

Public Document Pack

LANCASHIRE COMBINED FIRE AUTHORITY

AUDIT COMMITTEE

Tuesday, 29 March 2022 in Washington Hall, Service Training Centre, Euxton commencing at 10.00 am.

If you have any queries regarding the agenda papers or require any further information, please initially contact Diane Brooks on telephone number Preston (01772) 866720 and she will be pleased to assist.

<u>AGENDA</u>	
<u>PART 1 (open to press and public)</u>	

Chairman's Announcement – Openness of Local Government Bodies Regulations 2014

Any persons present at the meeting may photograph, film or record the proceedings, during the public part of the agenda. Any member of the press and public who objects to being photographed, filmed or recorded should let it be known to the Chairman who will then instruct that those persons are not photographed, filmed or recorded.

1.	<u>APOLOGIES FOR ABSENCE</u>
2.	<u>DISCLOSURE OF PECUNIARY AND NON-PECUNIARY INTERESTS</u> 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.	<u>MINUTES OF THE PREVIOUS MEETING</u> (Pages 1 - 6)
4.	<u>INTERNAL AUDIT MONITORING REPORT</u> (Pages 7 - 18)
5.	<u>INTERNAL AUDIT PLAN - 2022/23</u> (Pages 19 - 34)
6.	<u>EXTERNAL AUDIT - AUDIT REPORT AND SECTOR UPDATE</u> (Pages 35 - 54)
7.	<u>EXTERNAL AUDIT - UNDERSTANDING HOW THE AUDIT COMMITTEE GAINS ASSURANCE FROM MANAGEMENT</u> (Pages 55 - 80)
8.	<u>RISK MANAGEMENT</u> (Pages 81 - 106)
9.	<u>DATE OF NEXT MEETING</u> The next scheduled meeting of the Committee has been agreed for 10:00 hours on <u>5 July 2022</u> in Washington Hall, Service Training Centre, Euxton. Further meetings are: scheduled for 27 September 2022 and 29 November 2022 proposed for 28 March 2023

10.	<p><u>URGENT BUSINESS</u></p> <p>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.</p>
11.	<p><u>EXCLUSION OF PRESS AND PUBLIC</u></p> <p>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.</p>
<u>PART 2</u>	
12.	<p><u>URGENT BUSINESS (PART 2)</u></p> <p>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.</p>

Agenda Item 3

LANCASHIRE COMBINED FIRE AUTHORITY

AUDIT COMMITTEE

Tuesday, 30 November 2021, at 10.00 am in the Washington Hall, Service Training Centre, Euxton.

MINUTES

PRESENT:

Councillors

J Shedwick (Chairman)
N Hennessy (Vice-Chair)
S Clarke
F Jackson
A Kay
J Singleton

Officers

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

In attendance

A Ayre, External Audit, Grant Thornton
J Taylor, Internal Audit, Lancashire County Council

22-20/21 APOLOGIES FOR ABSENCE

An apology was received from County Councillor Munsif Dad.

23-20/21 DISCLOSURE OF PECUNIARY AND NON-PECUNIARY INTERESTS

None received.

24-20/21 MINUTES OF THE PREVIOUS MEETING

RESOLVED: - That the Minutes of the last meeting held on 28 September 2021 be confirmed as a correct record and signed by the Chairman.

25-20/21 EXTERNAL AUDITORS ANNUAL REPORT 2020/21

Mr Ayre, Audit Manager presented the report.

The report re-affirmed the draft opinion on the accounts previously reported to the Committee that the external auditors had completed their audit of the

Authority's financial statements and issued an unqualified audit opinion.

The review of value for money arrangement covered the 3 areas of i) financial sustainability; ii) governance and iii) improving economy, efficiency and effectiveness. The auditor's review did not identify any significant weaknesses in arrangements across any of these areas, but had made 4 improvement recommendations as set out pages 10, 14, 15 and 16 of the report and now considered by Members: -

1. Recommendation – that the Authority should continue to identify and develop sufficient savings plans to avoid depleting General Fund reserves below the minimum level. Management Comment - Agreed, this had been in abeyance awaiting a multi-year settlement, hence this would form part of future years budgets/medium term financial strategy;
2. Recommendation - Within the Corporate Risk Register it was recommended that each risk be mapped to the relevant corporate objective. Management Comment – We do not believe this will assist as many of the risks span across more than one objective;
3. Recommendation - that the Authority should remove discharged risks from the Corporate Risk register. Management Comment – We do not accept this recommendation; the inclusion of discharged risks demonstrates which risks have previously been considered by the Authority. The reporting of risks made it clear that these had previously been discharged, and did not impact on Members focusing on 'live' risks;
4. Recommendation - Review the adequacy of procedures around members declaring interests. Also, implement a regular completeness check to identify any gaps in declarations. For example, this may include a search of Companies house records to compare directorships held to those recorded on the register of interests. Management Comment - We will conduct a review about adequacy of procedures around the declaration of Members' interests, including consideration of what, if any, verification process is required.

It was noted that the final audit fee was £38.9k, which was consistent with the fee agreed as part of the Audit Plan. This was £15.2k higher than the scale fee identified by Public Sector Audit Appointments, reflecting the increased work associated with changes to auditing standards, as previously reported. The increase in fees was broadly consistent with similar audited bodies. The Government had however, provided an additional £15m of funding to compensate authorities for increased audit fees, arising from changes to auditing standards etc, and the Authority's share of this was £12.2k. As such net audit fees were £26.7k.

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

26-20/21 INTERNAL AUDIT MONITORING REPORT

The Internal Auditors produced a summary of progress against the annual plan for each Audit Committee meeting, setting out progress to date and any significant findings. The report for the period up to 12 November 2021 was presented by Judith Taylor. It was noted that work carried out during this period was in accordance with the agreed audit plan.

The report identified to date that 39 days had been spent this financial year on the 2021/22 plan which equated to 56% of the totalled planned activity of 70 days.

Progress to date in relation to the plan was provided and discussed by Members. Audit work across the 3 key financial systems (accounts payable, accounts receivable, general ledger) had been completed in November and an opinion of substantial assurance provided with no areas for improvement identified. Substantial assurance was also provided in relation to treasury management with no areas for improvement suggested.

In relation to training, learning and development. The audit report was finalised in August 2021 and 4 medium and 3 low residual risk actions had been agreed to enhance the internal review and reporting arrangements in relation to compliance with mandatory training timescales and the recording of training needs, and the formal approval and distribution of the current training plan and policy documents.

It was noted that an interim review had already been completed and an overall opinion on the adequacy and effectiveness of governance, risk management and control arrangements would be reported as part of the 2021/22 Annual Report of the Head of Internal Audit.

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

27-20/21 APPOINTMENT OF EXTERNAL AUDITORS

The Director of Corporate Services presented the report. At its meeting on 20 February 2017 the Authority opted into Public Sector Audit Appointments (PSAA) auditor appointment arrangements (resolution 6/16 refers), whereby PSAA was responsible for appointing an auditor to principal local government and police bodies that had chosen to opt into its national auditor appointment arrangements. This appointment covered the period 2018/19 to 2022/23. The Authority therefore now needed to determine how to appoint its external auditors when that arrangement expired.

It was noted that there were 3 ways for a principal local government or police body to appoint its auditor for the five financial years from 2023/24:

1. undertake a stand-alone individual auditor procurement and appointment exercise;
2. undertake a joint audit procurement and appointing exercise with other

- bodies; or
3. join PSAA's sector led national scheme.

These options were considered in 2017 and appendix 1 set out the advantages / disadvantages of the options. At that time the Authority determined that pursuing the sector led approach represented the best option. This was again proposed given the following advantages were still identified: -

- avoid the necessity to establish an independent auditor panel (detailed requirements specified by the [Local Audit & Accountability Act, 2014](#));
- avoid the need to manage their own auditor procurement, including the costs of doing so;
- benefit from PSAA undertaking a robust process to validate fee variation proposals; and
- assuming a high level of participation, be able to support market sustainability and encourage realistic prices in a challenging market.

A local auditor must be appointed no later than 31 December in the financial year preceding the financial year of the accounts to be audited, i.e. for the audit of the accounts of the 2023/24 financial year, there must be a local auditor appointed by 31 December 2022.

PSAA's sector led national scheme

In accordance with the Local Audit and Accountability Act 2014 and the Local Audit (Appointing Person) Regulations 2015 (the Regulations), PSAA formally invited all eligible bodies to join the national auditor appointment arrangements for the audit years 2023/2024 to 2027/2028 in its role as a specified appointing person. Attached as appendix 2 as now considered was the Prospectus that PSAA issued at the time.

A decision to become an opted-in authority must be taken in accordance with the Regulations by the Members of an Authority meeting as a whole, i.e. the full Authority. The closing date to give notice to PSAA of the authority's acceptance of the invitation was 11 March 2022.

Following the completion of the procurement of audit services (envisaged as August 2022), the [auditor appointment process](#) would be:

- publish the process for making individual auditor appointments for opted-in bodies from 2023/24 during spring/summer 2022;
- consult with opted-in bodies on proposed auditor appointments during the late summer/autumn 2022; and
- confirm all auditor appointments by 31 December 2022.

Audit Fee

The external audit fee for 2020/21 account was £39k. In recent years this fee had increased due to the additional requirements placed on auditors by the Financial Reporting Council. Audit firms had expressed a view that the existing fees were not sustainable and hence any procurement exercise was likely to

result in higher fees, irrespective of how it was conducted.

Opting into a national sector led approach with PSAA provided some opportunity to limit the extent of any increases by entering in to a large-scale collective procurement arrangement and it was felt that a sector led approach was likely to result in the best compromise between sustainable fees and quality of audit. It would also remove the costs of establishing an auditor panel, required under the other two approaches, which if selected, would need to be incorporated into future years budgets.

RESOLVED: - That the Committee propose that the full Authority accepted PSAAs invitation to opt into the national scheme.

28-20/21 RISK MANAGEMENT

The Director of Corporate Services presented the report. The report highlighted action taken in respect of corporate risk since the last Audit Committee meeting. The latest review of the corporate risk register identified 1 new risk which warranted inclusion on the corporate risk register:

Increase in energy costs

The Service currently spent approx. £400k on energy. The contracts for both gas and electricity (let via a national framework agreement) fixed the tariff at the start of each year, meaning that the increased costs on the market would not be passed onto the Service in the current financial year. However, when prices were fixed for next year, there was the potential for a significant increase in costs. The potential increase was currently being reviewed for inclusion in the budget setting exercise, however even a 25% uplift would result in an increase in excess of £100k.

In order to mitigate the risk of a significant increase a YPO framework was used to fix prices. YPO actively reviewed the market, attempting to fix prices at the most favourable rates. The Service also looked to introduce more energy efficient lighting and heating as well as improving thermal qualities of buildings (e.g. replacing windows/ doors/ facades).

Given the potential cost increase, this was a medium risk as whilst the increase seemed certain the overall financial impact in terms of the total budget was relatively low.

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

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

29-20/21 STRATEGIC ASSESSMENT OF RISK

The Director of Corporate Services presented the Authority's Strategic Assessment of Risk (SAoR) which was presented to the Planning Committee at

its meeting on 15 November. Given the SAoR linked to the risk management processes and the corporate risk register the report presented to Planning Committee, together with a tabled document that set out the highest risk incident types was considered by Members.

RESOLVED: - That the Strategic Assessment of Risk be noted and endorsed.

30-20/21 DATE OF NEXT MEETING

The next meeting of the Committee would be held on Tuesday 29 March 2022 at 10:00 hours in Washington Hall, Service Training Centre, Euxton.

Further meeting dates were noted for 26 July 2022 and 27 September 2022 and agreed for 29 November 2022.

M NOLAN
Clerk to CFA

LFRS HQ
Fulwood

Lancashire Combined Fire Authority

Audit Committee

Meeting to be held on 29 March 2022

Internal Audit Monitoring Report

Appendix 1 refers

Contact for further information – Keith Mattinson – Director of Corporate Services
Tel: 01772 866804

Executive summary and recommendations

Executive Summary

The attached report sets out the current position in respect of the internal audit plan for 2021/22.

Recommendation(s)

The Committee is asked to note and endorse the report.

Information

The internal auditors produce a summary of progress against the annual plan for each Audit Committee meeting, setting out progress to date and any significant findings. The report for the period up to 10 March 2022 is attached as Appendix 1 and will be presented by the Head of Internal Audit.

Financial Implications

None

Human Resource Implications

None

Equality and Diversity Implications

None

Business Risk Implications

None

Environmental Impact

None

Local Government (Access to Information) Act 1985

List of background papers

Paper:

Date:

Contact:

Reason for inclusion in Part 2 if appropriate:

Appendix A

Lancashire Combined Fire Authority

**Internal Audit Service monitoring report: period ended
10 March 2022**

1 Purpose of this report

- 1.1 The Internal Audit Plan for 2021/22 was approved by the Audit Committee in March 2021. This report details the progress to date in undertaking the agreed coverage.

Acknowledgements

- 1.2 We are grateful for the assistance that has been provided to us in the course of our work.

2 Key issues and themes arising

- 2.1 No areas of concern have come to our attention in conducting our assurance work to date that requires bringing to the attention of committee members.

3 Internal audit work undertaken

- 3.1 To date, 69 days have been spent this financial year on completion of the 2021/22 plan, of the total planned audit activity of 70 days.

- 3.2 A summary of the scope and findings for the work completed to date is shown below.

Accounts payable, Accounts receivable and General ledger

- 3.3 The audits have considered whether there are adequate and effective controls in place to ensure:

- Compliance with financial regulations and the scheme of delegation.
- Processes employed for the ordering, receipting and payment of goods and services are appropriate and efficient.
- Inaccurate, illegitimate or duplicate orders/ invoices are not processed and paid.
- Invoices are raised on a timely basis for all goods and services provided.
- Invoices are cancelled or written off appropriately.
- Debtors are actively managed so as to reduce the level of bad debts and loss of income.
- 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.

- 3.4 An opinion of *substantial* assurance has been provided over these three key financial systems. There is a sound system of internal control, adequately designed to meet service objectives, and controls are being applied consistently.

Payroll and Human Resources

- 3.5 In this audit we have reviewed and tested the adequacy and effectiveness of the controls and processes established by management to mitigate the key risks relating to the following areas:

- Operation of the payroll service
- Managing access to the payroll system and documentation
- Starters: enrolment checks and accuracy of pay

- Leavers
- Amendments to pay
- Routine payroll processing checks

3.6 An opinion of *substantial* assurance has been provided. A strong control environment exists over HR and payroll processes, to ensure that valid appointments have been correctly established and the right amount is paid to individuals at the right time. Monitoring arrangements are in place to prevent and detect any anomalies or errors that might arise, and a good working relationship continues to be maintained with Greater Manchester Fire and Rescue Service who provide a managed payroll system to LFRS.

Treasury Management

- 3.7 Our audit work sought to assess whether Treasury Management borrowing, and investment activity and reporting has been undertaken in accordance with the approved Treasury Management Strategy and in accordance with the CIPFA Prudential Code for Capital Finance in Local Authorities and the CIPFA Treasury Management Code of Practice.
- 3.8 An opinion of *substantial* assurance was provided, and no areas for improvement were identified.

Training, learning and development

- 3.9 We completed a review to determine the adequacy and effectiveness of the controls in place to ensure that operational personnel are able to demonstrate ongoing compliance with the competencies required for their role. This involved:
- A review of the Training Plan and Service Orders to ensure they are up to date, relevant and available to all staff.
 - A review of the training schedule to ensure that training takes place in line with it and that any classroom-based training is monitored to ensure absences are recorded and followed up.
 - Reviewing records regarding the completion of core skills.
 - A review of a sample of 'training needs' to ensure that they are identified as they occur and are reflected in training records on a timely basis.
 - A review of the processes and procedures within the Operational Assurance team, to ensure that the team through the Operational Assurance Preparedness visits assess how well operational knowledge obtained is embedded and debriefing takes place.
 - A review of the management reports generated from the relevant IT systems to support managers in ensuring that training is undertaken within designated timescales.
- 3.10 Overall, we can provide *moderate* assurance over the adequacy and effectiveness of the training, learning and development control framework. Whilst we found that the provision of training and internal assurance arrangements are appropriately structured so as to support firefighters in maintaining the competencies required for their role, we have identified some actions to improve the overall monitoring and reporting arrangements which will provide greater assurance that training is being undertaken appropriately and learning is embedded.

Follow up work

- 3.11 Under the Public Sector Internal Audit Standards, management has responsibility for ensuring that agreed actions in audit reports are implemented. Internal Audit should then obtain assurances that actions have been implemented as agreed or that senior management has accepted the risk of not acting.
- 3.12 Our follow up audit work involves obtaining explanations and evidence where appropriate that actions have been implemented. We do not re-perform any testing on controls which were found to be adequately designed and operating effectively at the time of our original review, and neither do we re-assess the overall control environment.

Safeguarding – follow up

- 3.13 Our previous review of Safeguarding considered whether controls in place to support the safeguarding referral process were operating efficiently ensuring that LFRS works effectively with partner agencies to help prevent abuse and neglect and to provide a consistent approach when responding to safeguarding concerns. Also, 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 on them.
- 3.14 Our previous audit provided substantial assurance as it was considered that the framework of control was adequately designed and effectively operated overall.
- 3.15 Three low risk actions were agreed with management to address areas identified for improvement. Two of the three actions have been implemented with one still ongoing relating to the delivery of Safeguarding Awareness talks, which are to be delivered to staff.

GDPR – follow up

- 3.16 Our previous audit provided an opinion of moderate assurance. Overall, a good framework of control is in place to support compliance with GDPR, and whilst we did not identify any significant gaps or weaknesses in the adequacy of the design of the overall control framework, we did note that as the production of the Record of Processing Activity was incomplete this created a risk that additional information assets would be identified and further work would be needed to put in place all necessary documentation required to demonstrate compliance with GDPR.
- 3.17 Of the eleven actions agreed with management to address areas for improvement, only three (all low risk/ priority) have been completed to date. Progress has been hampered due to key staff posts being vacated in the time since we completed our review and the remaining team members have largely been unable to progress the work alongside other duties. The post of Knowledge and Information Officer is currently being advertised and it is the intention that responsibility for progressing the outstanding actions will be allocated to the new postholder.

Proposed changes to the audit plan

- 3.18 The internal audit programme for 2021/22 originally included provision for an audit to assess whether recruitment activity adopted a Positive Action approach, and additionally whether on call contracts being offered were commensurate with need.
- 3.19 Whilst the current audit programme continues to include provision for a review of the management of on call firefighter provision, which will seek to assess whether there are appropriate controls in place, that are operating effectively to ensure that stations have sufficient on call cover to provide the required operational response to any incident, the review of recruitment has been deferred until 2022/23 as Covid delayed the application of a Positive Action approach during 2021/22.

4 Overall summary and assurance provided

- 4.1 We have set out in the table on the following pages the planned and actual days we have spent on each review to date.
- 4.2 We also provide a summary of the assurance we have provided in relation to each system or operational area of business where work has been finalised.

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

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

- 4.3 The assurance we provide over any area of control falls into one of four categories, and these are defined at Appendix 1.

Use of this report

- 4.4 This report has been prepared solely for the use of Lancashire Combined Fire Authority and it would therefore not be appropriate for it or extracts from it to be made available to third parties other than the external auditors. We accept no responsibility to any third party who may receive this report, in whole or in part, for any reliance that they may place on it and, in particular, we expect the external auditors to determine for themselves the extent to which they choose to utilise our work.

Review area	Audit days			Assurance		Comments
	Planned	Actual	Variation	Adequacy	Effectiveness	
Governance and business effectiveness						
Governance, risk management and control arrangements	3	2	1	In Progress		An overall opinion on the adequacy and effectiveness of governance, risk management and control arrangements will be reported as part of the 2021/22 Annual Report of the Head of Internal Audit. Our interim review will be completed towards the end of this quarter.
Service delivery and support						
Training, learning and development	12	16	(4)	✓	✓	Our audit report was finalised in August 2021 and four medium, and three low residual risk actions have been agreed to enhance the internal review and reporting arrangements in relation to compliance with mandatory training timescales and the recording of training needs, and the formal approval and distribution of the current training plan and policy documents.
				Moderate assurance		
Management of On Call provision	12	16	(4)	In Progress		This work is nearing completion and our draft report is being prepared. 1.5 days related to the initial scoping completed for the recruitment audit, now deferred until 2022/23.
Business processes						
Accounts payable	7	6.5	0.5	✓	✓	Our audit work across each of these three key financial systems was completed in
				Substantial assurance		
Accounts receivable	4	3.5	0.5	✓	✓	
				Substantial assurance		

Review area	Audit days			Assurance		Comments
	Planned	Actual	Variation	Adequacy	Effectiveness	
General ledger	4	3	1	✓	✓	November 2021. No areas for improvement were identified.
				Substantial assurance		
HR and Payroll	10	8.5	1.5	✓	✓	Our review was completed in January 2022. Two low risk actions were agreed relating to the need to ensure all electronic documents are saved on electronic personal folders, and HR need to remind managers of the need to submit payroll amendments in advance of the date of change to avoid under or overpayments of salary arising.
				Substantial assurance		
Treasury management	4	4.5	(0.5)	✓	✓	Our review was completed in October 2021. No areas for improvement were identified.
				Substantial assurance		
Pension administration	1	1	0	O/S	O/S	Assurance over pension administration arrangements will be collated and reported as part of the Annual Report of the Head of Internal Audit.
Follow up audit activity						
Safeguarding	1	1	0	N/A	N/A	Our follow up work was completed during January 2022. Refer paragraphs 3.13 – 3.15.
Compliance with GDPR and data protection standards	1	1	0	N/A	N/A	Our follow up work was completed during February 2022. Refer paragraphs 3.16 -3.17.
Other components of the audit plan						
National Fraud Initiative	3	1	2	N/A	N/A	All matches from the current exercise have now been investigated. One error was identified, with no financial impact. A full analysis will be provided in the Annual Report of the Head of Internal Audit.

Review area	Audit days			Assurance		Comments
	Planned	Actual	Variation	Adequacy	Effectiveness	
Management activity	8	5	3	N/A	N/A	Work in the period has included: <ul style="list-style-type: none"> • Production of the 2020/21 Annual Report of the Head of Internal Audit. • Preparation of Audit Committee monitoring reports. • Reissue of the Internal Audit Charter and Engagement Letter. • General management and quality assurance.
Total days	70	69	1			

Audit assurance levels and residual risks

Appendix 1

The assurance we can provide over any area of control falls 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.

We categorise the issues we raise in the context of the residual risk to which the service is exposed. The 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 services, loss of life, significant environmental damage or significant financial loss, with related national press coverage and substantial damage to 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 business or to service users, significant financial loss, inefficient use of resources, failure to comply with law or regulations, or damage to 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.*

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Lancashire Combined Fire Authority

Audit Committee

Meeting to be held on 29 March 2022

Internal Audit Plan 2022/23

(Appendices 1 and 2 refer)

Contact for further information – Keith Mattinson – Director of Corporate Services
Tel: 01772 866804

Executive summary and recommendations

Executive Summary

The attached document sets out the final proposed Internal Audit Plan for 2022/23.

Recommendation(s)

The Committee is asked to agree the Internal Audit Plan for 2022/23.

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 together with Internal Audit Service Charter as Appendix 2 which will be presented by the Internal Audit Manager.

The plan utilises a total of 70 days in 2022/23, which is in line with the current year.

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:

Reason for inclusion in Part 2 if appropriate:

Lancashire Combined Fire Authority
Internal Audit Service
Internal Audit Plan: 2022/23

1 Introduction

- 1.1 This paper sets out a proposed 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) at our daily rate of £335.
- 1.2 The Audit Plan for 2022/23 has been prepared in accordance with the requirements of the Public Sector Internal Audit Standards (PSIAS). The PSIAS represent mandatory best practice for all internal audit service providers in the public sector. The PSIAS require that the internal audit service is delivered and developed in accordance with the internal audit charter, which accompanies this plan.

2 Roles and responsibilities

- 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 Production of the audit plan

- 3.1 An internal audit plan designed to provide the evidence necessary to support the opinion of the Head of Internal Audit needs to encompass coverage of the key components of each part of the opinion, namely, governance, risk management and control as well as sufficient coverage over operations as a whole either on an annual or periodic basis to enable production of a robust annual audit opinion.
- 3.2 Individual items are proposed for inclusion in the annual audit programme based on planned work deferred from 2021/22 which is still considered important; known changes to operational activity, systems or processes; and information obtained from our annual governance review, from our review of the corporate risk register and by liaising with the Director of Corporate Services to establish his view of those areas where independent assurance would be welcomed.
- 3.3 Where it is known that assurance will be provided from another body, (for example, Her Majesty's Inspectorate of Constabulary and Fire and Rescue Services, 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.

4 Degrees of assurance

4.1 For 2022/23 we will continue to categorise our assurance levels, using the following 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.

5 Deployment of audit resources

5.1 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.

5.2 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	Outline audit scope	Days
<i>Governance and business effectiveness</i>		
Overall governance, risk management and control arrangements	In addition to the direct assurance gained from the individual audit assignments listed below, we will additionally gain assurance as follows: <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 key operational and decision-making boards across LFRS. 	3

Audit review	Outline audit scope	Days
<i>Service delivery and support</i>		
Recruitment	The review will consider whether current recruitment activity adopts a Positive Action approach and is efficient and effective at ensuring the right person is recruited to each individual role.	12
Carbon Management Arrangements	The review will consider the adequacy and effectiveness of the control framework put in place to respond effectively and efficiently to the impact of climate change on operational activity. We will additionally consider the impact that the establishment of environmental champions and other activities is having on the achievement of corporate environmental aspects.	12
<i>Business processes</i>		
Accounts payable	<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 are appropriate and efficient. • Inaccurate, illegitimate or duplicate orders/ invoices are not processed and paid. 	8
Accounts receivable	<p>The audit will consider whether there are adequate and effective controls in place to ensure:</p> <ul style="list-style-type: none"> • Invoices are raised on a timely basis for all goods and services provided. • Invoices are cancelled or written off appropriately. • Income is correctly accounted for. • Debtors are actively managed so as to reduce the level of bad debts and loss of income. 	5
General ledger	<p>The audit will consider whether there are adequate and effective controls in place to ensure:</p> <ul style="list-style-type: none"> • Access to the accounting systems is appropriately managed and controlled. 	5

Audit review	Outline audit scope	Days
	<ul style="list-style-type: none"> • There are no unauthorised changes to the accounting records. • Financial data is complete, timely and accurate. • Misappropriations or errors are detected. 	
HR/ Payroll	<p>The audit will consider whether there are adequate and effective controls in place to ensure:</p> <ul style="list-style-type: none"> • Access to the HR and payroll systems is appropriately managed and controlled. • 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. 	9
Pensions administration	<p>Assurance will be obtained from two sources:</p> <ul style="list-style-type: none"> • the Head of Internal Audit's assessment of the assurance over the operation of the Pension Fund, informed by our own internal audit activity; and • the Annual Assurance Report prepared by LPPA Ltd in compliance with the Code of Practice 14: Governance and administration of public service pension schemes, issued by the Pensions Regulator in April 2015. 	1
Treasury management	<p>The audit will consider whether there are adequate and effective controls in place to ensure:</p> <ul style="list-style-type: none"> • The regulatory framework/ internal treasury management strategy/ policy is followed. 	4

Audit review	Outline audit scope	Days
	<ul style="list-style-type: none"> • Treasury management reports to members are accurate and clear. • Investment and borrowing decisions are based on accurate and complete cash flow forecasting data. • There is effective scrutiny of Treasury management activity by those charged with governance. 	
<i>Follow up audit activity</i>		
Training, L&D and Management of On Call Provision	<ul style="list-style-type: none"> • The reviews 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
<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 Audit Committee monitoring reports. • Preparation of the annual report of the Head of Internal Audit. • Liaison with external audit. 	8
National Fraud Initiative	<ul style="list-style-type: none"> • Support to LCFA with the NFI data matching process as required. 	1
<i>Approved days</i>		70

Lancashire Combined Fire Authority

Internal Audit Service Charter

1 Introduction

- 1.1 This charter 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. It defines the purpose, authority and responsibility of internal audit activity, establishes the Internal Audit Service's position in relation to the Combined Fire Authority; authorises access to records, personnel and physical properties relevant to the performance of engagements; and defines the scope of internal audit activities.
- 1.2 It will be subject to periodic review by the head of internal audit and presented to the Audit Committee for approval.

2 Relevant regulations and interpretation

- 2.1 The requirement for an internal audit function in local government is set out in the Accounts and Audit Regulations 2015 ('the Regulations').
- "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)*
Accounts and Audit Regulations 2015
- 2.2 The Chartered Institute of Public Finance and Accountancy (CIPFA) is the relevant standard setter for internal audit in local government in the United Kingdom. CIPFA has published *Public Sector Internal Audit Standards ('PSIAS')*, which encompass the *Mission of Internal Audit* and the mandatory elements of the Global Institute of Internal Auditors' International Professional Practices Framework (the *Core Principles for the Professional Practice of Internal Auditing*, the *Code of Ethics*, the *Standards* and the *Definition of Internal Auditing*). These documents are therefore mandatory for internal audit in local government in the United Kingdom, and they are supplemented within *PSIAS* by additional public sector interpretation and guidance. CIPFA has also published a *Local Government Advisory Note* setting out sector-specific requirements for local government within the United Kingdom.
- 2.3 Lancashire County Council's Internal Audit Service therefore operates in accordance with this mandatory definition, code, standards and advice.
- 2.4 Section 151 of the Local Government Act 1972 states that every local authority in England and Wales, which includes Combined Fire Authorities should "make arrangements for the proper administration of their financial affairs and shall secure that one of their officers has

Lancashire Combined Fire Authority Internal Audit Service Charter

responsibility for the administration of those affairs". In its *Statement on the Role of the Chief Financial Officer in Local Government* CIPFA has defined 'proper administration' as including compliance with the statutory requirements for accounting and internal audit. It also requires the person fulfilling the role of Chief Finance Officer to ensure an effective internal audit function is resourced and maintained.

3 Definitions

- 3.1 Both the Global Institute of Internal Auditors and *PSIAS* set out the following 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."

*Global Institute of Internal Auditors, and
Public Sector Internal Audit Standards, 2017*

- 3.2 The Global Institute of Internal Auditors and *PSIAS* also refer to the 'board' and 'senior management' and *PSIAS* recognise that these terms need to be interpreted in the context of the Combined Fire Authority's own governance arrangements.

- 3.3 *PSIAS* defines the board as:

"The highest level of governing body charged with the responsibility to direct and/ or oversee the activities and management of the organisation. [...] 'Board' may refer to an audit committee to which the governing body has delegated certain functions."

Public Sector Internal Audit Standards, 2017

- 3.4 In relation to the Combined Fire Authority, the board is defined as the Audit Committee.
- 3.5 Senior management is represented by the Executive Board which consists of the Chief Fire Officer, the Deputy and Acting Assistant Chief Fire Officers, the Director of Corporate Services/Treasurer and the Director of People and Development.
- 3.6 *PSIAS* also refers to the 'chief audit executive' who is deemed to be the head of internal audit.

4 Responsibilities

- 4.1 The Regulations set out that the Combined Fire Authority must ensure that it has a sound system of internal control which facilitates the effective exercise of its functions and the achievement of its aims and objectives; ensures that financial and operational management is effective; and includes effective arrangements for the management of risk.

Lancashire Combined Fire Authority Internal Audit Service Charter

- 4.2 The Combined Fire Authority has taken the decision to outsource internal audit provision to Lancashire County Council's Internal Audit Service. However, responsibility for maintaining an adequate and effective system of internal audit remains with the Combined Fire Authority.
- 4.3 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. *PSIAS* make 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.
- 4.4 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. The scope of internal audit's work therefore encompasses all of the functions, services and activities of the Combined Fire Authority.
- 4.5 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. They will also contribute to the overall assurance opinion.
- 4.6 Accountability for responses to the Internal Audit Service's advice and recommendations for action lies with senior management, who either accept the advice or accept 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.
- 4.7 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 *PSIAS* and the results of the quality assurance and improvement programme.
- 4.8 A note of the responsibilities of senior management and the Audit Committee ('the board') in relation to the internal audit function are set out in the appendix to this charter. The Internal Audit Service's responsibilities are set out in *PSIAS*, and these are supported by detailed operational policies and procedures that are regularly reviewed and updated as necessary.

Lancashire Combined Fire Authority Internal Audit Service Charter

5 Independence, objectivity, and integrity

- 5.1 The Internal Audit Service remains independent of the other functions of the Combined Fire Authority and no member of the Internal Audit Service has any executive or operational responsibilities. Auditors are expected to deploy impartial and objective professional judgement in all their work.
- 5.2 The Internal Audit Service's work programme and priorities are determined in consultation with senior management and the Audit Committee but remain a decision for the head of internal audit. The head of internal audit and audit manager have direct access to and freedom to report in their own names and without fear or favour to all officers and members, and specifically the Audit Committee. They have the formal opportunity prior to each committee meeting to meet with the chair of the Audit Committee.
- 5.3 All auditors make an annual declaration of their interests and update this during the year as necessary, and where any auditor has a real or perceived conflict of interest this is managed to maintain the operational independence of the service as a whole. If independence or objectivity are impaired in fact or appearance, then the nature of the impairment is disclosed as appropriate. The head of internal audit makes an annual declaration that the internal audit function is operationally independent.
- 5.4 All auditors also make an annual declaration that they have read and are aware of the obligations placed on them by the *Public Sector Internal Audit Standards* and, specifically the *Code of Ethics*. They each acknowledge that they must adhere to the *Code of Ethics* and demonstrate integrity, objectivity, competence and confidentiality in the discharge of all their duties.

6 Reporting lines and relationships

- 6.1 The head of internal audit and audit manager report functionally to the Audit Committee and have direct access to senior management of Lancashire Fire and Rescue Service.
- 6.2 The head of internal audit and the audit manager have, in addition, access to the chair of the Audit Committee which meets at least four times each year, and the head of internal audit or the audit manager reports to each meeting of that committee under its terms of reference. The Audit Committee is responsible for approving the annual audit plan.
- 6.3 The head of internal audit and, the Internal Audit Service as a whole, adhere to the requirements of CIPFA's *Statement on the Role of the Head of Internal Audit*.

7 Access to information

- 7.1 The Internal Audit Service has the right of unrestricted and direct access to the records (however held), assets, premises and officers of Lancashire Fire and Rescue Service. The Internal Audit Service has the

Lancashire Combined Fire Authority Internal Audit Service Charter

authority to obtain all such information and explanations as it considers necessary to fulfil its responsibilities.

- 7.2 Internal auditors respect the value and ownership of information they receive and the reports they produce, and do not disclose information without appropriate authority unless there is a legal or professional obligation to do so. They are prudent in the use and protection of information acquired in the course of their duties and shall not use information for any personal gain or in any manner that would be contrary to the law or detrimental to the Combined Fire Authority's legitimate and ethical objectives.

8 Internal audit resources

- 8.1 The Treasurer of the Combined Fire Authority is responsible for ensuring that internal audit resources are sufficient to meet their responsibilities and achieve their objectives. If the head of internal audit or the Audit Committee considers that the level of audit resources or the terms of reference in any way limits the scope of internal audit, or prejudices the ability of the Internal Audit Service to deliver a service consistent with its statutory and related requirements, they will advise the Combined Fire Authority accordingly.
- 8.2 The Combined Fire Authority determines through its budget the number of audit days in the annual audit plan. The Internal Audit Service's resources are therefore deployed to meet an annual audit plan that pays regard to the relative risks accepted, and levels of assurance required, by the Combined Fire Authority and the Audit Committee.

9 Competency

- 9.1 The head of internal audit and audit managers are required to hold appropriate professional audit qualifications. These are defined as full membership of one of the institutes of the Consultative Committee of Accountancy Bodies or full professional membership of the Chartered Institute of Internal Auditors. It is expected that senior auditors will either hold, or be close to and actively working towards, full professional qualification but, exceptionally, they may be qualified by experience at a demonstrably professional level.
- 9.2 The county council's performance and development opportunities are applicable to all staff within the Internal Audit Service, which supports continuous staff performance appraisal and development.

10 Quality assurance and improvement

- 10.1 The head of internal audit operates a quality assurance and improvement programme that both monitors the on-going performance of internal audit activity and periodically assesses the Internal Audit Service's compliance with *PSIAS*. This includes both internal and external assessments and is set out in a separate *Quality Assurance and Improvement Programme*.

Lancashire Combined Fire Authority Internal Audit Service Charter

10.2 The results of the quality assurance and improvement programme including any areas of non-conformance with *PSIAS* are reported annually to senior management and the Audit Committee. This report will include information regarding:

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

11 Non-audit work

11.1 *PSIAS* recognises that the Internal Audit Service may go beyond the work needed to meet its assurance responsibilities and provide services to support management, including consultancy services. Such services apply the professional skills of internal audit and contribute to the overall assurance opinion.

11.2 Lancashire County Council's Internal Audit Service facilitates the Combined Fire Authority's participation in the National Fraud Initiative, which matches data from Lancashire Fire and Rescue Service's information systems with information held by other bodies to identify potentially fraudulent activity.

11.3 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.

11.4 The head of internal audit or the audit manager should be informed of all suspected or detected fraud, corruption or impropriety and will consider the implications for her opinion on the adequacy and effectiveness of the relevant controls, and the overall internal control environment.

Responsibilities in relation to the internal audit function

The Executive Board ('senior management') of Lancashire Fire and Rescue Service will:

- Consider the Internal Audit Charter, including the internal audit function's purpose and authority, and the mandatory elements of the International Professional Practices Framework.
- Consider, and contribute to the development of the risk-based internal audit plan, supporting its completion within the organisation.
- Make appropriate enquiries to determine whether there are inappropriate scope and/ or resource limitations to the internal audit function.
- Receive and consider the results of the quality assurance and improvement programme, including areas of non-conformance with *PSIAS*.

The Audit Committee ('the board') will:

- Consider and approve the Internal Audit Charter.
- Consider and approve the risk-based internal audit plan, including the Internal Audit Service's approach to using other sources of assurance and any work required to place reliance upon those other sources.
- Approve significant interim changes to the risk-based internal audit plan and resource requirements.
- Make appropriate enquiries of senior management and the head of internal audit to determine whether there are inappropriate scope and/ or resource limitations to the internal audit function.
- Receive reports from the head of internal audit on the Internal Audit Service's performance and audit findings, including the head of internal audit's annual report and overall opinion for the year.
- Receive and consider the results of the quality assurance and improvement programme, including areas of non-conformance with *PSIAS*, considering whether the non-conformance is significant enough that it must be included in the annual governance statement.
- Consider and approve any significant consulting services not already included in the audit plan, in light of any potential impairments to the auditors' independence or objectivity.

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Lancashire Combined Fire Authority

Audit Committee

Meeting to be held on 29 March 2022

External Audit – Audit Progress Report and Sector Update

Appendix 1 refers

Contact for further information – Keith Mattinson – Director of Corporate Services
Tel: 01772 866804

Executive summary and recommendations

Executive Summary

Attached as appendix 1 is an Audit Progress and Sector Update report produced by Grant Thornton, our external auditors.

Recommendation(s)

The Committee is asked to note and endorse the report.

Information

Attached as Appendix 1 is an Audit Progress and Sector Update report produced by the Grant Thornton, our external auditors which will be presented by the Engagement Lead.

The report sets out the following:-

- Progress at March 2022 – in relation to the financial statements and value for money conclusion
- Audit Deliverables – which sets out what the auditors will do and their planned completion date
- Sector Update – which provides an up-to-date summary of emerging national issues and developments to support the Authority/Committee. This covers areas which may have an impact on the organisation, they are not specific issues relating to this Authority.

Financial Implications

None

Human Resource Implications

None

Equality and Diversity Implications

None

Environmental Impact

None

Business Risk Implications

None

Local Government (Access to Information) Act 1985**List of background papers**

Paper:

Date:

Contact:

Reason for inclusion in Part 2 if appropriate:

Lancashire Combined Fire Authority Audit Progress Report and Sector Update

Year ending 31 March 2022



Contents

Section	Page
Introduction	3
Progress at March 2022	4
Audit Deliverables	5
FRC report on Local Audit November 2021	6
Sector Update	8

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

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Introduction

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

The paper also includes:

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

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

If you would like further information on any items in this briefing, or would like to register with Grant Thornton to receive regular email updates on issues that are of interest to you, please contact either your Engagement Lead or Engagement Manager.

Progress at March 2022

Audit 2021/22

We will begin our initial planning processes and interim audit work for the 2021/22 audit in March 2022.

We have timetabled our work on your draft financial statements to commence in August 2022 for completion prior to the 30 November 2022 audit deadline.

In the meantime we will also:

- have regular discussions with management to inform our risk assessment for the 2021/22 financial and value for money audits
- review board papers and latest financial and operational performance reports
- consider any reports from regulators regarding your operational effectiveness.

We expect to issue a detailed audit plan, setting out our proposed approach to the audit of the Authority's 2021/22 financial statements at the next Audit Committee.

Value for Money

Under the 2020 Audit Code of Practice, we are required to undertake sufficient work to satisfy ourselves that the Authority “has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.”

Our initial risk assessment will build on our understanding of your arrangements, taking into account any findings from previous work on value for money.

We will report our risk assessment to you as part of our Audit Plan against the following reporting criteria:

- Financial sustainability: how the body plans and manages its resources to ensure it can continue to deliver its services;
- Governance: how the body ensures that it makes informed decisions and properly manages its risks; and
- Improving economy, efficiency and effectiveness: how the body uses information about its costs and performance to improve the way it manages and delivers its services.

We will keep our risk assessment under continuous review. Where appropriate, we will update our risk assessment to reflect emerging risks or findings and report this to you. Our final commentary in the Auditors' Annual Report will include:

- a summary of our findings on any risks identified during our work;
- our judgements on the adequacy of the Authority's arrangements for each of the three reporting criteria, as set out above;
- any recommendations made to management as a result of our work; and
- a follow up of progress against any recommendations raised in previous audits.

Events

We provide a range of workshops, along with network events for members and publications to support the Authority. Your officers were invited to attend our Financial Reporting Workshops in January and February 2022, which helps to ensure that members of your Finance Team are up to date with the latest financial reporting requirements for local authority accounts.

Further details of the publications that may be of interest to the Authority are set out in our Sector Update section of this report.

Audit Deliverables

2021/22 Deliverables	Planned Date	Status
Audit Plan We are required to issue a detailed audit plan to the Audit Committee setting out our proposed approach in order to give an opinion on the Authority's 2020/21 financial statements and the Auditor's Annual Report on the Authority's Value for Money arrangements.	July 2022	Not yet due
Interim Audit Findings We will report to you the findings from our interim audit and our initial value for money risk assessment within our Progress Report.	July 2022	Not yet due
Audit Findings Report The Audit Findings Report will be reported by 30 November 2022.	By 30 November 2022	Not yet due
Auditors Report This includes the opinion on your financial statements.	By 30 November 2022	Not yet due
Auditor's Annual Report This Report communicates the key issues arising from our Value for Money work. This is reported within 3 months of the issue of the Auditors Report.	tbc	Not yet due

Financial Reporting Council annual report

On 29 October, the Financial Reporting Council (FRC) published its annual report setting out the findings of its review of the work of local auditors. The report summarises the results of the FRC's inspections of twenty audit files for the last financial year. A link to the report is here:

[FRC AQR Major Local Audits October 2021](#)

Grant Thornton are one of seven firms which currently delivers local audit work. Of our 330 local government and NHS audits, 87 are currently defined as 'major audits' which fall within the scope of the AQR. This year, the FRC looked at nine of our audits.

Our file review results

The FRC reviewed nine of our audits this year. It graded six files (67%) as 'Good' and requiring no more than limited improvements. No files were graded as requiring significant improvement, representing an impressive year-on-year improvement. The FRC described the improvement in our audit quality as an 'encouraging response by the firm to the quality findings reported in the prior year.' Our Value for Money work continues to be delivered to a high standard, with all of the files reviewed requiring no more than limited improvement. We welcome the FRC findings and conclusions which demonstrate the impressive improvement we have made in audit quality over the past year.

The FRC also identified a number of good practices including effective challenge of management's valuer, use of an auditor's expert to assist with the audit of a highly specialised property valuation, and the extent and timing of involvement by the audit partner on the VFM conclusion.

Our "Opinion" results over the past three years are shown in the table below:

Grade	Number 2020/21	Number 2019/20	Number 2018/19
Good with limited improvements (Grade 1 or 2)	6	1	1
Improvements required (Grade 3)	3	5	2
Significant improvements required (Grade 4)	0	0	1
Total	9	6	4

Our "VFM" results over the past two years are shown in the table below. The FRC did not review VFM in 2018/19:

Grade	Number 2020/21	Number 2019/20
Good with limited improvements (Grade 1 or 2)	6	6
Improvements required (Grade 3)	0	0
Significant improvements required (Grade 4)	0	0
Total	6	6

FRC report (cont.)

Our continued commitment to Audit quality and continuous improvement

Our work over the past year has been undertaken during the backdrop of COVID-19, when the public sector has faced the huge challenge of providing essential services and helping safeguard the public during the pandemic. Our NHS bodies in particular have been at the forefront of the public health crisis. As auditors we have had to show compassion to NHS staff deeply affected by the crisis, whilst staying focused on the principles of good governance and financial management, things which are more important than ever. We are very proud of the way we have worked effectively with audited bodies, demonstrating empathy in our work whilst still upholding the highest audit quality.

Page 13

Over the coming year we will make further investments in audit quality including strengthening our quality and technical support functions, and increasing the level of training, support and guidance for our audit teams. We will address the specific improvement recommendations raised by the FRC, including:

- Enhanced training for local auditors on key assumptions within property valuations, and how to demonstrate an increased level of challenge
- Formalising our arrangements for the consideration of complex technical issues by Partner Panels.

As part of our enhanced Value for Money programme, we will focus on identifying the scope for better use of public money, as well as highlighting weaknesses in governance or financial stewardship where we see them.

Conclusion

Local audit plays a critical role in the way public sector audits and society interact, and it depends on the trust and confidence of all those who rely on it. As a firm we're proud to be doing our part to promote good governance, effective stewardship and appropriate use of public funds.

Sector Update

Authorities continue to try to achieve greater efficiency in the delivery of public services, whilst facing the challenges to address rising demand, ongoing budget pressures and social inequality.

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

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

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

More information can be found on our dedicated public sector and local government sections on the Grant Thornton website by clicking on the logos below:

A teal rectangular button with the text "Public Sector" in white, sans-serif font, centered within the button.

Public Sector

A dark purple rectangular button with the text "Local government" in white, sans-serif font, centered within the button.

Local
government

What can be learned from Public Interest Reports? – Grant Thornton

2020 will be remembered as a tumultuous year in local government, with the pandemic creating unprecedented pressure on the sector. It also saw the appearance of two Public Interest Reports (PIRs), followed by another in January this year – the first to be issued in the sector since 2016. PIR's can be issued by local auditors if there are significant concerns around council activity, such as major failings in finance and governance.

The recent PIRs have made headlines because, up to this point, very few have ever been issued. But, as our latest report “Lessons from recent Public Interest Reports” explores, all three illustrate some of the fundamental issues facing the wider sector and provide a lesson for all local authorities around: weaknesses in financial management; governance and scrutiny practices; and council culture and leadership; which, when combined, can provide fertile ground for the kind of significant issues we might see in a PIR.

The COVID-19 pandemic highlighted four essential factors we probably always knew about local government, have often said, but which are now much better evidenced:

- 1) Local government has provided fantastic support to its communities in working with the NHS and other partners to deal with the multifaceted challenges of the pandemic.
- 2) Britain's long centralised approach to government has been exposed to some degree in terms of its agility to tailor pandemic responses to regional and local bodies. This is recognised by the current government who continue to pursue the options for devolution of powers to local bodies. Track and Trace delivered centrally has not been as successful as anticipated and, according to government figures, local interventions have had more impact.

- 3) Years of reduced funding from central government have exposed the underlying flaws in the local authority business model, with too much reliance on generating additional income.
- 4) Not all authorities exercise appropriate care with public money; not all authorities exercise appropriate governance; and not all authorities have the capability of managing risk, both short and long term. Optimism bias has been baked into too many councils' medium-term plans.

The PIRs at Nottingham City Council (August 2020), the London Borough of Croydon (October 2020), and Northampton Borough Council (January 2021) are clear illustrations of some of the local government issues identified above. The audit reports are comprehensive and wide-ranging and a lesson for all local authorities. Local authorities have a variety of different governance models. These range from elected mayor to the cabinet and a scrutiny system approach, while others have moved back to committee systems. Arguments can be made both for and against all of these models. However, in the recent PIR cases, and for many other local authorities, it's less about the system of governance and more about how it operates, who operates it and how willing they are to accept scrutiny and challenge.

There are a number of lessons to be learned from the recent PIR reports and these can be broken down into three key areas which are explored further in our report:

- 1) The context of local government in a COVID-19 world
- 2) Governance, scrutiny, and culture
- 3) Local authority leadership.

The full report is available here:

<https://www.grantthornton.co.uk/en/insights/lessons-from-recent-public-interest-reports/>

Annual Transparency Report – Grant Thornton

As auditors of several listed entities as well as nearly one hundred major local audits, we are required as a firm to publish an annual transparency report.

The report contains a variety of information which we believe is helpful to audit committees as well as wider stakeholders. The Financial Reporting Council (FRC) in their thematic review of transparency reporting noted that they are keen to see more Audit Committee Chairs actively engaging and challenging their auditors on audit quality based on the information produced in Transparency reports on a regular basis. We agree with the FRC and are keen to share our transparency report and discuss audit quality with you more widely.

Page 46

The transparency report provides details of our:

- Leadership and governance structures
- Principal risks and Key Performance Indicators
- Quality, risk management and internal control structure
- Independence and ethics processes
- People and culture
- Compliance with the Audit Firm Governance code and EU Audit directive requirements

We have made significant developments in the year as part of our Local Audit Investment Plan to improve our audit quality. We welcome an opportunity to discuss these developments and our transparency report should you wish.



The full report is available here:

[Transparency report 2020 \(grantthornton.co.uk\)](https://www.grantthornton.co.uk/transparency-report-2020)

Public Accounts Committee (PAC) – Local auditor reporting on local government in England & government response

The PAC inquiry examined the timeliness of auditor reporting on English local public bodies' financial statements covering 2019-20. The National Audit Office (NAO) report, on which this inquiry is based, found that “delays in the delivery of audit opinions beyond the deadlines for publishing local authority accounts, alongside concerns about audit quality and doubts over audit firms' willingness to continue to audit local public bodies, highlight that the situation needs urgent attention.”

The PAC report found “Without urgent action from government, the audit system for local authorities in England may soon reach breaking point. With approximately £100 billion of local government spending requiring audit each year, the Ministry of Housing, Communities & Local Government (the Department) has become increasingly complacent in its oversight of a local audit market now entirely reliant upon only eight firms, two of which are responsible for up to 70% of local authority audits. This has not been helped by the growing complexity of local authority accounts, with audit firms now asked to carry out more work in each audit, comply with new regulatory demands and adapt to the new multifaceted landscape in which local authorities operate, while also struggling to hire and retain experienced auditors.”

Key conclusions were:

- The marked decline in the timeliness of external audit undermines accountability and hampers effective decision-making.
- There is a pressing risk of market collapse due to an over reliance on a small number of audit firms and significant barriers to entry.
- The commercial attractiveness to audit firms of auditing local authorities has declined.

- The rapidly diminishing pool of suitably qualified and experienced staff increases the risks to the timely completion of quality audits.
- We are not convinced that the recently announced new local audit arrangements will meet the pressing need for effective system leadership now.
- Unless local authority accounts are useful, relevant and understandable they will not aid accountability.

The report made recommendations in each of these areas. The government response was published on 28 October.

The PAC report and response can be found here:

[Timeliness of local auditor reporting on local government in England - Committees - UK Parliament](#)



House of Commons
Committee of Public Accounts

Local auditor reporting on local government in England

Eleventh Report of Session 2021–22

2020/21 audited accounts – Public Sector Audit Appointments

Public Sector Audit Appointments (PSAA) has reported that only 9% of local government audits for 2020/21 were completed by the end of September. This is a sharp contraction on the 45% filed on time for 2019-20, and is the third successive year where the number of accounts produced on schedule has reduced.

PSAA state “The challenges posed by COVID-19 have contributed to the current position. However, a range of further pressures documented in the Redmond Report are also continuing to impact performance. In particular there is a shortage of auditors with the knowledge and experience to deliver the required higher quality audits of statements of accounts, which increasingly reflect complex structures and transactions, within the timeframe expected. The growing backlog of audits is also a concern, with 70 of the 2019/20 audits still incomplete.”

Grant Thornton commented “Audit quality remains a priority for our firm and we continue to work hard with local audit stakeholders to ensure the delivery of high quality audits in as timely a fashion as is practicable. Unfortunately, much of this work will be delivered past the 30 September target date, owing to ongoing constraints posed by the COVID-19 pandemic and the backlog this has caused. We remain committed to public sector audit and are now focused on delivering the majority of our local audits by December 2021.”



The news article can be found here:

<https://www.psa.co.uk/2021/10/news-release-2020-21-audited-accounts-psaa/>

2023-24 audit appointments – Public Sector Audit Appointments

Following a consultation exercise Public Sector Audit Appointments (PSAA) has invited all principal local government including police and fire bodies to become opted-in authorities. At the same time it published its procurement strategy and prospectus for the national scheme from April 2023. Both documents have evolved in response to the feedback provided by the market engagement exercise and consultation on the draft prospectus undertaken during June 2021.

PSAA state “Our primary aim is to secure the delivery of an audit service of the required quality for every opted-in body at a realistic market price and to support the drive towards a long term competitive and more sustainable market for local public audit services.

The objectives of the procurement are to maximise value for local public bodies by:

- securing the delivery of independent audit services of the required quality;
- awarding long term contracts to a sufficient number of firms to enable the deployment of an appropriately qualified auditing team to every participating body;
- encouraging existing suppliers to remain active participants in local audit and creating opportunities for new suppliers to enter the market;
- encouraging audit suppliers to submit prices which are realistic in the context of the current market;
- enabling auditor appointments which facilitate the efficient use of audit resources;
- supporting and contributing to the efforts of audited bodies and auditors to improve the timeliness of audit opinion delivery; and

- establishing arrangements that are able to evolve in response to changes to the local audit framework.

PSAA set out the proposed timeline, which anticipates contracts being awarded in August 2022.



The news article can be found here:

<https://www.psa.co.uk/2021/09/psaa-publishes-its-prospectus-and-procurement-strategy-and-invites-eligible-bodies-to-opt-in-from-april-2023/>

The procurement strategy can be found here:

<https://www.psa.co.uk/about-us/appointing-person-information/appointing-period-2023-24-2027-28/procurement-strategy/>

Guide to support Value for Money (VfM) analysis for public managers – CIPFA

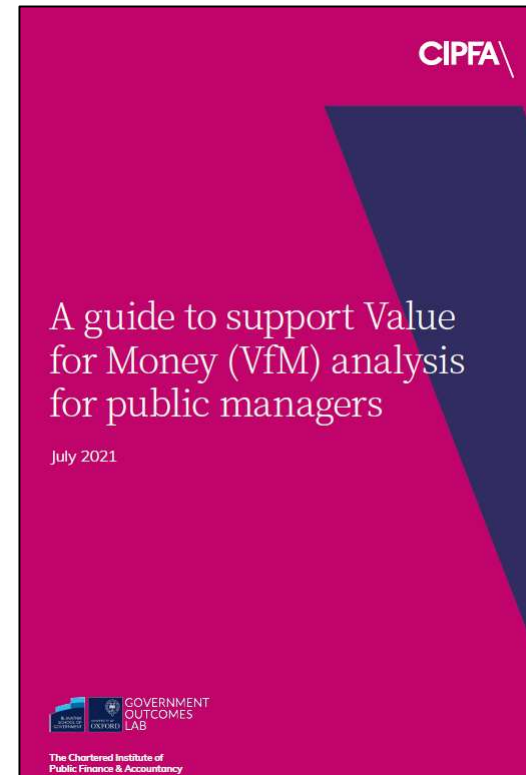
The Chartered Institute of Public Finance and Accountancy (CIPFA) has published this guide which complements a VfM toolkit which has been published separately. Both were developed under a collaborative project between Government Outcomes Lab (GO Lab) and CIPFA.

CIPFA state “The guide is aimed at public managers planning to assess Value for Money (VfM) of outcomes-based contract (OBC) programmes, or any other type of programme with an outcome-focus, using prospective information. This involves assessing economic validity of the programme with respect to ‘doing nothing’ as well as the closest comparator.”

CIPFA explain that the guide:

- Describes what VfM represents in public provision of social services with a special focus on outcome-based contracts (OBCs). In particular the guide emphasises the link between economy and effectiveness criteria.
- Promotes thinking about longer-term effects of interventions, such as outcomes and impact, at the design/ planning stage of programmes. This means that having a good appreciation for efficiency is helpful but not necessary, especially when outcomes are both identifiable and measurable.
- Explain how it could be used to appraise public programmes with respect to anticipated costs and value of them using prospective information.

The guide is available to CIPFA members through the website.



Climate change risk: A good practice guide for Audit and Risk Assurance Committees – NAO

The National Audit Office (NAO) has published this guide to help Audit Committees recognise how climate change risks could manifest themselves and support them in challenging senior management on their approach to managing climate change risks.

The NAO comment “Audit and Risk Assurance Committees (ARACs) play a key role in supporting and advising the board and Accounting Officer in their responsibilities over risk management.

This guide will help ARACs recognise how climate change risks could manifest themselves and support them in challenging senior management on their approach to managing climate change risks. We have outlined specific reporting requirements that currently apply.

Our primary audience is ARAC chairs of bodies that we audit, but the principles of the guide will be relevant for bodies across the wider public sector. It promotes good practice and should not be viewed as mandatory guidance.

Climate change and the nature of its impacts on organisations globally is changing rapidly. This guide acknowledges the evolving nature of climate change and its associated risks and opportunities and will be refreshed in the future to reflect those changes.”

The guide includes sections on “How to support and challenge management”. This includes sections on governance and leadership; collaboration; risk identification and assessment; risk treatment, monitoring and reporting and continual improvement. There is also a “Complete list of questions that Audit and Risk Assurance Committees can ask” for each of these areas. The guide also includes “Key guidance and good practice materials” with links.



The report can be found here:

[Climate change risk: A good practice guide for Audit and Risk Assurance Committees - National Audit Office \(NAO\) Report](#)

Local government and net zero in England – NAO

The National Audit Office (NAO) report responds to a request from the Environmental Audit Committee to examine local government and net zero. It considers how effectively central government and local authorities in England are collaborating on net zero, in particular to:

- clarify the role of local authorities in contributing to the UK’s statutory net zero target; and
- ensure local authorities have the right resources and skills for net zero.

The NAO comment “While the exact scale and nature of local authorities’ roles and responsibilities in reaching the UK’s national net zero target are to be decided, it is already clear that they have an important part to play, as a result of the sector’s powers and responsibilities for waste, local transport and social housing, and through their influence in local communities.

Government departments have supported local authority work related to net zero through targeted support and funding. However, there are serious weaknesses in central government’s approach to working with local authorities on decarbonisation, stemming from a lack of clarity over local authorities’ overall roles, piecemeal funding, and diffuse accountabilities. This hampers local authorities’ ability to plan effectively for the long-term, build skills and capacity, and prioritise effort. It creates significant risks to value for money as spending is likely to increase quickly.

MHCLG, BEIS and other departments recognise these challenges and are taking steps to improve their approach. Their progress has understandably been slowed by the COVID-19 pandemic, but there is now great urgency to the development of a more coherent approach.”

Key findings include:

- Central government has not yet developed with local authorities any overall expectations about their roles in achieving the national net zero target.
- There is little consistency in local authorities’ reporting on net zero, which makes it difficult to get an overall picture of what local authorities have achieved.
- Neither MHCLG nor HM Treasury has assessed the totality of funding that central government provides to local government that is linked with net zero.

The report can be found here:

<https://www.nao.org.uk/report/local-government-and-net-zero-in-england/>



Cyber and information security: Good practice guide – NAO

The National Audit Office (NAO) has published this guide to help Audit Committees scrutinise cyber security arrangements. To aid them, this guidance complements government advice by setting out high-level questions and issues for audit committees to consider.

The NAO state “Audit committees should gain the appropriate assurance for the critical management and control of cyber security and information risk.

Cyber security is the activity required to protect an organisation’s data, devices, networks and software from unintended or unauthorised access, change or destruction via the internet or other communications systems or technologies. Effective cyber security relies on people and management of processes as well as technical controls.

Our guide supports audit committees to work through this complexity, being able to understand and question the management of cyber security and information risk.

It takes into account several changes which affect the way in which we interact with and manage our information and can drive increased risk. These include changes to the way we work and live due to the COVID-19 pandemic and the ongoing demand to digitise and move to cloud-based services.

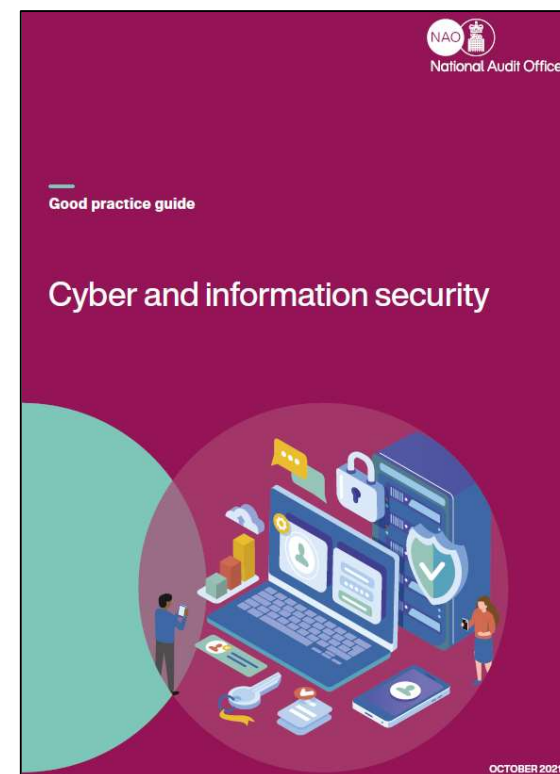
The strategic advice, guidance and support provided by government has also been updated to keep pace with these changes, detailing the impact and risks on the management of cyber security and information risk.

The guide provides a checklist of questions and issues covering:

- The overall approach to cyber security and risk management
- Capability needed to manage cyber security
- Specific aspects, such as information risk management, engagement and training, asset management, architecture and configuration, vulnerability management, identity and access management, data security, logging and monitoring and incident management.”

The report can be found here:

<https://www.nao.org.uk/report/cyber-security-and-information-risk-guidance/>





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Lancashire Combined Fire Authority

Audit Committee

Meeting to be held on 29 March 2022

External Audit – Understanding How the Audit Committee Gains Assurance from Management

(Appendices 1-4 refer)

Contact for further information – Keith Mattinson, Director of Corporate Services
Tel: 01772 866804

Executive summary and recommendations

Executive Summary

In order to comply with International Auditing Standards, the External Auditors, Grant Thornton, need to establish an understanding of the management processes in place to prevent and detect fraud and to ensure compliance with laws and regulations. They are also required to make inquiries of both management and those charged with governance as to their knowledge of any actual, suspected or alleged fraud.

International Auditing Standards also place certain obligations on auditors to document Management's view on some key areas affecting the financial statements.

In addition to the request to management, they also will need to gain an understanding of how those charged with governance maintain oversight of the above processes.

As such the auditors have written to both management (the Executive Board) and the Chair of the Audit Committee requesting the relevant information, copy letters are attached as appendix 1 and 2.

A response has been prepared by the Executive Board, attached as appendix 3, and a separate response by the Chair of the Audit Committee, attached as appendix 4.

Recommendation(s)

The Committee is asked to:-

- note and endorse the response submitted by the Executive Board;
- approve the response for submission by the Chair of the Audit Committee.

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:

Reason for inclusion in Part 2 if appropriate:

Mr Keith Mattinson
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15 February 2022

Dear Keith

The Lancashire Combined Fire Authority Statements for the year end 31 March 2022

To comply with International Auditing Standards, we need to establish an understanding of the management processes in place to prevent and detect fraud and to ensure compliance with laws and regulations. We are also required to make inquiries of both management and those charged with governance as to their knowledge of any actual, suspected or alleged fraud. International Auditing Standards also place certain obligations on auditors to document Management's view on some key areas affecting the financial statements.

To assist us in meeting these requirements, I would be grateful if you would consider and formally respond to the matters set out in the attached schedule. In completing this task, you may wish to take into account the views of other directors where you think appropriate. The schedule relates to operational issues as well as the financial statements.

In addition to our request to management, we also will need to gain an understanding of how those charged with governance maintain oversight of the above processes. I will also send a copy of the letter we will send to the Chair of the Audit Committee, for your information.

In preparing your responses, it would assist me greatly if you could include a summary of evidence that you have relied on to inform your responses, and the sources of assurance that you have that the relevant management controls have operated effectively through the financial year to date and will operate up to the date the accounts are approved.

I would be grateful for your responses, if possible, by the 15th April 2022 to help inform our risk assessment and planning of our 2021/22 audit of the Authority's financial statements.

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

Yours sincerely

Helen Stevenson
Manager
For Grant Thornton UK LLP

T 01612346354
E Helen.L.Stevenson@uk.gt.com

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County Councillor John Shedwick,
Chair of the Audit Committee
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9 March 2022

Dear County Councillor John

The Lancashire Combined Fire Authority Financial Statements for the year end 31 March 2022

Understanding how the Audit and Risk Committee gains assurance from Management

To comply with International Auditing Standards, we need to establish an understanding of how those charged with governance gains assurance over management processes and arrangements.

I would be grateful, therefore, if you could write to me in your role as Audit Committee Chair with your responses to the following questions.

- 1 How does those charged with governance oversee management's processes in relation to:
 - carrying out an assessment of the risk the financial statements may be materially misstated due to fraud or error
 - identifying and responding to the risk of breaches of internal control
 - identifying and responding to risks of fraud at the Authority (including any specific risks of fraud which management have identified or that have been brought to its attention, or classes of transactions, account balances, or disclosure for which a risk of fraud is likely to exist)
 - Communicating to employees its views on appropriate business practice and ethical behaviour (for example by updating, communicating and monitoring against the codes of conduct)?
- 2 Do you have knowledge of any actual, suspected or alleged frauds? If so, please provide details.
- 3 How does those charged with governance gain assurance that all relevant laws and regulations have been complied with?
- 4 Are you aware of any actual or potential litigation, claims or whistle-blower tips or complaints that would affect the financial statements?

I have attached a separate schedule which explores these areas in more detail. I would be grateful if you

could complete this schedule and return it to me.

If you agree with this, I would be grateful for your formal response by 15 April 2022.

Yours sincerely

Helen Stevenson

Manager

For Grant Thornton UK LLP

T 01612346354

E Helen.L.Stevenson@uk.gt.com

Responses from Management

General Enquiries of Management	
Auditor question	Response
1. What do you regard as the key events or issues that will have a significant impact on the financial statements for 2021/22?	McCloud remedy assumptions included in the IAS19 valuations LGPS IAS19 asset valuations – continued market uncertainty P,P&E valuations - continued market uncertainty Updated position on pensionability of allowances as still not fully resolved Unspent S31 grants (protection funding/Grenfell infrastructure/protection accreditation) cfwd via earmarked reserves Inflation rates impacting future PFI charges Year end debtor/reserve in respect of Business Rate reliefs
2. Have you considered the appropriateness of the accounting policies adopted by Lancashire Combined Fire authority?	Yes, accounting policy review carried out in March 2022 – slight clarification on treatment of capital receipts, but no policy changes required
Have there been any events or transactions that may cause you to change or adopt new accounting policies?	No
3. Is there any use of financial instruments, including derivatives?	No
4. Are you aware of any significant transaction outside the normal course of business?	No
5. Are you aware of any changes in circumstances that would lead to impairment of non-current assets?	No – an impairment review is being carried out as part of the annual valuation exercise.
6. Are you aware of any guarantee contracts?	No
7. Are you aware of the existence of loss contingencies and/or un-asserted claims that may affect the financial statements?	No – we have an accrual relating to the backdating of pensionable allowances – this has not yet been resolved, but will be discussed further as part of year end audit.
8. Other than in house solicitors, can you provide details of those solicitors utilised by Lancashire Combined Fire Authority during the year. Please indicate where they are working on open litigation or contingencies from prior years?	Analysis of legal fees paid during 2022 available at interim. We are involved in national issues such as the transitional pensions arrangement case but these are all done on a national basis with LFRS picking up a share of legal/advisor costs.

	<p>Other than that, solicitors are used to deal with Property matters, Insurance matters and Prosecutions.</p> <p>Details of contingent liabilities disclosed by directors and the in-house solicitor will be available at year end audit – but nothing material exists at the present time.</p>
9. Have any of Lancashire Combined Fire Authority's service providers reported any items of fraud, non-compliance with laws and regulations or uncorrected misstatements which would affect the financial statements?	No
10. Can you provide details of other advisors consulted during the year and the issue on which they were consulted?	We have not used advisors to deal with any legal issues. Advisors are typically used to support Property issues (QS/architects/BREEAM etc)
Fraud Risk Assessment	
Auditor question	Response
<p>1. Have Lancashire Combined Fire Authority assessed the risk of material misstatement in the financial statements due to fraud?</p> <p>How has the process of identifying and responding to the risk of fraud been undertaken and what are the results of this process?</p> <p>How do the Authority's risk management processes link to financial reporting?</p>	<p>Due to the budget monitoring measures in place, and the reconciliation between DFM and the accounts, we assess ourselves to be at extremely low risk of the financial statements being materially misstated. Budgets are reviewed in detail at least quarterly with Finance/Dept Head/Director. Bi-annual departmental fraud risk assessments submitted to DoCS.</p> <p>During the year, quarterly check for duplicated AP transactions. Participation in the NFI, whistle blowing and anti-fraud policies. NFI checks ongoing, but nothing reportable as part of the audit yet.</p> <p>Financial risk is assessed as part of budget setting process, and incorporated into Reserves and Balances Policy Reduction in funding is one of the key risks on the corporate risk register</p>
2. What have you determined to be the classes of accounts, transactions, and disclosures most at risk to fraud?	<p>Potential areas of risk identified (same as previous year):</p> <ul style="list-style-type: none"> • Duplicated payments • Bank mandate fraud • Payroll • Pensions

	On that basis the NCoS and segmental reporting notes are most at risk of fraud.
<p>3. Are you aware of any instances of actual, suspected or alleged fraud, errors or other irregularities either within Lancashire Combined Authority as a whole or within specific departments since 1 April 2021?</p> <p>As a management team, how do you communicate risk issues (including fraud) to those charged with governance?</p>	<p>No</p> <p>Via Audit Committee, i.e. Risk Management reported at each Audit Committee, outcomes of NFI considered by Audit Committee</p>
<p>4. Have you identified any specific fraud risks?</p> <p>Do you have any concerns there are areas that are at risk of fraud?</p> <p>Are there particular locations within Lancashire Combined Fire Authority where fraud is more likely to occur?</p>	<p>Potential areas of risk identified (same as previous year):</p> <ul style="list-style-type: none"> • Duplicated payments • Bank mandate fraud • Payroll • Pensions <p>No</p> <p>For the above risk areas – Headquarters departments (Finance, Procurement, HR/payroll), Local Pension Partnership (pensions provider), Greater Manchester Combined Authority (payroll provider)</p>
<p>5. What processes do Lancashire Combined Fire Authority have in place to identify and respond to risks of fraud?</p>	<p>Quarterly check for duplicate AP transactions, participation in NFI, whistle blowing and anti-fraud policies, induction process, employee code of conduct, agreed set of organisational values – STRIVE. Internal audit checks.</p>
<p>6. How do you assess the overall control environment for Lancashire Combined Fire Authority including:</p> <ul style="list-style-type: none"> • the existence of internal controls, including segregation of duties; and • the process for reviewing the effectiveness the system of internal control? <p>If internal controls are not in place or not effective where are the risk areas and what mitigating actions have been taken?</p> <p>What other controls are in place to help prevent, deter or detect fraud?</p>	<p>We use internal audit annual reviews, in particular for our key financial systems. These reviews give substantial assurance.</p> <p>Quarterly check for duplicate AP transactions, participation in NFI, whistle blowing and anti-fraud policies, induction process, employee code of conduct, agreed set of organisational values – STRIVE.</p> <p>Quarterly budget monitoring review carried out with budget holder, director and head of</p>

<p>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)?</p>	<p>finance. Overall financial position reported to Exec Board and Resources Committee roughly quarterly – differences between previous reports are reviewed and explained.</p> <p>No</p>
<p>7. Are there any areas where there is potential for misreporting?</p>	<p>No, not for material items – the size of the budget and the granular level of reporting make misreporting unlikely.</p>
<p>8. How do Lancashire Combined Fire Authority communicate and encourage ethical behaviours and business processes of it's staff and contractors?</p> <p>How do you encourage staff to report their concerns about fraud?</p> <p>What concerns are staff expected to report about fraud?</p> <p>Have any significant issues been reported?</p>	<p>Induction process, employee code of conduct, agreed set of organisational values – STRIVE. Contractor terms and conditions.</p> <p>Whistle blowing & anti-fraud policies are on the intranet. They can also discuss with their manager or the Finance department.</p> <p>They are expected to report anything that doesn't 'feel right', so it can be investigated.</p> <p>No</p>
<p>9. From a fraud and corruption perspective, what are considered to be high-risk posts?</p> <p>How are the risks relating to these posts identified, assessed and managed?</p>	<p>LFRS do not have access to perform bank transactions (i.e. payments), other than an impress account with circa £40k balance, a prepaid debit card account with circa £10k balance. All other transactions must be actioned by LCC.</p> <p>Due to this, we do not consider that we have any high risk posts.</p>
<p>10. Are you aware of any related party relationships or transactions that could give rise to instances of fraud?</p> <p>How do you mitigate the risks associated with fraud related to related party relationships and transactions?</p>	<p>The Treasurer to the CFA is married to the Treasurer at Chorley & South Ribble Councils (note until the end of April 21 she was the Treasurer at Blackburn with Darwen Council), however transactions between LFRS and each council relate to Precepts, business rates income and property rates payments. All of this will be noted and evidenced in our RPT note and working papers.</p>

11. What arrangements are in place to report fraud issues and risks to the Audit Committee?	In the event of a fraud, contact would be made with the Chair and vice-chair of audit committee. Updates would be reported at the next available meeting.
How does the Audit Committee exercise oversight over management's processes for identifying and responding to risks of fraud and breaches of internal control?	Internal audit review reports are presented to Audit Committee at each meeting.
What has been the outcome of these arrangements so far this year?	No fraud or breaches of internal control in 21/22.
12. Are you aware of any whistle blowing potential or complaints by potential whistle blowers? If so, what has been your response?	No
13. Have any reports been made under the Bribery Act?	No
Laws and Regulations	
Auditor question	Response
1. How does management gain assurance that all relevant laws and regulations have been complied with?	Existence of the in-house solicitor and governance role of the Clerk to the CFA to provide guidance & advice
What arrangements does Lancashire Combined Fire Authority have in place to prevent and detect non-compliance with laws and regulations?	Prevention - Data protection policies and procedures; Environmental & H&S policies; HR policies Detection - Whistle blowing/anti fraud policies;
Are you aware of any changes to the Authority's regulatory environment that may have a significant impact on the Authority's financial statements?	No
2. How is the Audit Committee provided with assurance that all relevant laws and regulations have been complied with?	Internal audit reviews and the annual governance report. Existence of the in-house solicitor and governance role of the Clerk to the CFA.
3. Have there been any instances of non-compliance or suspected non-compliance with laws and regulation since 1 April 2020 with an on-going impact on the 2021/22 financial statements?	No
4. Is there any actual or potential litigation or claims that would affect the financial statements?	Will be reviewing contingent liability position (& note) for all previously reported items. We request details of known items from

	<p>Directors and the solicitor at the end of March. We review all EL/PL insurance outstanding claims.</p> <p>The issue of pensionability of allowances has not yet been fully resolved, but will be discussed further as part of year end audit.</p>
5. What arrangements Lancashire Combined Fire Authority have in place to identify, evaluate and account for litigation or claims?	We request details of known items from Directors and the solicitor at the end of March. We review all EL/PL insurance outstanding claims. We also review the legal fees spend to identify any ongoing cases.
6. Have there been any report from other regulatory bodies, such as HM Revenues and Customs which indicate non-compliance?	No
Related Parties	
Auditor question	Response
<p>1. Have there been any changes in the related parties including those disclosed in Lancashire Combined Fire Authority's 2020/21 financial statements?</p> <p>If so please summarise:</p> <ul style="list-style-type: none"> the nature of the relationship between these related parties and Lancashire Combined Fire Authority whether Lancashire Combined Fire Authority has entered into or plans to enter into any transactions with these related parties the type and purpose of these transactions 	<p>No – we will issue the RPT disclosure form to all current CFA members this year. We gather evidence for any organisations disclosed. Not expected to be different to last year.</p> <p>CFA members constituent councils have business rates transactions, precepts etc, these will be gathered together for evidence as part of the year end WPs.</p>
2. What controls does Lancashire Combined Fire Authority have in place to identify, account for and disclose related party transactions and relationships?	We issue a questionnaire to all directors and CFA members at the end of March each year and analyse the disclosed organisations against AP/AR transactions.
3. What controls are in place to authorise and approve significant transactions and arrangements with related parties?	Significant transactions would largely be the precepts (CT and NNDR) income coming into LFRS – this is subject to the budget setting process and administered by LCC.
4. What controls are in place to authorise and approve significant transactions outside of the normal course of business?	We don't have access to bank transactions outside of normal office hours, as LCC carry out these tasks on LFRS' behalf. There is no out of hours service.

Going Concern	
Auditor question	Response
<p>1. What processes and controls does management have in place to identify events and / or conditions which may indicate that the statutory services being provided by Lancashire Combined Fire Authority will no longer continue?</p>	<p>The annual budget setting process will identify whether we are able to continue to operate in the longer term, this includes our ability to set a balanced short and medium term budget, our assessment of the adequacy of reserves to meet short and medium term commitments, and the assessment of the robustness of our budget assumptions.</p> <p>The s151 officer has been able to set a balanced budget for 2022/23, negating the need for an unbalanced budget report to members in line with Section 114 of the Local Government Finance Act 1988 (England and Wales)</p> <p>The authority's forward financial planning arrangements indicate that the authority will be able to meet its obligations in the foreseeable future.</p> <p>There are no significant doubts about the forward financial planning arrangements of the authority, leading to uncertainty as to the projected financial position for the foreseeable future, as indicated by:</p> <ul style="list-style-type: none"> • We are currently forecasting a year end underspend of £0.2m, which will be reported to Resources Committee this month • The potential impacts of both Brexit and the Fair Funding review uncertainties were included in the assessment of reserves levels carried out for the 22/23 budget setting exercise concluded in February 2022 and are not considered to have changed significantly at this time • Our MTFS does not identify any funding gaps in future years, based on the assumption contained within it. • Our level of reserves and balances should be sufficient to cover any gaps that do occur in the short term, once future settlements have been announced. Providing sufficient time to implement permanent budget reductions, if required <p>In addition we produce an Annual Assurance Statement looking at operational, financial</p>

	<p>and governance issues which is reported to the Home Office, and this did not identify any significant gaps.</p> <p>The authority has not been subject to any external assessments that have identified that it is unsustainable. We are currently awaiting the outcome of the most recent round of inspections by HMICFRS, however no areas of concern were identified during this process.</p>
2. Are management aware of any factors which may mean for Lancashire Combined Fire Authority that either statutory services will no longer be provided or that funding for statutory services will be discontinued? If so, what are they?	No, we are not aware of any such factors
3. With regard to the statutory services currently provided by Lancashire Combined Fire Authority, does Lancashire Combined Fire Authority expect to continue to deliver them for the foreseeable future, or will they be delivered by related public authorities if there are any plans for Lancashire Combined Fire Authority to cease to exist?	We expect to continue to deliver services for the foreseeable future,
4. Are management satisfied that the financial reporting framework permits Lancashire Combined Fire Authority to prepare its financial statements on a going concern basis? Are management satisfied that preparing financial statements on a going concern basis will provide a faithful representation of the items in the financial statements?	Yes, we believe the statements should be prepared on a going concern basis and that doing so provides a faithful representation of the items in the financial statements
Accounting Estimates - General Enquiries of Management	
Auditor question	Response
1. What are the classes of transactions, events and conditions, that are significant to the financial statements that give rise to the need for, or changes in, accounting estimate and related disclosures?	<p>PP&E – valuation, impairment & depreciation</p> <p>Pensions – valuation of liability & underlying assets</p> <p>Expenditure accruals – backdated pensionability £2.4m done 1920 accounts, this issue has not yet been fully resolved, hence we will provide an audit as part of the year end audit</p>

	Potential decision between accrual or contingent liability
2. How does the Authority's risk management process identify and addresses risks relating to accounting estimates?	Internal review of estimates and comparison to previous year position done by HoF and DoCS. This will be reporting to Audit Committee.
3. How do management identify the methods, assumptions or source data, and the need for changes in them, in relation to key accounting estimates?	Use of the CIPFA code of practice for local govt accounts. Review of source data provided to external experts (PP&E, pensions) and comparison of assumptions and results between financial years.
4. How do management review the outcomes of previous accounting estimates?	Comparison of estimates to eventual actual transactions, use this to form future judgements. Use these to review and challenge current outcomes of estimates.
5. Were any changes made to the estimation processes in 2021/22 and, if so, what was the reason for these?	No changes made to the processes, however underlying assumptions are reviewed and potentially changed.
6. How do management identify the need for and apply specialised skills or knowledge related to accounting estimates?	Review of skills held internally, and outsource identified gaps, using knowledge of reputable and appropriate experts.
7. How does the Authority determine what control activities are needed for significant accounting estimates, including the controls at any service providers or management experts?	Review the underlying assumptions, and where there is material change, analyse to understand it and/or challenge the results.
8. How do management monitor the operation of control activities related to accounting estimates, including the key controls at any service providers or management experts?	As per Q4 & Q7
9. What is the nature and extent of oversight and governance over management's financial reporting process relevant to accounting estimates, including: <ul style="list-style-type: none"> • Management's process for making significant accounting estimates • The methods and models used • The resultant accounting estimates included in the financial statements 	Audit committee will have the estimates and bases of calculation reported to them for approval before the final accounts are produced.
10. Are management aware of transactions, events, conditions (or changes in these) that may give rise to recognition or disclosure of significant accounting estimates that require significant judgement (other than those in the specific questions below)?	Will issue question to directors, at the same time as requesting RPT and CL information at the end of March. Responses required before end of April.
11. Are the management arrangements for the accounting estimates, as detailed in the specific questions below reasonable?	Yes

12. How is the Audit Committee provided with assurance that the arrangements for accounting estimates are adequate?	From the new report they will receive, plus confidence from previous years' clean audit opinions.
Specific questions on key estimates Property, plant, and equipment valuation estimate	
Auditor question	Response
1. Were any risks identified relating to the material accuracy of this accounting estimate for the financial year and, if so, how were these risks addressed?	As per 20/21 accounts - As at the valuation date, RICS consider that we can attach less weight to previous market evidence for comparison purposes, to inform opinions of value. The emphasis is on the current degree of uncertainty, rather than adjusting those valuations. Review valuation for 21/22 for any similar risks of accuracy.
2. How do management select, or design, the methods, used in respect of this accounting estimate, including the models used? Were any changes made to these methods or models in 2021/22, and if so what was the reason for the change?	The choice of valuation method applied to LFRS assets is prescribed by the Code dependent on use of asset In addition, the assets are subject to a rolling inspection valuation (or to value recent significant property works), with the intervening years being update by way of desktop valuation.– No changes made to the methods or models.
3. How do management select the assumptions used in respect of this accounting estimate? Were any changes made to these assumptions in 2021/22, and if so what was the reason for the change?	Asset life is an assumption, based on the condition of the building asset – these are compared to previous valuations to check for reasonableness. No changes to the basis of assumption in 21/22.
4. How do management select the source data used in respect of this accounting estimate? Were any changes made to this source data in 2021/22, and if so what was the reason for the change?	Valuers previous valuations + RICS indices for desktop valuations. Rolling inspections on the stock to ensure property information is up to date. No changes to the source data in 21/22
5. Were any specialised skills or knowledge used in respect of this accounting estimates, and if so how were these specialist skills procured?	LFRS uses AMCAT Ltd (RICS qualified) for several years for property valuations, this arrangement is covered by an agreement, updated and signed annually. Appointed by direct appointment as the cost of the advice in line with procurement thresholds.

6. How do management monitor the operation of control activities in relation to this accounting estimates, including the control activities at any service providers or management experts?	Review the underlying assumptions, and where there is material change since the previous year, analyse to understand it and/or challenge the results with the expert.
7. In management's opinion, are their adequate controls in place over the calculation of this accounting estimate, including those at any service provider or management expert used, and if so how is the robustness of the key controls assessed?	Yes, adequate controls in place. Control effectiveness assessed by HoF/DoCS during year end process/statement of accounts review, and by external audit. Historically no control weaknesses identified.
8. Were any changes made to the key control activities this year? If so please provide details.	No
9. How do management consider the estimation uncertainty related to this accounting estimate and address this uncertainty when selecting the point estimate to use?	The estimate point (for this category either the value or asset life) is suggested by the expert as part of the valuation process. This suggestion is considered by HoF and DoCS as part of the year end process/statement of accounts review.
10. How do management consider the sensitivity of the estimate to the methods and assumptions used and identify the range of reasonably possible outcomes for disclosure in the financial statements?	For sensitivity analysis, we review both the valuation and the asset life point estimates and calculate (and disclose) what a shift in either would do to the overall carrying value.
Valuation of defined benefit net pension fund liabilities estimate	
Auditor question	Response
1. Were any risks identified relating to the material accuracy of this accounting estimate for the financial year and, if so, how were these risks addressed?	The pensions accounting estimates are based on full membership data at a point in time, updated for recent membership numbers and cashflow activities in the year being valued. There is a risk of inaccurate cashflow and current member information being provided to each valuer (Mercers & GAD). These are addressed by use of pensions provider information verified against LFRS current payroll data. The cost of backdated pensionability, other than employers contributions and unauthorised tax charges, are assumed to fall on the Home office via the pensions Holding Account, however until such time as this issue is resolved there is a degree of uncertainty.
2. How do management select, or design, the methods, used in respect of this	The expert actuaries provide proposed assumptions prior to the valuation

<p>accounting estimate, including the models used?</p> <p>Were any changes made to these methods or models in 2021/22, and if so what was the reason for the change?</p>	<p>calculation, which are considered by management and adopted as part of the agreement. These assumptions can be amended by management, but historically have not been.</p> <p>No changes to the methods described for 21/22.</p>
<p>3. How do management select the assumptions used in respect of this accounting estimate?</p> <p>Were any changes made to these assumptions in 2021/22, and if so what was the reason for the change?</p>	<p>The expert actuaries provide proposed assumptions prior to the valuation calculation, which are considered by management and adopted as part of the agreement. These assumptions can be amended by management, but historically have not been.</p> <p>No changes to the methods described for 21/22.</p>
<p>4. How do management select the source data used in respect of this accounting estimate?</p> <p>Were any changes made to this source data in 2021/22, and if so what was the reason for the change?</p>	<p>LFRS provides cashflow data for the current year for both schemes – this data is based on the membership numbers provided by the pensions provider (Local Pension Partnership/LCC) and is cross referenced for reasonableness.</p> <p>No changes to the source data methods for 21/22</p>
<p>5. Were any specialised skills or knowledge used in respect of this accounting estimates, and if so how were these specialist skills procured?</p>	<p>Yes, Mercers for LGPS scheme via LCC. GAD for the FF pension schemes (x4). Both are done by direct appointment as the cost of the advice in line with procurement thresholds.</p>
<p>6. How do management monitor the operation of control activities in relation to this accounting estimates, including the control activities at any service providers or management experts?</p>	<p>Review the underlying assumptions, and where there is material change since the previous year, analyse to understand it and/or challenge the results with the expert.</p>
<p>7. In management's opinion, are their adequate controls in place over the calculation of this accounting estimate, including those at any service provider or management expert used, and if so how is the robustness of the key controls assessed?</p>	<p>Yes, adequate controls in place. Control effectiveness assessed by HoF/DoCS during year end process/statement of accounts review, and by external audit. Historically no control weaknesses identified.</p>
<p>8. Were any changes made to the key control activities this year? If so please provide details.</p>	<p>No</p>

<p>9. How do management consider the estimation uncertainty related to this accounting estimate and address this uncertainty when selecting the point estimate to use?</p>	<p>The estimate point for various factors, such as discount rate, inflation, pay inflation and mortality rates are suggested by the experts as part of the valuation process. These factors affect the value of liabilities (of both schemes) or the LGPS assets. These suggestions are considered by HoF and DoCS as part of the year end process/statement of accounts review.</p>
<p>10. How do management consider the sensitivity of the estimate to the methods and assumptions used and identify the range of reasonably possible outcomes for disclosure in the financial statements?</p>	<p>For sensitivity analysis, we review both the assumptions compared to the valuation estimate results and calculate (and disclose) what a shift in any of the factors disclosed above would do to the overall carrying value.</p>
<p>Income and Expenditure accruals estimate</p>	
<p>Auditor question</p>	<p>Response</p>
<p>1. Were any risks identified relating to the material accuracy of this accounting estimate for the financial year and, if so, how were these risks addressed?</p>	<p>Significant items: Pension liability re McCloud remedy assumed impacts – GAD have calculated an assumption about ‘better of’ benefits for affected members – as yet we do not have individual calculations to measure these against. In 19/20 this approach added £1.2m to current service costs, and £2.9m to past service costs. This approach remains in place. The cost of backdated pensionability, other than employers contributions and unauthorised tax charges, are assumed to fall on the Home Office via the pensions Holding Account, however until such time as this issue is resolved there is a degree of uncertainty. The service is currently carrying an accrual of £2.4m of the share of costs it will bear, the accuracy of this will be reviewed as part of the year end process. Due to the additional NNDR reliefs offered during 21/22 which had not been funded, billing authorities received S31 grant, part of which relates to precepting authorities but will only be paid to LFRS in Q4 22/23, but relates to 21/22. This amount will be accrued at year end, a balance of £1.1m has been allowed in the accounts. The method of estimating is broadly consistent with last year and reflects billing authorities best available data</p>

<p>2. How do management select, or design, the methods, used in respect of this accounting estimate, including the models used?</p> <p>Were any changes made to these methods or models in 2021/22, and if so what was the reason for the change?</p>	<p>The methods used depend on the individual circumstances, as described above.</p> <p>No new methods applied for 21/22.</p>
<p>3. How do management select the assumptions used in respect of this accounting estimate?</p> <p>Were any changes made to these assumptions in 2021/22, and if so what was the reason for the change?</p>	<p>Reviewed on a case by case basis, by HoF and DoCS, comparison to the previous year, ensuring that relevant Code guidance is followed.</p> <p>No changes to assumptions in 21/22.</p>
<p>4. How do management select the source data used in respect of this accounting estimate?</p> <p>Were any changes made to this source data in 2021/22, and if so what was the reason for the change?</p>	<p>Use of actual data to perform calculations, verified back to financial monitoring.</p> <p>No changes to source data in 21/22.</p>
<p>5. Were any specialised skills or knowledge used in respect of this accounting estimates, and if so how were these specialist skills procured?</p>	<p>No</p>
<p>6. How do management monitor the operation of control activities in relation to this accounting estimates, including the control activities at any service providers or management experts?</p>	<p>Review of the financial position reported to Resources Committee by DoCS. Comparison between financial monitoring and statement of accounts.</p>
<p>7. In management's opinion, are their adequate controls in place over the calculation of this accounting estimate, including those at any service provider or management expert used, and if so how is the robustness of the key controls assessed?</p>	<p>Budgetary controls at department and organisational levels, variances reviewed and considered. Internal audit reviews of KFS and reporting – no control issues identified.</p>
<p>8. Were any changes made to the key control activities this year? If so please provide details.</p>	<p>No</p>
<p>9. How do management consider the estimation uncertainty related to this accounting estimate and address this uncertainty when selecting the point estimate to use?</p>	<p>Different dependent on which estimation above – but these are based on actual data, with reduced estimation uncertainty as a result.</p>
<p>10. How do management consider the sensitivity of the estimate to the methods and assumptions used and identify the</p>	<p>As the majority of the estimates in this section are based on actual amounts, there is limited sensitivity.</p>

range of reasonably possible outcomes for disclosure in the financial statements?	
Depreciation estimate	
Auditor question	Response
1. Were any risks identified relating to the material accuracy of this accounting estimate for the financial year and, if so, how were these risks addressed?	The depreciation calculation relies on the amount of the valuation and the remaining life assigned by property. Although the life is the judgement of the expert (RICS qualified), there is no material risk of inaccuracy.
2. How do management select, or design, the methods, used in respect of this accounting estimate, including the models used? Were any changes made to these methods or models in 2021/22, and if so what was the reason for the change?	The basis of depreciation is set out in our accounting policies, and is in line with current code requirements and best practice. No changes to methods 21/22.
3. How do management select the assumptions used in respect of this accounting estimate? Were any changes made to these assumptions in 2021/22, and if so what was the reason for the change?	The asset lives are compared to those in the previous year and any unexpected differences are reviewed and discussed with the valuer. No changes in 21/22.
4. How do management select the source data used in respect of this accounting estimate? Were any changes made to this source data in 2021/22, and if so what was the reason for the change?	The property asset register used each year is the final version from the previous year. No changes in 21/22.
5. Were any specialised skills or knowledge used in respect of this accounting estimates, and if so how were these specialist skills procured?	LFRS has used AMCAT Ltd (RICS qualified) for several years for property valuations, this arrangement is covered by an agreement, updated and signed annually. Appointed by direct appointment as the cost of the advice in line with procurement thresholds.
6. How do management monitor the operation of control activities in relation to this accounting estimates, including the control activities at any service providers or management experts?	Review the underlying assumptions, and where there is material change since the previous year, analyse to understand it and/or challenge the results with the expert.
7. In management's opinion, are their adequate controls in place over the calculation of this accounting estimate, including those at any service provider or management expert used, and if so how is	Yes, adequate controls in place. Control effectiveness assessed by HoF/DoCS during year end process/statement of accounts review, and by external audit. Historically no control weaknesses identified.

the robustness of the key controls assessed?	
8. Were any changes made to the key control activities this year? If so please provide details.	No
9. How do management consider the estimation uncertainty related to this accounting estimate and address this uncertainty when selecting the point estimate to use?	The estimate point (for this category either the value or asset life) is suggested by the expert as part of the valuation process. This suggestion is considered by HoF and DoCS as part of the year end process/statement of accounts review.
10. How do management consider the sensitivity of the estimate to the methods and assumptions used and identify the range of reasonably possible outcomes for disclosure in the financial statements?	For sensitivity analysis, we review both the valuation and the asset life point estimates and calculate (and disclose) what a shift in either would do to the depreciation charge.

Response from Audit Committee Chair

Fraud risk assessment

Auditor Question	Response
Has the 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 does the Authority have in place to identify and respond to risks of fraud?	Quarterly check for duplicate AP transactions. Participation in the NFI exercise. We have whistle blowing and anti fraud policies. Internal audit reviews.
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 the 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 override of controls or inappropriate influence over the financial reporting process?	No
How does the Authority exercise oversight over management's processes for identifying and responding to risks of fraud?	Updated corporate risk register is presented at each Audit Committee, NFI update report taken to Audit Committee when completed.

What arrangements are in place to report fraud issues and risks affecting the authority?	Updated corporate risk register is presented at each Audit Committee, NFI update report taken to Audit Committee when completed. In the event of a fraud occurring, Audit Committee would be informed and kept updated.
How does the 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?	Whistle blowing and anti fraud policies available for all staff No
Are you aware of any related party relationships or transactions that could give rise to risks of fraud?	No, the only significant related party relates to Treasurer whose wife was Treasurer at Blackburn with Darwen Council up to 25 April and then became Treasurer at Chorley & South Ribble Borough Council, as detailed in the accounts.
Are you aware of any instances of actual, suspected or alleged, fraud, either within the Authority as a whole or within specific departments since 1 April 2021?	No

Law and regulation

Auditor Question	Response
What arrangements does the 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 Authority 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	No

with law and regulation since 1 April 2021?	
What arrangements does the Authority have in place to identify, evaluate and account for litigation or claims?	<p>Year-end process to identify contingent liabilities/outstanding litigation and claims</p> <p>On-going DFM monitoring arrangements</p> <p>Discussion with Clerk/Solicitor</p>
Is there any actual or potential litigation or claims that would affect the financial statements?	The backdating of pensionable allowances remains the only significant area that could affect the financial statements. The accounts currently include an allowance of £2.4m in respect of this. However the Authority has not yet reached agreement in respect of this and therefore it is not yet known if the accrual is sufficient to cover this or whether further backdating is required
Have there been any reports from other regulatory bodies, such as HM Revenues and Customs, which indicate non-compliance?	No

Going Concern

Auditor Question	Response
How will the Authority Board / Audit Committee satisfy itself that it is appropriate to adopt the going concern basis in preparing the 2021/22 financial statements?	<p>The Treasurer was able to set a balanced budget for 2022/23, and financial modelling suggests the Authority will be able to meet its obligations for the foreseeable future.</p> <p>Our MTFs does not identify any funding gaps in future years, based on the assumption contained within it, and there are no significant doubts around the forward planning for 2022/23.</p> <p>The Authority has healthy reserve balances.</p>

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Lancashire Combined Fire Authority

Audit Committee

Meeting to be held on 29 March 2022

Risk Management

Appendix 1 refers

Contact for further information - Keith Mattinson – Director of Corporate Services
Tel: 01772 866804.

Executive Summary and Recommendations

Executive Summary

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

Decision Required

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

Information

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

Removal of DCP/Outcome of Emergency Cover Review (ECR)

There is a risk that the Emergency Cover Review is unable to identify suitable and affordable alternative duty systems for the DCP stations.

ECR working groups have been set up to engage with existing DCP staff to look at future duty systems. Potential cost implications will be closely monitored to ensure these are reflected in future updates to our MTFs.

This is currently classed as a high risk as the review is in its early stages and the cost implications if all stations returned to the 2-2-4 shift system are very significant.

Existing Risks

Of the existing risks 6 have been reviewed, and an updated corporate risk register is attached as appendix 1, with changes summarised below: -

Table 2 Summary of Corporate Risk Register Changes

		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	Whilst the Local Government Finance Settlement only covered one year (2022/23) the £5 flexibility provided in respect of council tax increases has enabled the Authority to 'right size' the budget and puts the Authority in a better position to meet future financial challenges. The MTF5 showed the Authority being able to set a balanced budget over the next 5 years, assuming funding increased by 1% per annum, future council tax referendum limits were maintained at 2%, and assuming pay awards were 2% each year. Obviously if any of these assumptions are wrong the financial position will be more challenging	Reduces to 12	Medium
2	Premises Risk Information: That operational staff do not have available adequate and reliable premises information to efficiently resolve operational incidents: Risk information is provided to operational staff based on premises information and premises risk are identified on a continuous basis although this is not consistent throughout the Service.	No change, not due to report till 30/11/22	9	Medium
3	Insufficient staffing resources, due to Industrial Action, to deal with operational demand and fulfil statutory responsibilities	No change, not due to report till 31/7/22	12	Medium
4	Lack of availability of water supplies for fire fighting prevents effective fire fighting resulting in	Previously discharged		

	additional damage to property and increased risk to life.			
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.	No change, not due to report till 31/7/22	9	Medium
7	Failure of key ICT systems resulting in disruption to services	No change, not due to report till 31/7/22	9	Medium
8	Loss of corporate reputation through negative publicity	Updated guidance on corporate use of social media has recently been published and Teams training sessions are due to be offered to any staff who wish learn more. New users of corporate social media have to undertake training with the communications department and anyone can request refresher training. All staff must operate social media within the parameters of the policy set out in the email and internet acceptable use policy. The photography, film and graphic design service order was updated in 2021 and covers the policy on image use.	Remains at 9	Medium
9	Retention and recruitment of RDS staff impacts on RDS appliance availability	Overall vacancy levels have increased at approx 26%, and On-Call pump availability has dropped to circa 78% in Quarter 3 of 2021/22. Work continues between On Call Support Officers (OCSOs) and HR on the recruitment of on-call staff. For those who fail the on-call course the OCSOs continue to maintain contact and undertake developmental work with a view to attendance on subsequent courses. OCSOs/HR additionally monitor	Remains at 9	Medium

		success of on-call recruitment initiatives. There are three current OCSOs post vacancies that the Service will look to fill to further support recruitment within Areas.		
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 30/11/22	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	We are currently recruiting into various roles to support this. Until this is concluded the Service Solicitor is supporting this. Information management and effective use of data will progress through the development of Power BI, but this is a longer term piece of work.	Remains at 9	Medium
14	Delayed mobilisation, impacting on service delivery	No change, not due to report till 30/11/22	9	Medium
15	High levels of staff absence due to outbreak of ebola.	Previously discharged		
16	Lack of clarity on future of FRS, leading to inertia	Previously discharged		
17	Failure of ESMCP to deliver a viable communication facility.	No change, not due to report till 31/7/22	9	Medium
18	Inability to maintain service provision in spate conditions	Previously discharged		
19	Failure to maximise the opportunities that technological advances present due to a lack of capacity within the ICT department, and an	No change, not due to report till 31/7/22	9	Medium

	inability of staff to keep pace with new development that are implemented			
20	Loss of support for Vector Incident Command product with the product name Command Support System (CSS) leading to ineffective command function at large incidents	We are currently undertaking a procurement exercise for a replacement system.	Remains at 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 30/11/22	10	Medium
22	Failure to maximise collaborative opportunities presented by Policing and Crime Act 2017	No change, not due to report till 30/11/22	9	Medium
23	Lack of leadership capacity impacting on delivery of services	No change, not due to report till 31/7/22	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	We have updated the risk to cover the same issues arising from both Brexit and the current war in Ukraine.	Remains at 12	Medium
27	Increase in costs and administration associated with changes to pensions	No change, not due to report till 31/7/22	16	High
28	Discontinued or long-term malfunction in the KPI management software product (CORVU)	No change, not due to report till 30/11/22	6	Low

29	High levels of staff absence due to pandemic.	No change, not due to report till 30/11/22	15	High
30	Changes to Emergency Response Driver Training leading to a reduction in trained appliance drivers and hence impacting pump availability	<p>The increase in course duration for Emergency Response Driver Training will commence from April 2022.</p> <p>We have increased the Driver Training department establishment by an additional full time Driver Trainer.</p> <p>To provide flexibility, particularly for On Call staff, consultation and dialogue has taken place through the On-Call Practitioners Group. The courses will be split into weekly modules with options for a two week back to back course of one week, followed by a second week within a three month period.</p> <p>A review of driver trainer contracts is currently underway</p> <p>We will monitor the impact over time to ensure that new entrants are able to undertake the relevant training and therefore are able to drive appliances</p> <p>This risk may increase over time as personnel leave the service and new entrants are required to comply with the new standard</p>	Remains at 12	Medium
31	Increase in costs associated with major Property projects due to changes in Building Regulations	No change, not due to report till 31/7/22	12	Medium
32	Increase in energy costs	No change, not due to report till 30/11/22	10	Medium

Financial Implications

None

Human Resource Implications

None

Equality and Diversity Implications

None

Environmental Impact

None

Business Risk Implications

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

Local Government (Access to Information) Act 1985

List of Background Papers

Table 3 Details of any background papers

Paper:	
Date:	
Contact:	
Reason for inclusion in Part 2 if appropriate:	

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CORPORATE RISK REGISTER

Mar-22

Page 89

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.	<p>We had previously anticipated a new 4-year Spending Review being published, however due to uncertainty this has been delayed. As such 22/23 is a one-year settlement, with a multi-year settlement anticipated later this year.</p> <p>Running alongside this is a Fair Funding and the prospect of moving to a 75% Business Rates Retention model, both of which will impact future funding, have also been put on hold.</p> <p>Whilst the Local Government Finance Settlement only covered one year the £5 flexibility provided in respect of council tax increases has enabled the Authority to 'right size' the budget and puts the Authority in a better position to meet future financial challenges.</p> <p>The MTFS showed the Authority being able to set a balanced budget over the next 5 years, assuming funding increased by 1% per annum, future council tax referendum limits were maintained at 2%, and assuming pay awards were 2% each year. Obviously if any of these assumptions are wrong the financial position will be more challenging</p>	4	4	16	Continue to monitor position and review implications arising from future Spending Review/Finance Settlements.	31/03/2023	DoCS	DoCS	Corp Serv
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>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.</p> <p>LFRS will undertake incident pre planning and the gathering of operational risk information to enable:</p> <ul style="list-style-type: none"> *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. <p>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.)</p> <p>All known high risk premises are recorded on the system.</p>	3	3	9	A key priority through the pandemic was the continued review programme of SSRI plans for built environment risks. As a function central to the management of risk it was safeguarded during the pandemic, given that risk sites may have needed to review their own operating procedures and policies in light of C-19 impacts upon them. REP have completed assurance (dip samples) of Level 4 PORIS sites and a formal Service level project has now commenced to further strengthen our Risk Information policy, practices, guidance and training.	30/11/2022	HoSD	DoSD	Serv Delivery

CORPORATE RISK REGISTER

Mar-22

Page 90

			LIKELIHOOD	IMPACT	RESIDUAL RISK		BY WHEN	BY WHOM	RISK OWNER	DIRECTORATE
KEY RISKS	RISK MITIGATION/CONTROLS IN PLACE					ACTIONS RECOMMENDED				
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.	31/07/2022	HoSDD	DoSP	Strategy & Planning	
4 Lack of availability of water supplies for fire fighting prevents effective fire fighting resulting in additional damage to property and increased risk to life.	The Service commissions, adopts, systematically inspects and repairs mains fed fire fighting hydrants across the County. We maintain operational plans that display the location of available hydrants and open water supplies. Accurate hydrant information now provided to FES. Hydrant inspections moved to a risk based programme. New SSI Hydrant Manager update - Central system (within FES) is now up and running with current information being available on appliance MDT's. Hydrant tech's now moved over to Toughbook's for hydrant management and reporting of defects. We have Strategic Hydrants (those with a flow rate of above 1,500 litres per minute), then Risk Category 1, 2 and 3. Strategic are tested annually, Risk 1 annually, Risk 2 every two years, and Risk 3 every three years. Defects are repaired either in-house by the Hydrant Technicians, or reported to United Utilities (Strategic being marked urgent). Strategic Hydrants are always flow tested and this is recorded on the hydrant asset in SSI. Other hydrants are dry tested Increased use of HVP for larger incidents.	2	3	6	Discharged					
5 The increasing age profile of operational staff could adversely affect our ability to deliver effective emergency response.	Fitness Assessments introduced and included as part of the Crew Training as of 1st April 14. Remedial action to ensure that acceptable levels of fitness are developed and maintained. Provision of facilities for physical exercise and training on operational stations. Currently staff are timetabled to take a fitness test, are subject to health monitoring and managers can refer staff to OHU if they have concerns. The Service provides a physiotherapy service, critical incident debriefing and counselling if needed.	3	2	6	Discharged					

CORPORATE RISK REGISTER

Mar-22

Page 91

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. Additionally, TOR to continue to work closely with Service Delivery to ensure attendance on Safety Critical mandatory training.</p>	31/07/2022	HoTOR	DoSP	Strategy & Planning

CORPORATE RISK REGISTER

Mar-22

Page 92

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/embed the use of Cloud services where appropriate. Achieve Cyber Essentials Plus. Complete migration to windows 10 and Office 2019	31/07/2022	HoICT	HoICT	Strategy & Planning
8 Loss of corporate reputation through negative publicity.	Warning and informing communications toolkit and business continuity plan covers all aspects of risk including emergencies and broader reputational risk. Plan regularly tested during exercises. The communications department also plays a leading role in the Lancashire Resilience Forum warning and informing cell in relation to multi-agency emergency communications, training and 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. Updated guidance on corporate use of social media has recently been published and Teams training sessions are due to be offered to any staff who wish learn more. New users of corporate social media have to undertake training with the communications department and anyone can request refresher training. All staff must operate social media within the parameters of the policy set out in the email and internet acceptable use policy. 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. This activity is communicated to members of service management team via a daily media summary email and reputational issues are managed through the executive board. The photography, film and graphic design service order was updated in 2021 and covers the policy on image use.	3	3	9	Additional capacity has been built into Corporate Comms. Training continues to be delivered. On-going monitoring and porting of all forms of communications.	31/03/2023	HoCC	HoCC	People & Development

CORPORATE RISK REGISTER

Mar-22

Page 93

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	Activity around RDS recruitment campaigns will continue to develop. Work continues between Retained Support Officers (RSOs) and HR on the recruitment of on-call staff. For those who fail the on-call course the RSO's continue to maintain contact and undertake developmental work with a view to attendance on subsequent courses. RSOs/HR additionally monitor success of on-call recruitment initiatives.	31/03/2023	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 be able to undertake the job role. In terms of managing the risks associated with over establishment, all posts are checked against the post book prior to advertising. Where a post is not established it needs to go through specific authorisation and establishment process which ensures that we control the number of posts we recruit.	2	3	6	Discharged				
11 Lack of compliance with legislation resulting in prosecution or compliance order.	Clerk of Authority reviews all Committee reports for legality and advises CFA. Clerk and Solicitor review new legislation. Government notify of all new requirements Horizon scanning.	2	2	4	Discharged				

CORPORATE RISK REGISTER

Mar-22

Page 94

	KEY RISKS	RISK MITIGATION/CONTROLS IN PLACE	LIKELIHOOD	IMPACT	RESIDUAL RISK	ACTIONS RECOMMENDED	BY WHEN	BY WHOM	RISK OWNER	DIRECTORATE
12	Ineffective Health and Safety in the workplace, resulting in prosecution, intervention fees etc.	Health and Safety Management System (HSMS) in place certified to ISO 45001:2018 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. Safety event reporting and investigation process to facilitate learning. External audit and scrutiny through External Auditors. Health, Safety and Environment Advisory Group / Health and Safety Consultation Meeting monitor performance. Joint working with Trade Union Safety Representatives on health and safety issues within LFRS. 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 ISO 45001 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.	30/11/2022	HoSHE	HoSHE	People & Development
13	Lack of effective Information management impacting on service delivery and support or leading to a breach of data protection/freedom of information or a loss of sensitive/personal information.	A revised structure to deliver Information Management has been implemented. Nominated Data Protection and Freedom of Information Lead Officers to ensure legal obligations met. All freedom of information requests considered by Exec Board. 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. A data protection LearnPro module; this will further support the Service in effective information management by increasing staff awareness. The Service has also provided specialist data protection and GDPR training to increase staff knowledge and engagement with the subject matter. Data protection has been added as a standard agenda item to several key Papers in the Service. The appointment of a DPO not only aligns the Service with legislative obligations but also provides the oversight inherent to that post.	3	3	9	Work is ongoing through a number of key projects to align many aspects of this work. This is being covered through the CorVu replacement project and the records management and intranet replacement project, both of which are Corporate Programme Board items. Amendments have been made to the district plans and intelligence profiles to assist with the planning and reporting functions, with a longer-term view of further developing this area of work. The records officer role has now drafted the associated policies to support the above workstreams and with the introduction of MS365 a more robust and secure mechanism will be in place to effectively manage data.	31/03/2023	HoServ Develop	DoSP	Strategy & Planning

CORPORATE RISK REGISTER

Mar-22

Page 95

KEY RISKS		RISK MITIGATION/CONTROLS IN PLACE	LIKELIHOOD	IMPACT	RESIDUAL RISK	ACTIONS RECOMMENDED	BY WHEN	BY WHOM	RISK OWNER	DIRECTORATE
14	Delayed mobilisation, impacting on service delivery.	System uses AVLS to locate the nearest available pump, based on anticipated 'run time'. All types of roads have been assessed with an average road speed and implemented within the system, this has been loaded into road routing giving a more accurate ETA for appliances. Pump Delay times used by NWFC was matched against actual performance over the past 12 months as opposed to traditional calculations. Restrictions have been imposed on the system to ensure non critical incidents are attended by the host station whilst preventing a lengthy run time and/or a slow response time. This restriction ensures both the spread of resources is maintain and the continued use of RDS whilst preventing Whole time appliances being taken out of higher risk areas, this also reduces the need for standby/closing in moves	3	3	9	Mobilising configurations are being reviewed to ensure that they remain fit for purpose. LFRS are currently looking at dynamic cover software to further enhance response arrangements, this will enable appliances to be redeployed based on risk and other incident activity ensuring we have the right fire cover in place at the right time.	30/11/2022	HoServ Develop	DoSP	Strategy & Planning
15	High levels of staff absence due to outbreak of Ebola.	On-going liaison with LCC Emergency Planning Dept and LRF. Separate BCP plans developed re large scale staff absence. Enhanced sickness and absence policy implemented. OHU department to provide advice to managers/staff.	1	4	4	Discharged				
16	Lack of clarity on future of FRS, leading to inertia.	The Sir Ken Knight review highlighted a need to review governance arrangements relating to FRAs identified several potential governance models, regional, national, mergers, ambulance, police etc. responsibility for Fire Service has transferred from CLG to Home Office The Policing and Crime Bill (which is currently going through Parliament) introduces measures which require the police, fire and rescue, and ambulance services to collaborate with one another. As a minimum, the legislation requires PCCs to be represented on the relevant fire and rescue authority (FRA) (or its committees) with full voting rights, subject to the consent of the FRA. Alternatively, PCCs have the option of putting forward a business case which may include arrangements to take on responsibility for the governance of fire and rescue; or to become the single employer for fire and police, to deliver greater improvements through the integration of back office functions and maximise the benefits of workforce flexibility. As such future options now appear to be:- • remain as we are • move towards a PCC	2	3	6	Discharged				

CORPORATE RISK REGISTER

Mar-22

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. The ESMCP Programme has consulted upon a refresh of the 2016 approved Full Business Case (FBC) and LFRS leads have engaged fully in the process in order to ensure that the proposed changes to the 2021 FBC are fully understood. Technical lead colleagues in LFRS and NWFC continue to work closely with the NFCC team to ensure that our NWFC mobilising system and internal supporting aspects such as station end equipment and vehicle mounted data terminals remain fit for purpose through and beyond ESMCP transition.</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. Work to evaluate transition planning remains ongoing and includes aspects such as dual device (Airwave and ESMCP) fitting within fire engines, device convergence opportunities, coverage testing and early trials and pilot of the voice product.</p>	31/07/2022	DoSP	DoSP	Strategy & Planning

CORPORATE RISK REGISTER

Mar-22

Page 97

KEY RISKS		RISK MITIGATION/CONTROLS IN PLACE	LIKELIHOOD	IMPACT	RESIDUAL RISK	ACTIONS RECOMMENDED	BY WHEN	BY WHOM	RISK OWNER	DIRECTORATE
18	Inability to maintain service provision in spate conditions	<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				
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	<p>ICT Asset Mgt Plan in place, which identifies replacement timeframes for existing systems.</p> <p>ICT Strategy in place 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</p> <p>CPB consider outcomes from BPIP</p> <p>Digital Transformation created to address development opportunities within the Service. This enables ICT department to focus on core infrastructure and increase development capacity once fully staffed.</p>	3	3	9	<p>Work has commenced on upgrading the Exchange infrastructure, and is due completion in September. Complete migration to windows 10 and Office 2019</p> <p>They have continued to develop bespoke packages, such as Assurance Monitoring System. Review and deliver priorities as defined by BPIP, CPB & Exec board.</p>	31/07/2022	HoICT	DoSP	Strategy & Planning

CORPORATE RISK REGISTER

Mar-22

	KEY RISKS	RISK MITIGATION/CONTROLS IN PLACE	LIKELIHOOD	IMPACT	RESIDUAL RISK	ACTIONS RECOMMENDED	BY WHEN	BY WHOM	RISK OWNER	DIRECTORATE
20	Loss of support for Vector Incident Command product with the product name Command Support System (CSS) leading to ineffective command function at large incidents	The CSS software application (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 project was set up to deliver a new command software solution and this is currently in the procurement stage, with a view to implementing a new system in the new financial year.	31/03/2023	HoServ Develop	DoSP	Strategy & Planning
21	Risk of rapid external fire spread in high rise premise resulting in a major incident	<p>Understanding the range of hazards present in the high rise built environment continues to evolve with new and emerging risks continually being identified both locally and nationally. The latter are shared by the NFCC Protection Policy Reform Unit (incorporating the Building Safety Team), Home Office and MHCLG. Intelligence which in turn steers targeting and inspection activity. Albeit with restrictions on LFRS' ability to fully manage risk in this area due to limitations imposed by current legislation.</p> <p>National policy reform is underway, but still has considerable distance to travel, involving revised Building Regulations, amendments to the Fire Safety Order in 2012 (giving FRS enforcement powers for cladding and flat front doors) and the new Building Safety Bill in 2022 (making FRS a joint regulator with HSE and Building Controls).</p> <p>In 2020/21 (until Dec) LFRS Inspectors are undertaking the MHCLG commissioned 'Building Risk Review' of all 75 High Rise residential premises in Lancashire to identify if any hazards exist beyond the use of ACM cladding. Such hazards include other unsatisfactory cladding systems, combustible balconies, and compartmentation breaches etc .</p> <p>All High Rise owners and managers have been written to signposting the Government Cladding Remediation Fund.</p>	2	5	10	<p>The organisational structure has been refined to ensure there are sufficient resources to mitigate the risk. This includes the introduction of a Protection Transformation Team, who have responsibility to oversee the Building Risk Review (BRR). Furthermore, revised governance for Fire Protection has been introduced to drive reform with the introduction of dedicated AM for P&P and GMs for Prevention and Protection.</p> <p>As a result of the BRR and from ongoing audits, Policy has been introduced to manage buildings that have been identified as requiring 'interim measures', This includes details of what NWFC, REP, Protection and Service Delivery will do, including quarterly visits from Operational staff to premises in interim measures.</p> <p>OAG are progressing the GTI action plan, including ongoing training of Operational staff for responding to high rise incidents. An evacuation policy and the associated training is now being planned.</p>	30/11/2022	HoServ Develop	DoSP	Strategy & Planning

Page 98

CORPORATE RISK REGISTER

Mar-22

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 NWS Regular meetings to discuss issues/opportunities Collaboration already taking place i.e. EMR, Gaining Entry, Missing Persons, Air Support (Drone), Site Sharing etc. Statement of Intent agreed and signed off at Deputy Chief Officer level between LFRS and Lancashire Constabulary External training for both organisations Senior Management Teams delivered by Shares Services Architects. Work areas considered and a 32 item collaboration log has been created. Blue Light Collaboration Board has been extended to NWS and both Programme and Sponsor level attendance at meetings is from the 3 blue light services. During the pandemic, collaboration efforts were focused on supporting the NHS, with blue light services all working effectively to deliver or support; mass vaccination sites, logistics for PPE, movement of bodies, temporary mortuary, face fit testing.	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 negotiation Two Blue Light Collaboration meetings have been held in Q2. The next steps are to present the journey so far, and proposals for the ongoing work plan, to the Collaboration Executive team. Shared values will be discussed with a refresh of the MOU. Subsequently, key information will then be cascaded through management teams. There have been recent changes at executive level and programme board level within LanCon.	30/11/2022	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 A more formal approach to Talent Management has been introduced with feedback to be given and opportunities for development identified through a lifetime/career conversation 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	The Talent Management workshops will be relaunched at the end of July. Leadership development programmes continue to be delivered despite Covid-19. Crew Manager Promotion Board currently advertised and Middle Manager promotion Board will be advertised September 2021. Future workforce needs have been reviewed as part of the development of the Workforce Plan.	31/07/2022	HoHR	DoPD	People & Development

CORPORATE RISK REGISTER

Mar-22

Page 100

KEY RISKS		RISK MITIGATION/CONTROLS IN PLACE	LIKELIHOOD	IMPACT	RESIDUAL RISK	ACTIONS RECOMMENDED	BY WHEN	BY WHOM	RISK OWNER	DIRECTORATE
24	Insufficient preparation for inspection programme leading to opportunities being lost in terms of national learning and Lancashire's ability to effectively communicate its progress and awareness	Resources allocated to the required preparatory work to meet the needs of the HMICFRS inspection process. Creation of an internal review and subsequent self-assessment against the draft inspection criteria including the collation of key evidence and identification of any shortfalls of evidence. Completion of the HMICFRS returns including a corporate narrative overview, statements against the diagnostics covering effectiveness, efficiency and people including the submission of associated evidence. Inspection completed week commencing 9 July. Report due completion October (released at same time as other Tranche 1 reports)	1	3	3	Discharged				
25	The outcome of the EU court ruling on the Matzak case relating to on-call arrangements in Belgium has a detrimental impact on service provision and/or cost.	The case looked at the applicability of Working Time in connection with the Belgian Fire Service and their version of On Call Controls. Legal opinion is being sought in connection with the case to identify its impact in the UK. On more detailed examination, the case was not directly applicable to the UK, the issue in question was also resolved before further consideration by the Belgium Courts.	1	5	5	Discharged				
26	Increase in costs of and/or lack of availability of goods and services, following Brexit or arising from the war in Ukraine	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	We have started to see an increase in the price of construction materials in the last few months, as well as delays in obtaining them. With the contractor on our Workshop/BA school project awaiting some metal stud partitioning to finish one section of the building internally, this is indicative of the supply market at the present time. We continue to monitor impact, and will consider the need to increase the contingency on construction projects to provide scope to meet potential cost increases.	31/07/2022	HoProc	DoCS	Corporate Services

CORPORATE RISK REGISTER

Mar-22

KEY RISKS		RISK MITIGATION/CONTROLS IN PLACE	LIKELIHOOD	IMPACT	RESIDUAL RISK	ACTIONS RECOMMENDED	BY WHEN	BY WHOM	RISK OWNER	DIRECTORATE
27	Increase in costs and administration associated with changes to pensions	<p>Following Court decisions re FF pension schemes there are two issues which have implications for the Service in terms of costs and administrative capacity: -</p> <ul style="list-style-type: none"> •Various allowances were deemed pensionable, this being agreed with the FBU. However, as the Service has been unable to reach agreement with the FBU on backdating it has implemented a policy of 6 years backdating for relevant allowances from 1/6/21 •The McCloud/Sergeant judgement deemed that the protection arrangements for staff transferring from the 1992 scheme to the 2015 scheme was age discriminatory and therefore illegal, the Governments timescale for remedy is October 2023, hence an agreement has been reached between FBU and LGA to allow a current solution pending the final arrangements called "immediate detriment". This remedy gives personnel the option of having their benefits calculated based on the scheme they were transferred into (2015 scheme) or the scheme that they transferred from (92 or 2006 scheme) <p>Both of these changes have significant implications in terms of capacity, and cost, to calculate the correct benefits due, as well as backdating of pension contributions. They also significantly increase the forecast cost of pension payments due at retirement, and the costs of pensions paid to those who have already retired.</p>	4	4	16	<p>We have actioned the backdating of allowances and amended contributions and benefits where applicable.</p> <p>We are reviewing the Immediate Detriment remedy</p> <p>We have set up our own Pension Team to support these exercises</p> <p>We are liaising with our Pension Provider on costs and timescales for undertaking the work</p> <p>We are liaising with Govt about meeting the costs of the administrative burden (new burdens) and the additional net pension costs</p>	31/07/2022	DoPD	DoPD	People & Development
28	Discontinued or long term malfunction in the KPI management software product (CORVU)	<p>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.</p>	3	2	6	<p>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.</p>	30/11/2022	HoSDD	DoSP	Strategy and Planning

CORPORATE RISK REGISTER

Mar-22

KEY RISKS		RISK MITIGATION/CONTROLS IN PLACE	LIKELIHOOD	IMPACT	RESIDUAL RISK	ACTIONS RECOMMENDED	BY WHEN	BY WHOM	RISK OWNER	DIRECTORATE
29	High levels of staff absence due to pandemic.	<p>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.</p> <p>Staff absence levels peaked as expected during mid-January, following the Christmas / New Year relaxation of lockdown arrangements. LFRS accessed a provision of Lateral Flow Tests and began a pilot rollout across a number of locations aimed at early identification and isolation of asymptomatic cases of C-19. An ambitious rollout plan followed which resulted in LFT provision being made available in a self-sustaining manner across all 39 fire stations, Service Headquarters, Service Training Centre.</p>	5	5	25	<p>Interim BCP debrief conducted internally to capture learning from the first few months of the pandemic. Further internal and LRF debriefs to be progressed once BCP arrangements stood down. Higher levels of absence have materialised as expected, the position continues to be closely monitored to establish any impact. The Service has implemented a model of Hybrid Working, so staff can continue to work flexibly from home. The Service has promoted the availability and reimbursement of the flu vaccine to minimise the additional risks associated with seasonal flu. The availability of Lateral Flow Tests is promoted and staff continue to regularly test themselves to minimise the risk of transmission of Covid-19.</p>	30/11/2022	HoSDD	DoSP	Strategy and Planning

CORPORATE RISK REGISTER

Mar-22

KEY RISKS		RISK MITIGATION/CONTROLS IN PLACE	LIKELIHOOD	IMPACT	RESIDUAL RISK	ACTIONS RECOMMENDED	BY WHEN	BY WHOM	RISK OWNER	DIRECTORATE
30	Changes to Emergency Response Driver Training leading to a reduction in trained appliance drivers and hence impacting pump availability	<p>A new Fire Standard for Emergency Response Driver Training has been published. This requires more training for new drivers within the sector, requiring: -</p> <ul style="list-style-type: none"> • Current instructors added to a register and new instructors will need to complete a formal pathway; • A 10-day course with an element of night driving for all new appliance drivers; • A 10 or 15-day Initial Response course for flexi-officers depending on current competency in response driving; • Longer courses for special appliances which are not LGV. <p>All of these will see a marked increase in the length of a driving course. In terms of the initial driving course the extension of time from 5 days to 10 days not only increase instructor time, but may lead to difficulties in the On-Call service as personnel will not be able to take the time away from Primary Employment to undertake training leading to a decline in On-Call appliance availability.</p>	3	4	12	<p>The increase in course duration for Emergency Response Driver Training will commence from April 2022.</p> <p>We have increased the Driver Training department establishment by an additional full time Driver Trainer.</p> <p>To provide flexibility, particularly for On Call staff, consultation and dialogue has taken place through the On-Call Practitioners Group. The courses will be split into weekly modules with options for a two week back to back course of one week, followed by a second week within a three month period.</p> <p>A review of driver trainer contracts is currently underway</p> <p>We will monitor the impact over time to ensure that new entrants are able to undertake the relevant training and therefore are able to drive appliances</p> <p>This risk may increase over time as personnel leave the service and new entrants are required to comply with the new standard</p>	31/03/2023	HoTOR	DoSD	Serv Delivery

CORPORATE RISK REGISTER

Mar-22

Page 104

KEY RISKS	RISK MITIGATION/CONTROLS IN PLACE	LIKELIHOOD	IMPACT	RESIDUAL RISK	ACTIONS RECOMMENDED	BY WHEN	BY WHOM	RISK OWNER	DIRECTORATE
31 Increase in costs associated with major Property projects due to changes in Building Regulations	A proposed upgrade of the Building Regulations was published as draft legislation in January 2021, and is subject to an on-going consultation. The construction industry was expecting a significant increase in the environmental standards for new buildings with a zero-carbon requirement anticipated, this has been confirmed in the draft legislation. However, the draft legislations also applies to existing buildings, whereby there will be a requirement to substantially upgrade the environmental credentials of existing buildings when a major refurbishment is undertaken. This will potentially see significant increase in upfront costs with more energy efficient heating/insulation being required, such as air-source heat pumps, PV panels, triple glazing etc, all of which are dearer than our current standards. Whilst contingences are included in major contracts these may not be sufficient to meet future requirements	3	4	12	In order to mitigate this we will need to account for this in cost estimates for all major property projects, and increase the contingency on projects to provide scope to meet potential cost increases. Given the scale of the Authorities Capital programme over the next 5 years this is considered a high risk at the present time, as if the legislation is implemented it will increase costs significantly on all projects commencing after June 2022, and this was not allowed for in the initial budget estimates.	31/07/2022	HoProp	DoCS	Corp Serv
32 Increase in energy costs	The service currently spend approx. £400k on energy. The contracts for both gas and electricity (let via a national framework agreement) fix the tariff at the start of each year, meaning that the increased costs on the market will not be passed onto the service in the current financial year. However when prices are fixed for next year we will potentially see a significant increase in costs. As a result the budget has been increased by £100k.	5	2	10	In order to mitigate the risk of significant increase we use a YPO framework which fixes prices. YPO actively review the market attempting to fix prices at the most favourable rates. We also look to introduce more energy efficient lighting and heating as well as improving thermal qualities of buildings (e.g. replacing windows/ doors/ facades).	30/11/2022	HoProp	DoCS	Corp Serv

HIGH	3	31/03/2022	0
MEDIUM	19	31/07/2021	0
MEDIUM/LOW	7	30/11/2021	0
LOW	3	Discharged	9
	32		9

Scores
Likelihood
 5 Certain, see next sheet
 4 Very Likely, see next sheet
Impact
 Minor, see next sheet
 Noticeable, see next sheet

CORPORATE RISK REGISTER

Mar-22

		LIKELIHOOD	IMPACT	RESIDUAL RISK	ACTIONS RECOMMENDED	BY WHEN	BY WHOM	RISK OWNER	DIRECTORATE
<p>KEY RISKS</p> <p>3 Likely, see next sheet 2 Unlikely, see next sheet 1 Rare, see next sheet</p>	<p>RISK MITIGATION/CONTROLS IN PLACE</p> <p>Significant, see next sheet Critical, see next sheet Catastrophic, see next sheet</p>								

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