDS staff impacts on RDS appliance availability.	RDS recruitment and retention working group established. Increased RDS basic recruits course population from 12 to 24. Quicker access to BA course on completion of recruit training. TOR support throughout the RDS probationary period. Enhanced retained pay scheme introduced and reviewed regularly. The service allows shorter RDS contracts to improve appliance availability. Encourages dual contract staff to contribute to the RDS. RDS availability targets now reduced to 95%. Proactive recruitment by SDM's. Joint working between HR and service delivery to enhance current recruitment processes. RDS Strengthening & Improving programme in place with the focus on supporting staff through their developmental stages and improving efficiency and effectiveness of recruitment work. A new Recruitment Vehicle has been established. RSO activity around both development and recruitment are paying off with improved levels of support being given across all required skill sets to those in the Service and those looking to join us.	3	3	9	RSO's continue to embed 'core skills' workshops on stations and STC staff routinely delivering Incident Command skills across a variety of topics to RDS staff to improve competency as well as sense of feeling valued. Activity around RDS recruitment campaigns will continue to develop. For those who fail the RDS course the RSO's maintain contact and developmental work with a view to attendance on subsequent course. Monitor success of initiatives.	31/12/20	HoSD	HoSD	Serv Delivery
10 Lack of workforce planning resulting in significant over/under provision of staff and resulting impact on service and finances.	A mechanism of workforce planning has now been agreed and this will be reviewed on annual basis. As part of the development of the workforce plan a review of retirement profile is considered which is the main reason for turnover for those staff on grey book terms and conditions, this information is used to plan recruitment and enables us to plan effectively ensuring enough staff. Further to the turnover last year, an internal recruitment campaign and associated recruitment resulted in recruitment to 27 posts. A further recruitment campaign is being conducted for 2017/18 which will be completed by mid-May. Our approach to training and organisational development ensures that staff have the necessary ability, skills and training in order to able to undertake the job role. In terms of managing the risks associated with over establishment, all posts are checked against the post book prior to advertising. Where a post is not established it needs to go through specific authorisation and establishment process which ensures that we control the number of posts we recruit.	2	3	6	Discharged				
11 Lack of compliance with legislation resulting in prosecution or compliance order.	Clerk of Authority reviews all Committee reports for legality and advises CFA. Clerk and Solicitor review new legislation. Government notify of all new requirements Horizon scanning.	2	2	4	Discharged				

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	KEY RISKS	RISK MITIGATION/CONTROLS IN PLACE	LIKELIHOOD	IMPACT	RESIDUAL RISK	ACTIONS RECOMMENDED	BY WHEN	BY WHOM	RISK OWNER	DIRECTORATE
12	Ineffective Health and Safety in the workplace, resulting in prosecution, intervention fees etc.	<ul style="list-style-type: none"> • Health and Safety Management System (HSMS) in place certified to OHSAS 18001:2007 to develop, maintain and continuously improve the HSMS. • Operational Assurance Programme. • HSA3 – workplace inspection programme. • Publication of risk information – Health and Safety Risk and Opportunities Register resulting in service objectives and targets, Generic Risk Assessments, Service Orders, Standard Operating Procedures etc. • External audit and scrutiny through External Auditors. • Health, Safety and Environment Advisory Group / Health and Safety Consultation Meeting monitor performance. • Annual SHE Report presented to CFA. • LFRS SHE Audit and Development Plan to develop, maintain, ensure compliance, review and continuously improve the HSMS. 	3	3	9	Following the independent audit of Health and Safety and Environmental Management Systems carried out as part of our OHSAS 18001 and ISO 14001 certification process non-conformances and opportunities for improvement are collated together into the SHE Audit Improvement Action Plan and monitored to conclusion through the Health, Safety and Environment Advisory Group.	30/09/20	HoSHE	HoSHE	People & Development
13	Lack of effective Information management impacting on service delivery and support or leading to a breach of data protection/freedom of information or a loss of sensitive/personal information.	<p>A revised structure to deliver Information Management has been implemented. Nominated Data Protection and Freedom of Information Lead Officers to ensure legal obligations met. All freedom of information requests considered by Exec Board.</p> <p>Data encryption in place. Information Management related projects are progressing as scheduled with governance from Programme Board and DCFO as Sponsor. Compliance with the Data Protection Act (DPA) and General Data Protection Regulation (GDPR) remains a priority.</p> <p>A data protection LearnPro module; this will further support the Service in effective information management by increasing staff awareness. The Service has also provided specialist data protection and GDPR training to increase staff knowledge and engagement with the subject matter. Data protection has been added as a standard agenda item to several key Papers in the Service.</p> <p>The appointment of a DPO not only aligns the Service with legislative obligations but also provides the oversight inherent to that post.</p>	3	3	9	Work remains ongoing in order to deliver performance management integration within our District Plan, the first stage of which is to prototype a CorVu replacement. If successful, this should be developed further to automate the wider District Plan Key Performance Indicators (KPI's). The Information Management Strategy has been supported by the recruitment of a Data Management Officer and a fixed-term Records Officer.	31/12/20	HoServ Develop	DoSP	Strategy & Planning
14	Delayed mobilisation, impacting on service delivery.	<p>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.</p> <p>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.</p>	3	3	9	New road speed algorithms have now been deployed onto a test server at NWFC. This is being tested by the four FRS to assess its accuracy and will go live in the New Year	30/09/20	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
15	High levels of staff absence due to outbreak of Ebola.	On-going liaison with LCC Emergency Planning Dept and LRF. Separate BCP plans developed re large scale staff absence. Enhanced sickness and absence policy implemented. OHU department to provide advice to managers/staff.	1	4	4	Discharged				
16	Lack of clarity on future of FRS, leading to inertia.	<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				

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KEY RISKS		RISK MITIGATION/CONTROLS IN PLACE	LIKELIHOOD	IMPACT	RESIDUAL RISK	ACTIONS RECOMMENDED	BY WHEN	BY WHOM	RISK OWNER	DIRECTORATE
17	Failure of ESMCP to deliver a viable communication facility.	<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.</p> <p>In 2019/20 the Programme awarded contracts to 2 suppliers for the creation and delivery of fixed vehicle devices for use in the fire appliances and wider fleet. The NW region is working closely with these providers to ensure the equipment meets our technical and end user requirements. In April 2020 the Programme made available equipment that has enabled LFRS to commence with the testing of coverage in order to gain the required assurances that the provision of network coverage is to contractual criteria and fit for purpose.</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 integration with existing systems such as MDT. LFRS is managing the project with a dedicated Project Manager through Home Office allocated funding and key staff members such as Head of ICT are aligned to relevant work packages. Significant progress cannot be achieved until after the HO issue the revised National Transition Plan.</p>	30/06/21	DoSP	DoSP	Strategy & Planning
18	Inability to maintain service provision in spate conditions	<p>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</p> <p>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.</p> <p>The enhancement of staff PPE with provision of flood suits and associated training is complete.</p> <p>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.</p>	3	2	6	Discharged				

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	KEY RISKS	RISK MITIGATION/CONTROLS IN PLACE	LIKELIHOOD	IMPACT	RESIDUAL RISK	ACTIONS RECOMMENDED	BY WHEN	BY WHOM	RISK OWNER	DIRECTORATE
19	Failure to maximise the opportunities that technological advances present due to a lack of capacity within the ICT department, and an inability of staff to keep pace with new development that are implemented	ICT Asset Mgt Plan in place, which identifies replacement timeframes for existing systems. Revised ICT Strategy presented to Resources Committee in March 2018 and includes work stream to improve user experience. BPIP consider all new ICT systems/developments, as part of this consideration is given to capacity planning in terms of ICT resource and impact on end users CPB consider outcomes from BPIP Additional Systems Engineering posts are now filled with the individuals already having a positive impact on the back log of work. Creation of Digital Transformation as a standalone department will allow ICT to focus on core infrastructure and increase development capacity once fully staffed.	3	3	9	Upgrade Exchange infrastructure. Complete migration to windows 10 and Office 2019 They have continued to develop bespoke packages, such as Assurance Monitoring System. Currently recruiting additional staff for Digital Transformation department created in June 2020 Introducing 4 apprentice roles across ICT and DT.	30/06/21	HoICT	DoSP	Strategy & Planning
20	Loss of support for Vector Incident Command product with the product name Command Support System (CSS) leading to ineffective command function at large incidents	The CSS software application (Vector Incident Command) we run on our command units to manage the incident command system, went into administration and the Intellectual Property Rights (IPR) for the software were bought at auction by Telent, who are the prime contractor for the NWFC ICT mobilising and communication. Telent have presented to say they will ensure that the original Vector developments as promised under the NWFC contract will be delivered. However developments have been very slow	3	3	9	A new project has now commenced to deliver a new command software solution and work is on-going to develop the specifications to move the Service forward towards procurement.	31/12/20	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
21	Risk of rapid external fire spread in high rise premise resulting in a major incident	<p>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:</p> <ul style="list-style-type: none"> -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 <p>Community reassurance visits undertaken. Temporarily amend PDA to high rise to include an ALP</p>	2	5	10	<p>Relevant inspections completed. Built Environment Assessment Team has been created following the release of the Grenfell Phase 1 report and associated recommendations, and in light of a number of significant / protracted fires wherein the building has failed or not behaved in the manner anticipated. Terms of Reference for the team are being developed which will give the service a greater understanding of the risk that exists across the building stock in Lancashire. Specifically in relation to the more complex built environment, that incorporates modern methods of construction, which warrants a more focussed and detailed assessment, that will subsequently enhance the operational service delivery and protection services that we offer.</p>	30/09/20	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
22	Failure to maximise collaborative opportunities presented by Policing and Crime Act 2017	Well-developed relationships with Lancashire Constabulary and NAWAS 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. Blue Light Collaboration Board has been extended to NAWAS and both Programme and Sponsor level attendance at meetings is from the 3 blue light services	3	3	9	3 core projects to be progressed to scope report status:- • multi officer role • response arrangements • public order training at Washington hall Further roll out of EMR is dependent upon outcome of national pay negotiations In order to evaluate the effectiveness of the collaboration work to date consultants have been commissioned to carryout a review of the work to date. This work has been delayed due to the ongoing Covid 19 Pandemic and findings will be considered once the report is completed.	30/06/21	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	New performance management/appraisal system introduced. A more formal approach to Talent Management has been introduced which aspires to be an open, transparent approach and encourages individuals and line managers to reflect on their current position, for feedback to be given and opportunities for development identified through a lifetime/career conversation if this is something the individual wishes to pursue. Leadership development programmes continue to be delivered. Future workforce needs are reviewed on an ongoing basis, this is particular relevant in light of potential impact of transitional pension arrangements	31/12/20	HoHR	DoPD	People & Development

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			LIKELIHOOD	IMPACT	RESIDUAL RISK	ACTIONS RECOMMENDED	BY WHEN	BY WHOM	RISK OWNER	DIRECTORATE
KEY RISKS	RISK MITIGATION/CONTROLS IN PLACE									
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.	1	5	5	Discharged				
26	Increase in costs of and/or lack of availability of goods and services, following Brexit	We are continuing to monitor any trends in terms of this, with a view to identifying the extent of any impact. If costs increase significantly in the short term we will need to drawdown reserves in order to deliver a balanced budget. We have not seen any evidence that the availability of essential goods/services has been affected at this moment in time.	3	4	12	Continue to monitor impact	30/09/20	HoProc	DoCS	Corporate Services
27	Increase in costs associated with changes to pensionability of allowances	Following a High Court decision on the pensionability of allowances, which provides a different interpretation to both the historical basis and to previous decisions of the Pensions Ombudsman, the pensionability of various allowances will change with associated cost implications. The position is unclear and the fire service (including LFRS) is awaiting guidance from the LGE. Issues to be determined include:- • What is the correct interpretation • The impact in respect of each of the three pension schemes • Does backdating apply • How to treat both employee and employer contributions • The position of representative bodies on this	4	4	16	Continue to monitor guidance	31/12/20	DoPD	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
28 Discontinued or long term malfunction in the KPI management software product (CORVU)	Close contract management with the provider to ensure that the product remains functional and fit for purpose. Staff member will lead responsibility is highly trained in the product and can carryout some maintenance in order to support functionality. Some alternative work arounds identified that will be resource intensive and may not provide the existing quality of data and subsequent analysis.	3	2	6	Continue to review the systems utilised in the sector and comparable users in order to identify a replacement product in a timely manner. Carryout a review of alternative work solutions in order to ensure that CFA Performance reports and Service Delivery District level reports remain deliverable. Priorities the upskilling of the new GIS / analyst to reduce the single point of failure risk.	31/03/21	HoSDD	DoSP	Strategy and Planning
29 High levels of staff absence due to pandemic.	The pandemic BCP was implemented from March 2020 in response to Covid-19. IMT and various sub-groups were implemented to manage impacts including – enhanced monitoring of staff absence levels, notification processes, H & S guidance, appliance crewing models, increased home and remote working, re-defined core activities and support to LRF work streams. OHU department to provide advice to managers/staff. On-going liaison with LRF/Emergency Planning Depts. To date staff absence as a result of the pandemic has been low and hence appliance availability has been maintained throughout the period to date	5	5	25	Full internal and LRF debriefs to be progressed once BCP arrangements stood down.	31/12/20	HoSDD	DoSP	Strategy and Planning

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HIGH	3
MEDIUM	16
MEDIUM/LOW	7
LOW	3
	<u>29</u>

Scores

Likelihood

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

Impact

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

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LANCASHIRE COMBINED FIRE AUTHORITY

AUDIT COMMITTEE

Meeting to be held on 28 July 2020

SCALE OF AUDIT FEES 2020/21

Contact for further information:

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

Executive Summary

Public Sector Audit Appointments Limited (the successor to the Audit Commission) has produced a consultation document on proposed scale of audit fees for 2020/21, where they propose to maintain base fees at their current level, £23.7k, with any variation to this being dealt with through local negotiations.

Recommendation

The Audit Committee is asked to note our response to the consultation document set out in the report and the subsequent confirmation that the fee remains at £23.7k, subject to local agreement on any variations.

Information

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

PSAA consulted on the proposed scale of fees for 2020/21 audits commencing in January. The following summarises the consultation document and PSAAs approach to audit fees:-

Setting the fee scale for audits of 2020/21 financial statements is challenging. It requires consideration and assessment of the impact of a range of factors, many of which are difficult to quantify at this stage. They include:-

- issues which have given rise to additional audit work in relation to 2018/19 accounts, or are expected to arise and have implications for 2019/20 accounts' audits, and which may or may not have ongoing implications for subsequent years;*
- new auditing standards and regulatory requirements, including any decisions taken by Government in response to the reviews highlighted in para 7; and*
- the introduction of the new Code of Audit Practice and related Auditor Guidance Notes (AGNs), the implementation of which may have one-off and/or ongoing implications for the extent of auditors' work.*

The nature of many of the factors highlighted is that their impact is likely to vary from one audited body to another. Even within classes of similar bodies impacts may vary significantly depending upon local characteristics which have implications for audit

risks. Importantly, although the new Code and the revised AGNs will clearly apply to all bodies, they may require different levels of audit work depending, for example, on the maturity of the body's value for money arrangements in respect of the specific themes/reporting criteria identified in relation to the new audit commentary, namely financial sustainability, governance and improving economy, efficiency and effectiveness.

In PSAA's view, discussions about the impact of the factors outlined needs to take place at local body level between the appointed auditor and an authorised representative of the audited body, such as the chief finance officer. This is the level at which each factor or variable can be considered in the distinctive context of the particular body, having regard to any implications for audit risk and the extent of any additional audit work which may be required to enable an appropriate level of assurance.

PSAA will consider the reasonableness of any proposed one-off fee variations and/or ongoing adjustments to scale fees arising from these discussions. Ideally the majority of such conclusions will reflect an agreed position which is supported by both the audited body and the auditor. However, even where agreement has been reached, PSAA will review proposals and advise the relevant parties if we have any significant concerns. In the event that authorised representatives and auditors are unable to reach an agreed position, PSAA will arrange a discussion with the parties with a view to determining a fair outcome in relation to any one-off variations or ongoing scale fee adjustments arising.

PSAA does not need to increase scale fees for any other pressures affecting the company's own costs including inflation. Accordingly, we propose that the base scale of fees for 2020/21 should remain unchanged from the scale agreed in respect of 2019/20 audits. However, as outlined above, we envisage that local discussions between audited bodies and auditors will lead in some cases to ongoing adjustments to individual scale fees as well as to one-off variations. For transparency, we will summarise the volume and extent of these adjustments and variations as part of our established quarterly audit contract monitoring reporting arrangements

As a result they proposed that scale audit fees should remain the same as the fees applicable for 2019/20, £23.7k, with any variation from this being agreed locally.

We do not feel that this approach accurately reflects the audit requirements at the present time. Whilst PSAA state that the impact of some of the changes are likely to vary from one audited body to another, even within classes of similar bodies, we do not believe this is an accurate reflection of the situation. We readily acknowledge that fees will vary according to the complexity of organisation and this is already reflected in the base fee, however we do not believe that the fee for changes to asset valuations, or pension liability valuations or the extent of challenge required will vary significantly between one organisation and another, other than to reflect size and complexity which are already taken account of. As such we are firmly of the opinion that PSAA should do more to agree the impact of changes to auditing standards at a national level, as opposed to simply passing these discussions onto local negotiation. As such we submitted the following response after consultation with the Chair and Vice Chair:-

The consultation document clearly acknowledges the difficulties that arose as part of the 18/19 audit and the additional work that auditors state they have undertaken as a result of changes to FRC requirements (Pension Liabilities and PPE valuations being the most cited). Furthermore the document acknowledges that fees will be affected by:-

- issues which have given rise to additional audit work in relation to 2018/19 accounts, or are expected to arise and have implications for 2019/20 accounts' audits, and which may or may not have ongoing implications for subsequent years*
- new auditing standards and regulatory requirements, including any decisions taken by Government in response to the reviews highlighted in para 7*
- and the introduction of the new Code of Audit Practice and related AGNs, the implementation of which may have one-off and/or ongoing implications for the extent of auditors' work.*

Despite this the consultation document does not address the impact of any of these changes, even though it is clear that they will continue to apply, instead suggesting that these should be subject to local negotiation. This seems wholly inappropriate, we as an Authority are looking to PSAA to provide guidance on what the correct 'base fee' should be, taking account of all known guidance that auditors are required to follow. We acknowledge that should local circumstances dictate that more audit work is required this should be negotiated at a local level, but we also feel that should more work be required across the whole sector due to changing audit requirements then PSAA should issue further fee guidance to take account of that.

The situation this year is extremely difficult, with auditors only raising the issue of increased fees after the audit has completed, as opposed to when additional work requirements were first introduced. We then get into a debate about the extent of changes, the additional work required and what constitutes a reasonable increase in fees for this. Surely that must be the role of PSAA to undertake fee negotiation at a national level, when it is not down to local circumstances but about changes in national guidance.

This consultation document doesn't take on board any of these issues, simply leaving fees as they are, despite our auditors telling us that isn't sustainable. As such we cannot endorse the consultation document and strongly recommend that you revisit this to agree a more realistic position with the appointed auditors on what is a 'base fee' for each authority taking account of known requirements at this stage, with a caveat that this will be revisited should auditing standards/requirements change.

Subsequent to this PSAA confirmed the scale fee for 2020/21 would remain at £23.7k, with any variation from this being negotiated locally. At the same time PSAA Board confirmed that they had commissioned a review of the scale fees framework in 2019, and published the finding of this review. They highlighted that the current level of scale fees generated significant comment from audit firms, opted-in authorities and other stakeholders, and is a common theme for commentators on public audit. In most cases scale fees have reduced by 65% from the 2011/12 level. The reasons for these reductions include a significant reduction in Audit Commission activity from 2012/13, transfer of all the Commission's audit staff to firms, keen pricing from firms in successive procurements, improved audit efficiencies, and

reductions in PSAA’s costs. There is now mounting pressure on fees as the scope of audit and the role of the auditor have come under renewed scrutiny. Recent high-profile corporate failures in the private sector, concerns about the financial resilience of some local government bodies and additional technical requirements have led to an increase in the amount of work auditors are undertaking to discharge their statutory responsibilities. PSAA state their fee setting process strives to take into account both the needs of opted-in bodies and the need for long-term sustainability of the local audit supply market. Their current review is exploring the arrangements for setting and varying scale fees. The results of this review will be reported to the Board during 2020, and hence should inform future consultations.

Financial Implications

The fee, and anticipated variations, is reflected in our budget for 2020/21.

Human Resource Implications

None

Equality and Diversity Implications

None

Business Risk Implications

None

Environmental Impact

None

Local Government (Access to Information) Act 1985

List of Background Papers

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