

Public Document Pack

Lancashire Combined Fire Authority Audit Committee

Thursday, 28 November 2024 in Main Conference Room, Service Headquarters, Fulwood commencing at 10.00 am.

If you have any queries regarding the agenda papers or require any further information, please initially contact Lynsey Barr on telephone number Preston (01772) 866908 and she will be pleased to assist.

Agenda

Part 1 (open to press and public)

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

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

1. **Apologies for Absence**
2. **Disclosure of Pecuniary and Non-Pecuniary Interests**

Members are asked to consider any pecuniary and non-pecuniary interests they may have to disclose to the meeting in relation to matters under consideration on the agenda.

3. **Minutes of the Previous Meeting (Pages 1 - 10)**
4. **External Audit Findings Report (Pages 11 - 56)**
5. **Internal Audit Monitoring Report (Pages 57 - 74)**
6. **Risk Management (Pages 75 - 90)**
7. **Date of Next Meeting**

The next scheduled meeting of the Committee has been agreed for 10:00 hours on **27 March 2025** in the Main Conference Room, Service Headquarters, Fulwood.

Further meetings are: scheduled for 24 July 2025
 proposed for 25 September 2025

8. **Urgent Business**

An item of business may only be considered under this heading where, by reason of special circumstances to be recorded in the Minutes, the Chairman of the

meeting is of the opinion that the item should be considered as a matter of urgency. Wherever possible, the Clerk should be given advance warning of any Member's intention to raise a matter under this heading.

Lancashire Combined Fire Authority Audit Committee

Thursday, 26 September 2024, at 10.00 am in the Main Conference Room,
Service Headquarters, Fulwood.

Minutes

Present:	
Councillors	
M Clifford (Chair)	
J Shedwick (Vice-Chair)	
M Salter	
J Singleton	
N Hennessy (Substitute)	

Officers
S Brown, Director of Corporate Services (LFRS) J Meadows, Head of Finance (LFRS) A Latham, Financial Accountant (LFRS) S Hunter, Member Services Manager (LFRS) L Barr, Member Services Officer (LFRS)
In attendance
L Rix, Internal Audit, Lancashire County Council A Dalecki, Internal Audit, Lancashire County Council G Jones, External Audit, Grant Thornton Y Li, External Audit, Grant Thornton

12/24	Apologies for Absence
	Apologies for absence were received from Councillors Hugo and Jackson, and County Councillor Clarke.
13/24	Disclosure of Pecuniary and Non-Pecuniary Interests
	None received.
14/24	Minutes of the Previous Meeting
	Resolved: - That the Minutes of the last meeting held on 08 July 2024 be confirmed as a correct record and signed by the Chair.

15/24	Statement of Accounts 2023/24
	The Director of Corporate Services gave thanks to the External Auditors, Internal Auditors, and the Finance Team for all their work on the arduous process of the Statement of Accounts. The Director of Corporate Services presented the report to the meeting. The report presented the Statement of Accounts for the financial year ended 31 March 2024 which included the Authority's 25% share of the North West Fire Control (NWFC) accounts. Its purpose was to give electors, local taxpayers, Fire Authority Member, employees, and other interested parties clear information about the Fire Authority's finances. The Committee considered the Statement of Accounts as presented. The aim was to provide information on: - The cost of providing Fire Authority services in the financial year 2023/24. - How these services were paid for. - What assets the Fire Authority owned at the end of the financial year. - What was owed, to and by, the Fire Authority at the end of the financial year. The narrative report provided a guide to the most important matters which were included in the Statement of Accounts. The Statement of Accounts had been prepared in accordance with the Accounts and Audit Regulations 2015 as amended by the Accounts and Audit (Amendment) Regulations 2021 and the Code of Practice on Local Authority Accounting in the United Kingdom. The Statement of Accounts contained: - Statement on Annual Governance Arrangements – Set out the Authority's responsibilities regarding the system of internal control on corporate governance. Independent Auditor's Report to Members of Lancashire Combined Fire Authority – The Auditor's report to the CFA on the accounts for 2023/24, which were set out in the agenda pack. Statement of Responsibilities for the Statement of Accounts – Set out the responsibilities of the Authority and the Treasurer regarding the statement of accounts. Comprehensive Income & Expenditure Statement – The Statement showed the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. The Fire Authority raised taxation to cover expenditure in accordance with regulations; this could be different from the accounting cost. The taxation position was shown in the Movement in Reserves Statement. Movement in Reserves Statement – This statement showed the movement in year on the different reserves held by the Fire Authority analysed between usable and other reserves. The surplus or deficit on the Provision of Services line showed the true economic cost of providing the Fire Authority's services, more details of

which were shown in the Comprehensive Income and Expenditure Statement.

Balance Sheet – This showed information on the financial position of the Fire Authority as at the 31 March 2024, which included the level of balances and reserves at the Fire Authority's disposal, its long-term indebtedness and the value of the assets held by the Fire Authority.

Cash Flow Statement – This showed the cash and cash equivalent movements in and out of the Fire Authority due to transactions with third parties for revenue and capital purposes.

Fire Fighters Pension Fund Account and Net Assets Statement – This presented the financial position of the fire fighters pension fund account, which showed whether the Authority owed, or was owed, money by the Government in order to balance the account, together with details of its net assets.

The Director of Corporate Services drew the Members attention to Page 17 of the agenda pack for the review of the year which included information from the Annual Service Plan in 2023/24.

In the 2023/24 Financial Overview on Page 18 of the agenda pack, it was noted by Members that a £5 increase (£82.27), in Council Tax had been agreed in line with the Council Tax referendum limit which allowed for an affordable, prudent, and sustainable budget that ensured that the Authority was able to deliver against its corporate priorities. The net revenue position showed a small overspend of £0.2m.

The chart on page 19 of the agenda pack illustrated that employee costs accounted for the majority of the expenditure and approximately half of the income came from Council Tax.

It was stated on Page 20 of the agenda pack that the Authority's general fund balance at start of the year was £4.89m and the overspend of £0.22m from the Authority's expenditure had been transferred to the reserve which had taken the balance to £5.66m. The Reconciliation table in the report summarised the key adjustments with adjustments for Capital Purposes and the net change for Pension Adjustments.

The Authority also held an additional £8.44m of earmarked revenue reserves and £20.45m of capital reserves and receipts. The Capital reserves and receipts were fully utilised within the medium-term financial strategy. Over half of the earmarked reserves related to the Authority's two Private Finance Initiative (PFI) schemes, whereby monies were set aside in the early years of the scheme to meet future costs, thus easing the impact of inflationary pressures.

Page 21 of the agenda pack explained that the Authority's Total net liabilities remained broadly unchanged at £503.0m to £502.5m which reflected the Authority's compliance with International Accounting Standards and in particular, the requirement to show the full pensions liability in the accounts. Whilst the liability on the Local Government Pension Scheme was funded, the Fire-fighters Pension Scheme was unfunded, i.e. there were no assets from which future liabilities would be paid, and hence the Authority's overall Fire-fighters pension liability of

(£651.8m) was extremely large. If this liability was excluded, the Authority's Total Net Assets would be £148.8m. The Firefighters Pension Scheme liability remained largely unchanged with a small increase of £0.290m of £224.4m. The pension liability included estimated costs in relation to the McCloud judgement. Long-term assets had increased slightly in value to £127.8m from £126.6m which reflected the investment in the asset base and the impact of revaluations.

In terms of future financial plans, the financial sustainability of the Authority was addressed in February 2024 as part of setting the Budget and Medium-Term Financial Strategy for 2024/25. Given the economic uncertainty, the potential impact of the Fair Funding Review and potential changes to local retention of Business rates, it was extremely difficult to anticipate the model of funding beyond the existing settlement. For the purpose of the medium-term financial strategy, it had been assumed that the funding would increase broadly in line with inflation. It was on that basis that the Service had set a balanced budget in future years, allowing for council tax increases in line with forecast inflation.

In response to a query from County Councillor Singleton with regards to acquiring the market value of the Service's heritage assets, Georgia Jones, Key Audit Partner advised that the assets were very specialised and not sold on the open market and therefore the value was difficult to estimate. An insurance evaluation would assist with the accuracy of value; however, the cost of an assessment could offset the value of the assets.

County Councillor Singleton queried the difference between the 2023/24 interest paid of £1,341 on Page 73 of the agenda pack and the 2023/24 interest payment of £30,115 on Page 74. The Director of Corporate Services explained that the interest payment of £30,115 collected the interest element through the pensions assets and liabilities transactions. The interest paid of 1,341 included the interest paid on the Service's loan and also PFI transactions. Part of the Unitary Charge included the interest element that the provider would have to pay as part of the 25-year PFI transaction.

The Director of Corporate Services confirmed, in response to a question from County Councillor Singleton, that the long-term borrowing had been taken over a 40-year term with the date to be paid in 2039.

County Councillor Salter asked for clarification on the non-material amendments as mentioned in the recommendation to Members. Georgia Jones, Key Audit Partner advised that it was possible that some amendments to the Statement of Accounts could arise following the Committee meeting. If the changes were non-material, then the Chair and the Director of Corporate Services could sign the Statement of Accounts, however, if the amendments were material, Audit Committee approval would be required.

County Councillor Shedwick acknowledged that there were some items beyond the Service's control and congratulated the Finance Team on their fantastic statement of accounts.

It was noted by Members that Adam Latham, from the Finance Team, had recently qualified as an Accountant.

	The Chair thanked the Finance Team for all their hard work. Resolved: - That the Committee: - i) approved the Statement of Accounts and authorised the Audit Committee Chair and the Director of Corporate Services to sign them; and ii) approved any non-material amendments post Committee.
16/24	External Audit Letter of Representation
	As part of the year-end process, the Authority was required to sign a letter of representation. This letter confirmed that the Authority had disclosed all relevant information in its accounts for the year in question and that all issues which should have been brought to the attention of the auditors had been. The Treasurer confirmed that he would sign the letter, as there were no issues which he felt required disclosure. Resolved: - That the Audit Committee authorised the signing of the letter by the Chair of the Committee.
17/24	External Audit - Audit Findings Report
	Ying Li, Audit Manager presented the Audit Findings report to the Committee. Under the Statutory Code of Audit Practice for Local Government bodies, the Authority's external auditors, Grant Thornton, were required to issue a report to those charged with governance that summarised the conclusions from their audit work. The audit was substantially complete, and the Value For Money (VFM) work had been completed. The auditors expected to issue an unqualified audit opinion following the Audit Committee meeting subject to receipt of the management letter of representation and final quality procedures, subject to the below outstanding matters; • Completion of testing for creditor, grant income, employee benefits expenses, pension liabilities, cash and bank balance, land and building revaluation, journals, and financial instrument. • Verify the responses from the pension fund auditor to gain assurances on underpinning controls and supporting data for the pension fund net liability. • Final review of the audit file by the Engagement Lead and Audit Manager. Regular reviews of the file had taken place throughout the audit. • Update post balance sheet events review to the date of signing. • Receipt of the management representation letter. • Review of the final set of financial statements. Some of the matters had been completed at the time of the Committee and some were still outstanding. Grant Thornton had worked closely with the Finance Team

and thanks were given for their work and excellent communication.

Members noted that the Value For Money arrangements report would be presented at the next Audit Committee meeting.

The Audit Manager drew Members attention to Page 8 of the agenda pack which detailed that the materiality had been revised as the actual gross expenditure had changed significantly from that anticipated at the planning stage. This had resulted in a review of the appropriateness of the materiality figure.

The risks identified in the Audit Plan and corresponding commentaries were:

- Improper revenue / expenditure recognition.
 - The substantive income and expenditure testing had not identified any material errors that were required to be brought to the Service's attention.
- Management override of controls.
 - From the review of all journals posted during they year, 41 higher risks or unusual journal had been identified that warranted detailed audit testing. Audit work to date had not identified any significant issues in respect of management override of controls. The work was subject to the final review by the Engagement Lead.
- Valuation of land and buildings.
 - As part of the overall audit work, 25 asset valuations had been tested, including large assets or those with movements outside of expectations. In completing the work, Grant Thornton examined the accounting entries, data and assumptions used, and relevant asset indices.
- Valuation of Pension Fund Net Liability
 - The pension fund net liability of £651.920m was made up of the Firefighters pension scheme (FFPS) net liability of £651.826m and Local Government Scheme net liability of £0.094m. For the LGPS pension scheme, the Authority had considered the potential impact of IFRIC 14 before audit challenge. The Authority obtained additional information relating to accounting surplus from its actuary which concluded the asset ceiling as £nil. The balance of £0.094m represented the unfunded liabilities only. The audit work was ongoing in respect of valuation of pension fund liability. The audit work could not be concluded until the IAS19 letter from the Pension fund auditor had been received and considered.

Ying Li advised that during the course of the Audit, two recommendations for the Authority had been identified as detailed on page 124 of the agenda pack. The recommendations had been agreed with management and progress would be reported during the course of the 2024/25 audit.

On page 129 of the agenda pack, on Note 6 Capital Expenditure Disclosure, a variance of £751k had been identified between the expected Capital Financing Requirement (CFR) and the CFR in the draft accounts. This variance was due to the omission of the capital financing element from the North West Fire Control's (NWFC) accounts (Joint Operation) in the opening CFR balances. Since it was a disclosure error and had no impact on the main financial statements, the Capital Expenditure disclosure had been amended in the 2023/24 accounts with a foot

	note explaining the treatment. Georgia Jones, Key Audit Partner, summarised that the two issues that needed to be completed were the review of land and buildings, with which no issues were anticipated, and the late guidance around pensions and the calculation for the Local Government Pension Scheme (LGPS) accounting surplus. County Councillor Shedwick thanked Grant Thornton for the report, the information on asset valuations, and the recommendations on page 125 of the agenda pack where the management response stated that the issues raised had been addressed. He gave thanks to Grant Thornton and the Finance Team. Resolved: - That the Committee: - i) Noted and endorsed the matters raised in the report; ii) Noted and endorsed the Action Plan set out within the Audit Findings Report.
18/24	External Audit - Auditors Annual Audit Report 2023/24 Georgia Jones, Key Audit Partner, presented the report. Under the National Audit Office Code of Audit Practice, the external auditors were required to consider whether the Service had in place, proper arrangements to secure economy, efficiency, and effectiveness in its use of resources. As reported, the audit was substantially complete, and the auditors expected to issue an unqualified audit opinion following the Audit Committee meeting subject to receipt of the management letter of representation and final quality procedures. The review of value for money arrangement covered the 3 areas of: i) financial sustainability; ii) governance and iii) improving economy, efficiency, and effectiveness. Georgia Jones drew the Members attention to Page 150 of the agenda pack and the overall summary of the Value for Money assessment of the Authority's arrangements. Improvements had been made from the previous year and the 2023/24 Auditor judgements on arrangements were: - Financial Sustainability – No significant weaknesses in arrangements were identified, but one improvement recommendation had been made to support the Authority in improving arrangements relating to efficiency savings. The recommendation related to reporting of planned and achieved savings. - Governance – No significant weaknesses in arrangements were identified, but seven improvements had been made to support the Authority in continuing to improve its arrangements. - Improving economy, efficiency, and effectiveness. Members noted that improvement recommendations were good practice and did not suggest that there were issues with exiting arrangements.

The auditor's review did not identify any significant weaknesses in arrangements across any of these areas, but had made 10 improvement recommendations as set out on pages 167 to 171 of the agenda pack as now considered by Members:

1. Recommendation – That the Authority should consider making improvements to the reporting of plans to bridge identified gaps in the revenue budget, and performance against savings and efficiency plans, by:

- disaggregating efficiency savings from adjustments to revenue contributions to capital in the MTFS summary table; and
- reporting specifically on efficiency savings achieved as compared to the approved plan, within the quarterly financial update.

The Authority should continue development of its savings plan in advance of 2026/27, including consultations and costing of invest-to-save projects, so that delays in implementation could be avoided. Savings plans should be subject to quality impact assessments where appropriate, and responsibilities for delivery of savings should be clearly assigned.

Management Comment – Noted, budget monitoring reports to the Resources Committee would be developed to include progress against agreed savings plans in the MTFS.

2. Recommendation – The Authority should consider opportunities to improve risk management by:

- consolidating very similar risks and actions to reduce duplication in the Corporate Risk Register;
- adding environmental risks to the risk scoring criteria;
- providing more comprehensive information to the Audit Committee, such as residual risk scores and action owners/timelines for implementation;
- mapping corporate risks to the strategic objectives outlined in the Community Risk Management Plan.

Management Comment – Noted, the corporate risk register was based on NFCC national best practice and whilst it could look like duplication, the Service had adopted sector best practice. As part of the ongoing review of the risk management processes, the proposal would be considered.

3. The Authority should consider enhancing the level of detail within Internal Audit progress reports to the Audit Committee, to include details of recommended actions, management's response, timelines for completion of actions and confirmation that actions had been completed.

Management Comment – Noted, it would be discussed with the Internal Audit team.

4. It was recommended that the Authority considered expanding the quarterly financial update to the Resources Committee to include:

- year to date revenue outturn against year-to-date budgets, and reasons for variances; and
- details of the best-case and worst-case outcomes against the revenue and capital budgets (and the basis for those estimates).

Management Comment – Noted, the Service would consider developing the monitoring reports further to provide additional analysis.

5. The Authority should consider introducing referencing of meeting agendas and

papers to the Authority's strategic objectives around as outlined in the CRMP. Management Comment – Noted, the Service continually reviewed the information provided to Members and would consider the improvement recommendation.

6. The Terms of Reference for every Committee should include quoracy conditions and should be reviewed at least every three years.

Management Comment – Noted, the TOR had recently been updated to include this.

7. The Authority should take action to review policies and procedures (including Service Orders) where this was identified as being overdue. Following review, policies and procedures should be approved by the Authority or appropriate Committee, even where no changes had been made.

Management Comment – Noted, out of date policies and procedures would be brought up to date.

8. The Authority should establish, implement, and embed procedures to provide assurance that Contract Standing Orders were adhered to in all instances.

Management Comment – Noted, improvements were being put in place now resourcing issues in the procurement teams had been resolved.

9. The Authority should consider including information on performance against the capital plan in the quarterly performance monitoring reports provided to the Performance Committee. The Authority should continue to seek to mitigate slippage and delays in the delivery of the capital programme.

Management Comment – Noted, the performance report included revenue performance and not capital and they were reported in detail to the Resources Committee and the CFA. The performance report would be reviewed to ensure consistency.

10. The Authority should implement a framework for structured and consistently applied contract management. Contract management for key service contracts such as North West Fire Control collaboration and PFI agreements should be prioritised. Arrangements should include:

- regular reviews of existing contracts to safeguard the achievement of value for money and compliance with legal and regulatory requirements;
- monitoring of contract performance and deliverables against key performance indicators and other measures to identify and resolve service performance issues; and
- reporting of contract management activity to the Authority or Performance Committee.

Management Comment – Noted, the service would be reviewing Contract Management arrangements against best practice during 2025/26 as identified in the Procurement Strategy.

Georgia Jones informed Members that the external auditors were satisfied with the responses they had received to their recommendations.

Resolved: - That the Committee noted the management comments and endorsed the content of the report as presented.

19/24	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 01 April 2024 to 06 September 2024 was presented by Laura Rix, Senior Auditor. To date, 14 days had been spent this financial year on completion of the 2024/25 plan, equating to 20% of the total planned audit activity of 70 days. The table in the report showed the current status of all audit work. With regards to the Implementation of Learning from National Incidents, the report was in the process of compilation and would be available for the next Audit Committee meeting. Members were informed that the District Planning Activity work had now been completed and work would soon commence on Cyber Security. In response to a question from County Councillor Singleton in relation to 2 planned Audit days for follow up audit activity, Laura Rix explained that there 2 days in the plan and 1.5 days had been used with 0.5 days variation. The only other follow up work was key financial systems which would take place later in the year, however, there were no issues which was positive. Resolved: - That the Committee noted the report.
20/24	Date of Next Meeting
	The next meeting of the Committee would be held on 28 November 2024 at 10:00 hours in the Main Conference Room at Lancashire Fire and Rescue Service Headquarters, Fulwood. Further meeting dates were noted for 27 March 2025 and agreed for 24 July 2025.

**LFRS HQ
Fulwood**

**M Nolan
Clerk to CFA**

Lancashire Combined Fire Authority

Audit Committee

Meeting to be held on 28 November 2024

External Audit – Audit Findings Report

(Appendix 1 refers)

Contact for further information – (Steven Brown - Director of Corporate Services)
Tel: 01772 866(804)

Executive Summary

The Audit Committee received the draft Audit Findings Report summarising the conclusions from their work undertaken as part of the year-end audit of accounts at the September meeting. This updated report confirms all work is now complete and are awaiting for the letter of assurance from the pension fund auditor.

Recommendation(s)

The Committee is asked to note and endorse the updated Audit Findings Report.

Information

Under the statutory Code of Audit Practice for Local Government bodies our external auditors Grant Thornton are required to issue a report to those charged with governance summarising the conclusions from their audit work. This draft report, known as the Audit Findings Report, is attached as Appendix 1, and will be presented by the Audit Manager.

The Audit Committee received the draft Audit Findings Report summarising the conclusions from their work undertaken as part of the year-end audit of accounts at the September meeting. This updated report confirms all work is now complete and are waiting for the letter of assurance from the pension fund auditor.

Business risk

None.

Sustainability or Environmental Impact

None.

Equality and Diversity Implications

None.

Data Protection (GDPR)

Will the proposal(s) involve the processing of personal data? N

HR implications

None

Financial implications

The audit fee is set out in Appendix E of the Audit Findings Report.

Legal implications

None.

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

Paper: N/A

Date: N/A

Contact: N/A

Reason for inclusion in Part 2 if appropriate: Insert Exemption Clause

The Audit Findings (ISA260) Report for Lancashire Combined Fire Authority

Year ended 31 March 2024





**Private and
Confidential**

Lancashire Combined Fire Authority
Garstang Road
Fulwood
Preston
PR2 3LH

Grant Thornton UK LLP
4th Floor, Royal Liver Building,
Pier Head,
Liverpool,
L3 1PS

www.grantthornton.co.uk

Audit Findings for Lancashire Combined Fire Authority for the 31 March 2024

This Audit Findings presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process and confirmation of auditor independence, as required by International Standard on Auditing (UK) 260. Its contents have been discussed with management.

As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (UK), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed for the purpose of expressing our opinion on the financial statements. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify. 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.

We encourage you to read our transparency report which sets out how the firm complies with the requirements of the Audit Firm Governance Code and the steps we have taken to drive audit quality by reference to the Audit Quality Framework. The report includes information on the firm's processes and practices for quality control, for ensuring independence and objectivity, for partner remuneration, our governance, our international network arrangements and our core values, amongst other things. This report is available at [transparency-report-2023.pdf \(grantthornton.co.uk\)](#).

We would like to take this opportunity to record our appreciation for the kind assistance provided by the finance team and other staff during our audit.

Georgia Jones

Partner/Director
For Grant Thornton UK LLP

Chartered Accountants

Grant Thornton UK LLP is a limited liability partnership registered in England and Wales: No.OC307742. Registered office: 30 Finsbury Square, London, EC2A 1AG. A list of members is available from our registered office. Grant Thornton UK LLP is authorised and regulated by the Financial Conduct Authority. Grant Thornton UK LLP is a member firm of Grant Thornton International Ltd (GTIL). GTIL and the member firms are not a worldwide partnership. Services are delivered by the member firms. GTIL and its member firms are not agents of, and do not obligate, one another and are not liable for one another's acts or omissions.

grantthornton.co.uk

Contents



Your key Grant Thornton team members are:

Georgia S Jones

Key Audit Partner

T 0161 214 6383

E Georgia.S.Jones@uk.gt.com

Ying Li

Manager

T 0151 224 7200

E Ying.li@uk.gt.com

Muhammad T Afzal

Assistant manager

T 0161 214 3690

E Muhammad.T.Afzal@uk.gt.com

Section

1. [Headlines](#)
2. [Financial statements](#)
3. [Value for money arrangements](#)
4. [Independence and ethics](#)

Appendices

- A. [Communication of audit matters to those charged with governance](#)
- B. [Action plan – Audit of Financial Statements](#)
- C. [Follow up of prior year recommendations](#)
- D. [Audit Adjustments](#)
- E. [Fees and non-audit services](#)
- F. [Management Letter of Representation](#)
- G. [Audit opinion](#)

Page

4

7

20

22

25

26

27

30

33

34

35

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.

Grant Thornton UK LLP is a limited liability partnership registered in England and Wales: No.OC307742. Registered office: 30 Finsbury Square, London, EC2A 1AG. A list of members is available from our registered office. Grant Thornton UK LLP is authorised and regulated by the Financial Conduct Authority. Grant Thornton UK LLP is a member firm of Grant Thornton International Ltd (GTIL). GTIL and the member firms are not a worldwide partnership. Services are delivered by the member firms. GTIL and its member firms are not agents of, and do not obligate, one another and are not liable for one another's acts or omissions.

1. Headlines

This table summarises the key findings and other matters arising from the statutory audit of Lancashire Combined Fire Authority ('the Authority') and the preparation of the Authority's financial statements for the year ended 31 March 2024 for the attention of those charged with governance.

Page 16

Financial Statements

Under International Standards of Audit (UK) (ISAs) and the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion:

- the Authority's financial statements give a true and fair view of the financial position of the Authority and its income and expenditure for the year; and
- have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting and prepared in accordance with the Local Audit and Accountability Act 2014.

We are also required to report whether other information published together with the audited financial statements (including the Annual Governance Statement (AGS), Narrative Report and Pension Fund Financial Statements), is materially consistent with the financial statements and with our knowledge obtained during the audit, or otherwise whether this information appears to be materially misstated.

Our audit work was completed remotely during July to September 2024 as planned. Our findings are summarised on pages 9 to 12. We have identified one adjustment to the Balance sheet and several disclosure amendments. These have no impact on the level of the Authority's useable reserves. Audit adjustments are detailed at Appendix D. We have also raised recommendations for management as a result of our audit work. These are set out at Appendix B. Our follow up of recommendations from the prior year's audit are detailed at Appendix C.

Our work is substantially complete and there are no matters of which we are aware that would require modification of our audit opinion Appendix G, subject to the following outstanding matters;

- Letter of assurance from the pension fund auditor.
- Receipt of management representation letter see appendix F; and
- Review of the final set of financial statements

We have concluded that the other information to be published with the financial statements, is consistent with our knowledge of your organisation and the financial statements we have audited.

Our anticipated financial statements audit report opinion will be unqualified.

Our work on the Authority's value for money (VFM) arrangements is complete. The outcome of our VFM work was reported in our commentary on the Authority's arrangements in our Auditor's Annual Report (AAR).

We anticipate signing your accounts once we receive the letter of assurance from the pension fund auditor.

1. Headlines

Value for Money (VFM) arrangements

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to consider whether the Authority has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Auditors are required to report in more detail on the Authority's overall arrangements, as well as key recommendations on any significant weaknesses in arrangements identified during the audit.

Auditors are required to report their commentary on the Authority's arrangements under the following specified criteria:

- Improving economy, efficiency and effectiveness;
- Financial sustainability; and
- Governance

Our work on the Authority's value for money (VFM) arrangements was reported in our commentary on the Authority's arrangements in our Auditor's Annual Report (AAR). We have been able to satisfy ourselves that the Authority has made proper arrangements in securing economy, efficiency and effectiveness in its use of resources.

Statutory duties

- The Local Audit and Accountability Act 2014 ('the Act') also requires us to:
- report to you if we have applied any of the additional powers and duties ascribed to us under the Act; and
 - to certify the closure of the audit.

We have not exercised any of our additional statutory powers or duties.
We have completed the majority of work under the Code and expect to be able to certify the completion of the audit when we give our audit opinion.

Significant matters

We did not encounter any significant difficulties or identify any significant matters arising during our audit.

1. Headlines

National context – audit backlog

Consultation

The Ministry for Housing, Communities and Local Government (MHCLG), working with the FRC, as incoming shadow system leader, and other system partners, has put forward proposals to address the delay in local audit. The proposals consist of three phases:

Phase 1: Reset involving clearing the backlog of historic audit opinions up to and including financial year 2022/23 by 30 September 2024.

Phase 2: Recovery from Phase 1 in a way that does not cause a recurrence of the backlog by using backstop dates to allow assurance to be rebuilt over multiple audit cycles.

Phase 3: Reform involving addressing systemic challenges in the local audit system and embedding timely financial reporting and audit.

The consultation ran until 7 March 2024. Full details of the consultation can be seen on the following pages:

- [Consultations on measures to address local audit delays \(frc.org.uk\)](https://www.frc.org.uk/consultations/consultations-on-measures-to-address-local-audit-delays)
- [Addressing the local audit backlog in England: Consultation - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/consultations/addressing-the-local-audit-backlog-in-england)
- [Code of Audit Practice Consultation - National Audit Office \(NAO\)](https://www.nao.org.uk/consultations/code-of-audit-practice-consultation)

Our response to the consultation

Grant Thornton responded to the consultation on 5 March 2024. In summary, we recognise the need for change. We believe that all stakeholders would benefit from guidance from system leaders in respect of:

- the appropriate form of reporting for a backstopped opinion
- the level of audit work required to support a disclaimer of opinion
- how to rebuild assurance in terms of opening balances when previous years have been disclaimed.

We believe that both auditor and local authority efforts will be best served by focusing on rebuilding assurance from 2023/24 onwards. This means looking forwards as far as possible, and not spending 2023/24 undertaking audit work which was not carried out in previous years. We look for guidance from systems leaders to this effect. The timing of the general election has delayed the implementation of these proposals. Once we have a further understanding of the new government's intentions, and its priorities across the sector we will discuss this with you.

2. Financial Statements

Overview of the scope of our audit

This Audit Findings Report presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260 and the Code of Audit Practice ('the Code'). Its contents have been discussed with management.

As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (UK) and the Code, which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

Audit approach

Our audit approach was based on a thorough understanding of the Authority's business and is risk based, and in particular included:

- An evaluation of the Authority's internal controls environment, including its IT systems and controls;
- Substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks

Conclusion

We have completed our audit of your financial statements and subject receiving assurance from the pension fund auditor, we anticipate issuing an unqualified audit opinion.

Acknowledgements

We would like to take this opportunity to record our appreciation for the assistance provided by the finance team and other staff.

2. Financial Statements



Our approach to materiality

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

We have revised the materiality due to the actual gross expenditure changing significantly from that anticipated at the planning stage resulting in a review of the appropriateness of the materiality figure.

We set out in this table our determination of materiality for Lancashire Combined Fire Authority.

	Planning Amount (£)	Updated Amount (£)	Qualitative factors considered
Materiality for the financial statements	1,256,340	1,087,900	The updated materiality equates to 2% of your gross operating expenditure for the 2023/24 year and is considered the level at which users of the financial statements would want to be informed in the context of overall expenditure. We reduced the materiality level from the planning stage to reflect the decrease in gross operating expenditure by £8,422k (13.4%) from 2022/23 to 2023/24. This benchmark is considered the most appropriate, as we believe users of the financial statements are primarily concerned with how the Authority has expended its revenue and other funding.
Performance materiality	879,438	761,530	The performance materiality has been set at 75% of financial statement materiality. This reflects a standard benchmark based on risk assessed knowledge of potential for errors arising.
Trivial matters	62,800	54,400	This is the threshold for matters that are clearly inconsequential, whether taken individually or in aggregate. It is a standard benchmark set at 5% of materiality.
Materiality for Remuneration disclosures	10,000	10,000	Due to the sensitive nature of senior officer remuneration and the keen interest by users of the financial statements, we set a lower materiality level for this area.

2. Financial Statements: Significant risks

Risks identified in our Audit Plan	Commentary
Improper revenue/ expenditure recognition Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue. Practice Note 10, issued by the FRC, states auditors should also consider that material misstatements may occur by the manipulation of expenditure recognition. These presumptions can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition or the manipulation of expenditure recognition. Having considered the risk factors set out in ISA240 and PN10 and the nature of the expenditure streams at the Fund, we have determined that the risk of fraud arising from revenue recognition and expenditure manipulation can be rebutted, because: - there is little incentive to manipulate revenue recognition - opportunities to manipulate revenue recognition and expenditure are very limited - classes of expenditure that could be prone to manipulation, such as management expenses and payments to and on account of leavers are not material - the culture and ethical frameworks of local authorities, including Lancashire Combined Fire Authority, mean that all forms of fraud are seen as unacceptable Therefore, we do not consider these to be significant risks for Lancashire Combined Fire Authority.	The revenue and expenditure recognition risks have been rebutted. Despite revenue and expenditure recognition not being a significant risk, we still undertook the following procedures to ensure that revenue and expenditure included within the accounts is materially correct. To gain this assurance we: - evaluated the Authority’s accounting policies for income and expenditure recognition for appropriateness and compliance with the Code - updated our understanding of the Authority’s system for accounting for income and expenditure and evaluated the design of relevant controls - undertook detailed substantive testing on the income and expenditure streams in 2023/24. - Obtained a listing of payments made and received from April to June 2024 to ensure they have been charged to the appropriate year. - Obtained a listing of invoices issued and received from April to June 2024 to ensure they been accounted to the appropriate year. Our substantive income and expenditure testing has not identified any material errors that we are required to bring to your attention.

2. Financial Statements: Significant risks

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

This section provides commentary on the significant audit risks communicated in the Audit Plan.

Risks identified in our Audit Plan	Commentary
Management override of controls Under ISA (UK) 240, there is a non-rebuttable presumed risk that the risk of management override of controls is present in all entities. The Authority faces external scrutiny of its spending, and this could potentially place management under undue pressure in terms of how they report performance. We therefore identified management override of control, in particular journals, management estimates, and transactions outside the course of business as a significant risk for the Authority, which was one of the most significant assessed risks of material misstatement.	We have: • evaluated the design and implementation of management controls over journals • analysed the journals listing and determined the criteria for selecting high risk unusual journals • identified and tested unusual journals made during the year and the accounts production stage for appropriateness and corroboration • gained an understanding of the accounting estimates and critical judgements applied by management and considered their reasonableness • evaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions. From our review of all journals posted during the year, we identified 41 higher risk or unusual journals that warranted detailed audit testing. Our audit work to date has not identified any significant issues in respect of management override of controls. The work is subject to final review by the Engagement Lead. Our commentary on key accounting estimates is set out on pages 13 to 14. We found accounting policies to be appropriate.

Page 22

2. Financial Statements: Significant risks

Risks identified in our Audit Plan	Commentary
Valuation of land and buildings The Authority revalues its land and buildings on a rolling five yearly basis with 20% of assets valued each year. In the intervening years the Authority requests a confirmation through a desktop exercise from its engaged valuation expert to ensure that there is no material difference. This valuation £115.512m represents a significant estimate by management in the financial statements due to the size of the numbers involved and the sensitivity of this estimate to changes in key assumptions. Additionally for land and buildings, management will need to ensure the carrying value in the Authority financial statements is not materially different from the current value or the fair value (for surplus assets) at the financial statements date, where annual valuations are not carried out. We therefore identified valuation of land and buildings as a significant risk, which was one of the most significant assessed risks of material misstatement.	We have: • updated our understanding of the processes and controls put in place by management to ensure that the Authority’s valuation of land and buildings are not materially misstated and evaluate the design of the associated controls • evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work • evaluated the competence, capabilities and objectivity of the valuation expert • discussed with the valuer the basis on which the valuation was carried out • challenged the information and assumptions used by the valuer to assess completeness and consistency with our understanding • tested revaluations made during the year including investment properties, to see if they had been input correctly into the Authority’s asset register • evaluated the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value at year end. As part of our overall audit work, we tested 25 asset valuations, including individually large assets or those with movements outside of our expectations. In completing our work, we examined the accounting entries, data and assumptions used and relevant asset indices. Our audit work to date has not identified any material issues in respect of valuation of land and buildings (see page 13 for further commentary on estimates used by management).

2. Financial Statements: Significant risks

Page 24

Risks identified in our Audit Plan	Commentary
Valuation of Pension Fund Net Liability The Authority's pension fund net liability, as reflected in its balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements. The pension fund net liability is considered a significant estimate due to the size of the numbers involved (£651.920m in the Authority's balance sheet) and the sensitivity of the estimate to changes in key assumptions. The methods applied in the calculation of the IAS 19 estimates are routine and commonly applied by all actuarial firms in line with the requirements set out in the Code of practice for local government accounting (the applicable financial reporting framework). We have therefore concluded that there is not a significant risk of material misstatement in the IAS 19 estimate due to the methods and models used in their calculation. However, since IFRS have been adopted the Authority has had to consider the potential impact of IFRIC 14 - IAS 19 -the limit on a defined benefit asset. Because of this we have assessed the recognition and valuation of the pension asset as a significant risk. The source data used by the actuaries to produce the IAS 19 estimates is provided by administering authorities and employers. We do not consider this to be a significant risk as this is easily verifiable. The actuarial assumptions used are the responsibility of the entity but should be set on the advice given by the actuary. A small change in the key assumptions (discount rate, inflation rate, salary increase and life expectancy) can have a significant impact on the estimated IAS 19 liability. In particular the discount and inflation rates, where our consulting actuary has indicated that a 0.1% change in these two assumptions would have approximately 2% effect on the liability/surplus. We have therefore concluded that there is a significant risk of material misstatement in the IAS 19 estimate due to the assumptions used in their calculation. With regard to these assumptions we have therefore identified valuation of the Authority's pension fund net liability as a significant risk.	We have: • updated our understanding of the processes and controls put in place by management to ensure that the Authority's pension fund net liability is not materially misstated and evaluate the design of the associated controls; • evaluated the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work; • assessed the competence, capabilities and objectivity of the actuary who carried out the Authority's pension fund valuation; • assessed the accuracy and completeness of the information provided by the Authority to the actuary to estimate the liability; • tested the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary; • undertaken procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report; and • obtained assurances from the auditor of Lancashire Pension Fund as to the controls surrounding the validity and accuracy of membership data; contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements. The pension fund net liability of £651.920m is made up of the Firefighters pension scheme (FFPS) net liability of £651.826m and Local Government pension scheme net liability of £0.094m. For the LGPS pension scheme, the Authority had considered the potential impact of IFRIC 14 before audit challenge. The Authority obtained additional information relating to accounting surplus from its actuary which concluded the asset ceiling as £nil. The balance of £0.094m represented the unfunded liabilities only. The Authority has updated the accounts to include reference to a contingent liability in relation to the Matthews legal case. The Authority expects any liability that may transpire would be covered by the pension top up grant Our audit work is ongoing in respect of valuation of pension fund net liability. We cannot conclude our audit until we have received and considered the IAS19 letter from the Pension fund auditor.

2. Financial Statements: key judgements and estimates

This section provides commentary on key estimates and judgements in line with the enhanced requirements for auditors.

Significant judgement or estimate	Summary of management’s approach	Audit Comments	Assessment
Land and Building valuations – £115.512m	Land and buildings are specialised assets such as fire stations, the Fire HQ and other operational buildings, which are required to be valued at depreciated replacement cost (DRC) at year end, reflecting the cost of a modern equivalent asset necessary to deliver the same service provision. There are only £25k of land and buildings that are not specialised are valued at their existing use (EUV). The Authority has engaged Amcat Limited to complete the valuation of its land and buildings as at 31 March 2024 on a five yearly cyclical basis. 20% of total assets were fully revalued during 2022/23 with the remaining 80% subject to a desktop valuation exercise. The total year end valuation of land and buildings was £115.512m, this includes Other Land and Building of £79.242m and PFI Land and Building of £36.270m. There was an overall net decrease of £2.815m from 2022/23 (£118.327m).	We completed the following work. • We assessed the valuer used as management’s expert, Amcat Limited, as competent, capable and objective • We have confirmed the completeness and accuracy of the underlying information provided to the valuer used to determine the estimate • We have evaluated the method, data and assumptions used by management’s expert to derive the accounting estimate to be reasonable • We confirmed that the valuation method remains consistent with the prior year • We have agreed the General Fund valuation report to the Fixed Asset Register and to the Statement of Accounts • We have confirmed the adequacy of the disclosure of the estimate in the financial statements • We have confirmed the appropriateness of alternative site assumptions. We selected a sample of 25 Land and Buildings valuations to test for appropriate use of valuation assumptions and input data. We have not identified any significant issues from this testing. We considered the level of disclosure in the financial statements to be appropriate, with only one minor amendment in disclosure. Since the decrease in value was due to the downward revaluation rather than impairment losses, the Authority has updated the disclosure sub-heading to reflect the correct classification. Also see details in Appendix D.	● [Green] We consider management’s process is appropriate and key assumptions are neither optimistic or cautious

Assessment

- [Red] We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- {Amber} We consider the estimate is unlikely to be materially misstated however management’s estimation process contains assumptions we consider optimistic
- [Grey] We consider the estimate is unlikely to be materially misstated however management’s estimation process contains assumptions we consider cautious
- [Green] We consider management’s process is appropriate and key assumptions are neither optimistic or cautious

2. Financial Statements: key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment																								
Valuation of Pension Fund Net Liability – £651.920m IFRIC 14 addresses the extent to which an IAS 19 surplus can be recognised on the balance sheet and whether any additional liabilities are required in respect of onerous funding commitments. IFRIC 14 limits the measurement of the defined benefit asset to the 'present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.	The Authority's total net pension liability at 31 March 2024 is £651.920m (2022/23 £651.536m) comprising the unfunded defined benefit pension obligations of the Firefighters Pension Scheme of £651.826m and the Lancashire County Pension Fund Local Government Pension Scheme of £0.094m. The Authority uses Government Actuary's Department (GAD) to provide actuarial valuations of the Authority's liabilities derived from the Firefighters' Pension Scheme, uses Mercers to provide actuarial valuations of the Authority's assets and liabilities derived from the LGPS. A full actuarial valuation is required every three years.	We have completed the following work on the estimate: - assessed the Authority's actuaries, GAD and Mercer, to be competent, capable and objective. - used PwC as our auditor expert to assess the actuary and assumptions made by the actuary – see table below for our comparison of actuarial assumptions: <table> <tr> <th>Assumption</th><th>Actuary Value</th><th>PwC range</th><th>Assessment</th></tr> <tr> <td>Discount rate</td><td>Mercer: 4.9% GAD: 4.75%</td><td>Mercer: 4.9% GAD: 4.75%</td><td>●</td></tr> <tr> <td>Pension increase rate</td><td>Mercer: 2.8% GAD: 2.6%</td><td>Mercer: 2.7%-2.8% GAD: 2.6%</td><td>●</td></tr> <tr> <td>Salary growth</td><td>Mercer: 4.2% GAD: 3.85%</td><td>Mercer: 3.85%-4.2% GAD: 3.85%</td><td>●</td></tr> <tr> <td>Life expectancy – Males currently aged 45/65</td><td>Mercer: 22.8/21.5 GAD: 22.9/21.3</td><td>Mercer: 22.0-23.5/20.7-22.2 GAD: 22.9-23.6/ 21.3-21.9</td><td>●</td></tr> <tr> <td>Life expectancy – Females currently aged 45/65</td><td>Mercer: 25.6/23.8 GAD: 22.9/21.3</td><td>Mercer: 25.0-26.2/23.2-24.4 GAD: 22.9-25.1/ 21.3-23.6</td><td>●</td></tr> </table> - confirmed the controls and processes over the completeness and accuracy of the underlying information used to determine the estimate. - reviewed the adequacy of disclosure of estimate in the financial statements. - confirmed there have been no changes to the valuation methodology since the previous year, other than the updating of key assumptions above. - examined the IFRIC 14 assessment of the pension fund asset on the local government scheme. Our audit work remains on-going as at the date of this report. We are still waiting for the responses from the pension fund auditor. Our audit work to date has not identified in respect of this testing.	Assumption	Actuary Value	PwC range	Assessment	Discount rate	Mercer: 4.9% GAD: 4.75%	Mercer: 4.9% GAD: 4.75%	●	Pension increase rate	Mercer: 2.8% GAD: 2.6%	Mercer: 2.7%-2.8% GAD: 2.6%	●	Salary growth	Mercer: 4.2% GAD: 3.85%	Mercer: 3.85%-4.2% GAD: 3.85%	●	Life expectancy – Males currently aged 45/65	Mercer: 22.8/21.5 GAD: 22.9/21.3	Mercer: 22.0-23.5/20.7-22.2 GAD: 22.9-23.6/ 21.3-21.9	●	Life expectancy – Females currently aged 45/65	Mercer: 25.6/23.8 GAD: 22.9/21.3	Mercer: 25.0-26.2/23.2-24.4 GAD: 22.9-25.1/ 21.3-23.6	●	● [Green] We consider management's process is appropriate and key assumptions are neither optimistic or cautious
Assumption	Actuary Value	PwC range	Assessment																								
Discount rate	Mercer: 4.9% GAD: 4.75%	Mercer: 4.9% GAD: 4.75%	●																								
Pension increase rate	Mercer: 2.8% GAD: 2.6%	Mercer: 2.7%-2.8% GAD: 2.6%	●																								
Salary growth	Mercer: 4.2% GAD: 3.85%	Mercer: 3.85%-4.2% GAD: 3.85%	●																								
Life expectancy – Males currently aged 45/65	Mercer: 22.8/21.5 GAD: 22.9/21.3	Mercer: 22.0-23.5/20.7-22.2 GAD: 22.9-23.6/ 21.3-21.9	●																								
Life expectancy – Females currently aged 45/65	Mercer: 25.6/23.8 GAD: 22.9/21.3	Mercer: 25.0-26.2/23.2-24.4 GAD: 22.9-25.1/ 21.3-23.6	●																								
Assessment																											

- [Red] We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- [Amber] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- [Grey] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- [Green] We consider management's process is appropriate and key assumptions are neither optimistic or cautious

2. Financial Statements: Information Technology

This section provides an overview of results from our assessment of Information Technology (IT) environment and controls which included identifying risks from the use of IT related to business process controls relevant to the financial audit. This includes an overall IT General Control (ITGC) rating per IT system and details of the ratings assigned to individual control areas.

Page 27

IT application	Level of assessment performed	Overall ITGC rating	ITGC control area rating			Related significant risks/other risks
			Security management	Technology acquisition, development and maintenance	Technology infrastructure	
Oracle Fusion: Finance and Payroll	ITGC assessment (design and implementation effectiveness only)					All significant risks

Assessment

- Significant deficiencies identified in IT controls relevant to the audit of financial statements
- Non-significant deficiencies identified in IT controls relevant to the audit of financial statements/significant deficiencies identified but with sufficient mitigation of relevant risk
- IT controls relevant to the audit of financial statements judged to be effective at the level of testing in scope
- Not in scope for testing

2. Financial Statements: other communication requirements

We set out below details of other matters which we, as auditors, are required by auditing standards and the Code to communicate to those charged with governance.

Page 28

Issue	Commentary
Matters in relation to fraud	We have previously discussed the risk of fraud with the Audit Committee. We have not been made aware of any incidents in the period and no other issues have been identified during the course of our audit procedures.
Matters in relation to related parties	We are not aware of any related parties or related party transactions which have not been disclosed.
Matters in relation to laws and regulations	You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
Written representations	A letter of representation has been requested from the Authority, which is set out at Appendix F.
Audit evidence and explanations	All information and explanations requested from management was provided.

2. Financial Statements: other communication requirements



Page 29

Issue	Commentary
Confirmation requests from third parties	We requested permission from management to send confirmation requests to the Authority's banking and investment partners. This permission was granted, and the requests were sent. The majority of these requests were returned with positive confirmation; only one request is still outstanding.
Accounting practices	We have evaluated the appropriateness of the Authority's accounting policies, accounting estimates and financial statement disclosures. Our review found no material omissions in the financial statements.
Audit evidence and explanations/ significant difficulties	All information and explanations requested from management was provided.

2. Financial Statements: other communication requirements



Our responsibility

As auditors, we are required to “obtain sufficient appropriate audit evidence about the appropriateness of management’s use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity’s ability to continue as a going concern” (ISA (UK) 570).

Page 30

Issue	Commentary
Going concern	In performing our work on going concern, we have had reference to Statement of Recommended Practice – Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom (Revised 2020). The Financial Reporting Authority recognises that for particular sectors, it may be necessary to clarify how auditing standards are applied to an entity in a manner that is relevant and provides useful information to the users of financial statements in that sector. Practice Note 10 provides that clarification for audits of public sector bodies. Practice Note 10 sets out the following key principles for the consideration of going concern for public sector entities: - the use of the going concern basis of accounting is not a matter of significant focus of the auditor’s time and resources because the applicable financial reporting frameworks envisage that the going concern basis for accounting will apply where the entity’s services will continue to be delivered by the public sector. In such cases, a material uncertainty related to going concern is unlikely to exist, and so a straightforward and standardised approach for the consideration of going concern will often be appropriate for public sector entities - for many public sector entities, the financial sustainability of the reporting entity and the services it provides is more likely to be of significant public interest than the application of the going concern basis of accounting. Our consideration of the Authority’s financial sustainability is addressed by our value for money work, which is covered elsewhere in this report. Practice Note 10 states that if the financial reporting framework provides for the adoption of the going concern basis of accounting on the basis of the anticipated continuation of the provision of a service in the future, the auditor applies the continued provision of service approach set out in Practice Note 10. The financial reporting framework adopted by the Authority meets this criteria, and so we have applied the continued provision of service approach. In doing so, we have considered and evaluated: - the nature of the Authority and the environment in which it operates - the Authority’s financial reporting framework - the Authority’s system of internal control for identifying events or conditions relevant to going concern - management’s going concern assessment. On the basis of this work, we have obtained sufficient appropriate audit evidence to enable us to conclude that: - a material uncertainty related to going concern has not been identified - management’s use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

2. Financial Statements: other responsibilities under the Code

Issue	Commentary
Other information	We are required to give an opinion on whether the other information published together with the audited financial statements including the Statement on Annual Governance Arrangement, and Narrative, is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. No inconsistencies have been identified.
Matters on which we report by exception	We are required to report on a number of matters by exception in a number of areas: • if the Annual Governance Statement does not comply with disclosure requirements set out in CIPFA/SOLACE guidance or is misleading or inconsistent with the information of which we are aware from our audit, • if we have applied any of our statutory powers or duties. • where we are not satisfied in respect of arrangements to secure value for money and have reported [a] significant weakness/es. We have nothing to report on these matters.
Specified procedures for Whole of Government Accounts	We are required to carry out specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA group audit instructions. Note that work is not required as the Authority does not exceed the threshold.
Certification of the closure of the audit	We intend to certify the closure of the 2023/24 audit of Lancashire Combined Fire Authority in the audit report, as detailed in Appendix G.



3. Value for Money arrangements (VFM)

Approach to Value for Money work for 2023/24

The National Audit Office issued its guidance for auditors in April 2020. The Code requires auditors to consider whether the body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

When reporting on these arrangements, the Code requires auditors to structure their commentary on arrangements under the three specified reporting criteria.

Page 32



Improving economy, efficiency and effectiveness

Arrangements for improving the way the body delivers its services. This includes arrangements for understanding costs and delivering efficiencies and improving outcomes for service users.



Financial Sustainability

Arrangements for ensuring the body can continue to deliver services. This includes planning resources to ensure adequate finances and maintain sustainable levels of spending over the medium term (3–5 years)



Governance

Arrangements for ensuring that the body makes appropriate decisions in the right way. This includes arrangements for budget setting and management, risk management, and ensuring the body makes decisions based on appropriate information

Potential types of recommendations

A range of different recommendations could be made following the completion of work on the body's arrangements to secure economy, efficiency and effectiveness in its use of resources, which are as follows:



Statutory recommendation

Written recommendations to the body under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014. A recommendation under schedule 7 requires the body to discuss and respond publicly to the report.



Key recommendation

The Code of Audit Practice requires that where auditors identify significant weaknesses in arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the body. We have defined these recommendations as 'key recommendations'.



Improvement recommendation

These recommendations, if implemented should improve the arrangements in place at the body, but are not made as a result of identifying significant weaknesses in the body's arrangements

3. VFM: our procedures and conclusions

We have completed our VFM work and our detailed commentary is set out in the separate Auditor's Annual Report.

As part of our work, we considered whether there were any significant weakness in the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources.

Following our work, we are satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.



4. Independence considerations

We confirm that we have implemented policies and procedures to meet the requirements of the Financial Reporting Authority's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in May 2020 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

Details of fees charged are detailed in Appendix E.

Transparency

Grant Thornton publishes an annual Transparency Report, which sets out details of the action we have taken over the past year to improve audit quality as well as the results of internal and external quality inspections. For more details see [Grant Thornton International Transparency report 2023](#).

4. Independence considerations

As part of our assessment of our independence we note the following matters:

Matter	Conclusion
Relationships with Grant Thornton	We are not aware of any relationships between Grant Thornton and the Company that may reasonably be thought to bear on our integrity, independence and objectivity
Relationships and Investments held by individuals	We have not identified any potential issues in respect of personal relationships with the Group or investments in the Group held by individuals
Employment of Grant Thornton staff	We are not aware of any former Grant Thornton partners or staff being employed, or holding discussions in respect of employment, by the Group as a director or in a senior management role covering financial, accounting or control related areas.
Business relationships	We have not identified any business relationships between Grant Thornton and the Authority
Contingent fees in relation to non-audit services	No contingent fee arrangements are in place for non-audit services provided
Gifts and hospitality	We have not identified any gifts or hospitality provided to, or received from, a member of the Authority's board, senior management or staff that would exceed the threshold set in the Ethical Standard

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention and consider that an objective reasonable and informed third party would take the same view. The firm and each covered person and network firms have complied with the Financial Reporting Authority's Ethical Standard and confirm that we are independent and are able to express an objective opinion on the financial statements.

Following this consideration, we can confirm that we are independent and are able to express an objective opinion on the financial statements. In making the above judgement, we have also been mindful of the quantum of non-audit fees compared to audit fees disclosed in the financial statements and estimated for the current year.

Appendices

- A. Communication of audit matters to those charged with governance
- B. Action plan – Audit of Financial Statements
- C. Follow up of prior year recommendations
- D. Audit Adjustments
- E. Fees and non-audit services
- F. Auditing developments
- G. Management Letter of Representation
- H. Audit opinion
- I. Audit letter in respect of delayed VFM work

A. Communication of audit matters to those charged with governance

Our communication plan	Audit Plan	Audit Findings
Respective responsibilities of auditor and management/those charged with governance	•	
Overview of the planned scope and timing of the audit, form, timing and expected general content of communications including significant risks	•	
Confirmation of independence and objectivity	•	•
A statement that we have complied with relevant ethical requirements regarding independence. Relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged. Details of safeguards applied to threats to independence	•	•
Significant findings from the audit		•
Significant matters and issue arising during the audit and written representations that have been sought		•
Significant difficulties encountered during the audit		•
Significant deficiencies in internal control identified during the audit		•
Significant matters arising in connection with related parties		•
Identification or suspicion of fraud involving management and/or which results in material misstatement of the financial statements		•
Non-compliance with laws and regulations		•
Unadjusted misstatements and material disclosure omissions		•
Expected modifications to the auditor's report, or emphasis of matter		•

ISA (UK) 260, as well as other ISAs (UK), prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table here.

This document, the Audit Findings, outlines those key issues, findings and other matters arising from the audit, which we consider should be communicated in writing rather than orally, together with an explanation as to how these have been resolved.

Respective responsibilities

As auditor we are responsible for performing the audit in accordance with ISAs (UK), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance.

The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.

Distribution of this Audit Findings report

Whilst we seek to ensure our audit findings are distributed to those individuals charged with governance, we are also required to distribute our findings to those members of senior management with significant operational and strategic responsibilities. We are grateful for your specific consideration and onward distribution of our report to all those charged with governance.

B. Action Plan – Audit of Financial Statements

We have identified two recommendations for the Authority as a result of issues identified during the course of our audit. We have agreed our recommendations with management, and we will report on progress on these recommendations during the course of the 2024/25 audit. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

Assessment	Issue and risk	Recommendations
● Low	During our reconciliation between the general ledger transactions listing and trial balance, we identified variances in 2 account codes. The variances are below triviality and net to nil; therefore, they have no impact on the final accounts. However, the general ledger should always reconcile back to the trial balance to ensure the accuracy and completeness of the data.	For control purposes and best practices, we recommend that management run checks between the transaction listing and trial balance on a timely basis to identify and address any potential system errors. Management response An additional monthly reconciliation has been introduced to identify any coding variances within customised reporting.
● Low	During our sample testing of assets' useful economic life, we identified one asset that was recognised under Vehicle, Plant and Equipment in 23/24 but has not been brought into use. In this case, we would expect the assets to be recognised under Assets under construction instead. We reviewed the Fixed assets register and confirmed that no depreciation has been charged in year for this asset. Therefore, apart from the matter of classification, there is no impact on the net balance of the accounts.	For the best accounting practice , we would recommend the management review the fixed assets register on a regular basis and ensure that the assets have been classified in the correct categories. Management response The asset register will continue to be reviewed on a regular basis and a classified category check will be introduced.

Controls

- High – Significant effect on financial statements
- Medium – Limited Effect on financial statements
- Low – Best practice

C. Follow up of prior year recommendations

We identified the following issues in the audit of 2022/23 financial statements, which resulted in 7 recommendations being reported in our 2022/23 Audit Findings report. We are pleased to report that management have implemented all of our recommendations.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
✓	Fixed asset register As part of our work testing the detail for individual assets held within the fixed asset register, we noted that 9 assets had negative net book values at 31 March 2023. This is due to excess depreciation charged against the cost or value. The total excess deprecation was £190k on assets with a gross value of £587k, resulting in additional depreciation charged against the assets. In addition, there are almost £6m assets in the FAR with nil NBV's which need reviewing to determine any residual useful economic lives (UEL's) and continuing usage. We recommended the Authority examine the fixed asset register to ensure excess depreciation is not charged against fully depreciated assets and correct this for future years. It should also examine those assets with nil NBV's to determine any residual UEL.	Management response The asset register have been reviewed to address issues raised. Auditor comment We confirmed that this recommendation has been fully implemented in 2023/24. During our audit testing, we did not identify any negative net book values as of 31 March 2024, and any fully depreciated assets were reviewed by management. They have either been written off in the year or had their UEL amended for continuing usage.
✓	Journal entry testing As part of our work testing the journals, we identified an issue with journals listing we obtained as it did not contain the complete information such as the preparer name and the name of person authorizing the journal. The system allows journals to be self-authorised and we found this did occur in some cases. This is a control risk, although not uncommon in smaller finance teams. The Authority does have an additional review process to compensate for this control issue. We recommended the Authority investigates whether the system can be updated to include details of preparer/authorizer.	Management response A new process has been in place for the whole of 2023/24 recording the journal preparer and approver. The approval of journals is required by accountants, or more senior members of the finance team, and this is required to be saved within the manual journal file. A journal register records the unique journal reference, accounting period, preparer and approver. Auditor comment We confirmed that the additional process mentioned above has been implemented in 2023/24, and it addressed the recommendation raised in 2022/23.

Assessment

- ✓ Action completed
- x Not yet addressed

C. Follow up of prior year recommendations - continued

Page 40

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
✓	Depreciation on assets brought into use The Authority do not charge depreciation on assets in the year of acquisition and when brought into use as required by the CiPFA Code ref 4.1.2.44. Depreciation is charged from the following financial year. The impact of this for the 2022-23 financial statements would be a maximum £46k on the assumption assets were bought into use on receipt, which the Authority states is unlikely. Although there is no significant impact on the 2022-23 financial statements in not charging depreciation on assets when first brought into use this is not in line with the CiPFA Code we recommend the Authority examine this policy for future years. It should ensure the economic benefit from newly acquired assets, particularly those with a significant value, are charged appropriately in the financial statements to reflect the period of use.	Management response Recommendation implemented for 2023/24 accounts. Auditor comment We confirmed that the Accounting Policy has been updated in 2023/24 it addressed the recommendation raised in 2022/23.
✓	Business users with inappropriate administrative access to Oracle EBS and Oracle Fusion This deficiency has the potential to impact the audit approach due to the pervasive nature of the deficiency. There is a risk that erroneous postings have been made due to the privileges held. We recommend the Authority looks into whether the system can be updated for the user accesses to both the systems.	Management response LFRS accesses are regularly reviewed. No inappropriate accesses identified. Auditor comment Based on our work performed under IT general controls. We confirmed that the recommendation has been actioned and there is a control now in place.

Assessment

- ✓ Action completed
- x Not yet addressed

C. Follow up of prior year recommendations - continued

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
✓	Lack of proper documentation retention of the IT project activities This deficiency has the potential to impact the audit approach due to the pervasive nature of the deficiency. There is a risk that - non-standard reports have not been sufficiently tested as part of the project activities - system configurations have not been sufficiently tested - the opening balances may not be complete and accurate, or there could be presentational differences from the change to the chart of accounts. We recommend the Authority ensures to retain proper documentation of the IT project activities and consider the potential impacts we have mentioned relating to the deficiency.	Management response Regular meetings are held with LCC on progress of remaining non-standard reports still in development. Auditor comment Based on our work performed under IT general controls. We confirmed that the recommendation has been actioned and there is a control now in place.
✓	Insufficient retention of documents related to Oracle Fusion system changes and access provisioning User access may not be appropriately aligned to job role requirements which may lead to inappropriate access within the application or underlying data. We recommend the Authority ensures proper documents related to Oracle Fusion system changes and access provisioning.	Management response LFRS have an ongoing open request with LCC for user access reporting to manage and control accesses. Auditor comment Based on our work performed under IT general controls. We confirmed that the recommendation has been actioned and there is a control now in place.
✓	Lack of formal process in managing Oracle Fusion self-assigned roles User access may not be appropriately aligned to job role requirements which may lead to inappropriate access within the application or underlying data. We recommend the Authority ensures appropriate alignment to job role requirements which may not lead to inappropriate access within the application or underlying data.	Management response There are robust inhouse controls to manage the LFRS approval hierarchy, including regular review by the Financial Accountant. Auditor comment Based on our work performed under IT general controls. We confirmed that the recommendation has been actioned and there is a control now in place.

Assessment

- ✓ Action completed
- x Not yet addressed

D. Audit Adjustments

We are required to report all non-trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

Impact of adjusted misstatements

All adjusted misstatements are set out in detail below along with the impact on the key statements and the reported net expenditure for the year ending 31 March 2024.

Detail	Comprehensive Income and Expenditure Statement £000	Balance Sheet £000	Impact on total net expenditure £000	Impact on general fund £000
Note 7 Intangible assets There were 5 assets with a total Net book value of £681k which should have been recognised as tangible assets rather than intangible assets in accounts, and the associated charges should be classified as depreciation instead of amortisation.	-	Dr Property, Plant and Equipment 681 Cr Intangible assets 681	Dr Depreciation 148 Cr Amortisation 148	-
Overall impact	£-	£-	£-	£-

D. Audit Adjustments

Misclassification and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

Disclosure/issue/Omission	Adjusted?
Note 6 Capital Expenditure Disclosure We identified a variance of £751k between the expected Capital Financing Requirement (CFR) and the CFR in the draft accounts. This variance is due to the omission of the capital financing element from the NWFC's accounts (Joint Operation) in the opening CFR balances. Since this is only a disclosure error and has no impact on the main financial statements, the Capital Expenditure disclosure has been amended in the 2023/24 accounts with footnote explaining the treatment.	✓
Note 8 Financial Instruments There was £511.6k Other LA Creditor missed from the Financial instrument disclosure, and the disclosure has not made clear how the Financial Instruments reconcile to the balance sheet. The accounts have been updated accordingly and the disclosure now cover all balances that meet the definition of financial instruments with enough information to enable the reader to reconcile back to the balance sheet.	✓
Note 15 Pension Net Liabilities There was an inconsistency between the actuary report and the firefighter's pension scheme contribution balances. The Employer contributions and The Contributions by scheme participants should be £28,790k and £3,830k, respectively, rather than £26,540k and £6,080k. The total contribution is not impacted, but there is an error in the split.	✓
Other minor presentational updates As a result of our review of the accounts, we identified a number of minor presentational and disclosure improvements. These mainly include: - In Note 26 Estimation and uncertainty, the Fair value measurements for PFI schemes were removed, since it is not a risk of material movement in the next 12 months. - In Note 6: PPE, the sub-heading should be updated from "Impairment Losses" to "Downward Revaluation", and from "Disposal" to "Disposal and Derecognition", in order to clarify the disclosures and better reflect the nature of the balances disclosed. The Authority has updated the accounts to include reference to a contingent liability in relation to the Matthews legal case. Te Authority expects any liability that may transpire would be covered by the pension top up grant.	✓

D. Audit Adjustments (continued)



Page 44

Impact of unadjusted misstatements

All adjustment identified during the audit have been made within the final set of financial statements.

Impact of prior year unadjusted misstatements

The table below provides details of adjustments identified during the prior year audit which had not been made within the final set of 2022/23 financial statements. We do not consider this misstatement has had a material impact on the opening balance of current year.

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000	Impact on general fund £'000	Reason for not adjusting
Excess depreciation charged PPE		Dr 190			Immaterial
Negative depreciation	Cr 190		Cr 190	Dr 190	
Unaccrued expenses					
Net Cost of Services	Dr 276		Dr 276	Cr 276	Immaterial
Short-Term Creditors		Cr 276			
Overall impact	Dr 86	Cr 86	Dr 86	Cr 86	

E. Fees and non-audit services

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

Audit fees	Proposed fee
Scale fee	£92,606
ISA 315	£5,020
Total audit fees (excluding VAT)	£97,626

The fees reconcile to the financial statements as follows:

	£000
Fee per Note 4 External auditor fee	106
Additional fee for 2022/23 audit	(8.3)
Total fees per above	97.7

F. Management Letter of Representation

[LETTER TO BE WRITTEN ON CLIENT HEADED PAPER]

Grant Thornton UK LLP
Royal Liver Building
Liverpool
L3 1PS

[Date] – [TO BE DATED SAME DATE AS DATE OF AUDIT OPINION]

Dear Grant Thornton UK LLP

Lancashire Combined Fire Authority
Financial Statements for the year ended 31 March 2024

This representation letter is provided in connection with the audit of the financial statements of Lancashire Combined Fire Authority for the year ended 31 March 2024 for the purpose of expressing an opinion as to whether the Authority financial statements give a true and fair view in accordance with International Financial Reporting Standards, and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 and applicable law.

We confirm that to the best of our knowledge and belief having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

Financial Statements

- i. We have fulfilled our responsibilities for the preparation of the Authority's financial statements in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 ("the Code"); in particular the financial statements are fairly presented in accordance therewith.
- ii. We have complied with the requirements of all statutory directions affecting the Authority and these matters have been appropriately reflected and disclosed in the financial statements.
- iii. The Authority has complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance. There has been no non-compliance with requirements of any regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.
- iv. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.
- v. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable. Such accounting estimates include land and building valuations and pensions asset and liability valuations. We are satisfied that the material judgements used in the preparation of the financial statements are soundly based, in accordance with the Code and adequately disclosed in the financial statements. We understand our responsibilities includes identifying and considering alternative methods, assumptions or source data that would be equally valid under the financial reporting framework, and why these alternatives were rejected in favour of the estimate used. We are satisfied that the methods, the data and the significant assumptions used by us in making accounting estimates and their related disclosures are appropriate to achieve recognition, measurement or disclosure that is reasonable in accordance with the Code and adequately disclosed in the financial statements.

F. Management Letter of Representation

- Page 47
- vi. We confirm that we are satisfied that the actuarial assumptions underlying the valuation of pension scheme assets and liabilities for IAS19 Employee Benefits disclosures are consistent with our knowledge. We confirm that all settlements and curtailments have been identified and properly accounted for. We also confirm that all significant post-employment benefits have been identified and properly accounted for.
 - vii. Except as disclosed in the financial statements:
 - there are no unrecorded liabilities, actual or contingent
 - none of the assets of the Authority has been assigned, pledged or mortgaged
 - there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.
 - viii. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards and the Code.
 - ix. All events subsequent to the date of the financial statements and for which International Financial Reporting Standards and the Code require adjustment or disclosure have been adjusted or disclosed.

We have considered the adjusted misstatements, and misclassification and disclosures changes schedules included in your Audit Findings Report. The Authority's financial statements have been amended for these misstatements, misclassifications and disclosure changes and are free of material misstatements, including omissions.

We have considered the unadjusted misstatements schedule included in your Audit Findings Report. We have not adjusted the financial statements for these misstatements brought to our attention as they are immaterial to the results of the Authority and its financial position at the year-end. The financial statements are free of material misstatements, including omissions.
 - xii. Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards.
 - xiii. We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.
 - xiv. We have updated our going concern assessment. We continue to believe that the Authority's financial statements should be prepared on a going concern basis and have not identified any material uncertainties related to going concern on the grounds that :
 - the nature of the Authority means that, notwithstanding any intention to cease its operations in their current form, it will continue to be appropriate to adopt the going concern basis of accounting because, in such an event, services it performs can be expected to continue to be delivered by related public authorities and preparing the financial statements on a going concern basis will still provide a faithful representation of the items in the financial statements
 - the financial reporting framework permits the entry to prepare its financial statements on the basis of the presumption set out under a) above; and
 - the Authority's system of internal control has not identified any events or conditions relevant to going concern.

We believe that no further disclosures relating to the Authority's ability to continue as a going concern need to be made in the financial statements
 - vi. The Authority has complied with all aspects of ring-fenced grants that could have a material effect on the Authority's financial statements in the event of non-compliance.

F. Management Letter of Representation

Information Provided

- xvi. We have provided you with:
- access to all information of which we are aware that is relevant to the preparation of the Authority's financial statements such as records, documentation and other matters;
 - additional information that you have requested from us for the purpose of your audit; and
 - access to persons within the Authority via remote arrangements from whom you determined it necessary to obtain audit evidence.
- xvii. We have communicated to you all deficiencies in internal control of which management is aware.
- xviii. All transactions have been recorded in the accounting records and are reflected in the financial statements.
- xix. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- xx. We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the Authority and involves:
- management;
 - employees who have significant roles in internal control; or
 - others where the fraud could have a material effect on the financial statements.
- xxi. We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, analysts, regulators or others.
- xxii. We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.
- xxiii. We have disclosed to you the identity of the Authority's related parties and all the related party relationships and transactions of which we are aware.
- xxiv. We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

F. Management Letter of Representation

Annual Governance Statement

xxv. We are satisfied that the Annual Governance Statement (AGS) fairly reflects the Authority's risk assurance and governance framework, and we confirm that we are not aware of any significant risks that are not disclosed within the AGS.

Narrative Report

xxvi. The disclosures within the Narrative Report fairly reflect our understanding of the Authority's financial and operating performance over the period covered by the Authority's financial statements.

Approval

The approval of this letter of representation was minuted by the Authority's Audit Committee at its meeting on 26 September 2024.

Page 49

Yours faithfully

Name.....

Position.....

Date.....

Name.....

Position.....

Date.....

Signed on behalf of the Authority

G. Audit opinion - DRAFT

Our anticipated audit report opinion will be unmodified

Independent auditor's report to the members of Lancashire Combined Fire Authority

Report on the audit of the financial statements

Opinion on financial statements

We have audited the financial statements of Lancashire Combined Fire Authority (the 'Authority') for the year ended 31 March 2024, which comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement and notes to the financial statements, including a summary of significant accounting policies and include the firefighters' pension fund financial statements comprising the Fund Account, the Net Assets Statement and notes to the financial statements. The notes to the financial statements include notes to the core financial statements and firefighters' pension fund. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2024 and of its expenditure and income for the year then ended;
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law, as required by the Code of Audit Practice (2020) ("the Code of Audit Practice") approved by the Comptroller and Auditor General. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the Treasurer's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Authority's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Authority to cease to continue as a going concern.

In our evaluation of the Treasurer's conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 that the Authority's financial statements shall be prepared on a going concern basis, we considered the inherent risks associated with the continuation of services provided by the Authority. In doing so we had regard to the guidance provided in Practice Note 10 Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2022) on the application of ISA (UK) 570 Going Concern to public sector entities. We assessed the reasonableness of the basis of preparation used by the Authority and the Authority's disclosures over the going concern period.

In auditing the financial statements, we have concluded that the Treasurer's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Authority's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Treasurer with respect to going concern are described in the relevant sections of this report.

G. Audit opinion

Page 51

Other information

The other information comprises the information included in the Statement of Accounts, other than the financial statements and our auditor’s report thereon. The Treasurer is responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Other information we are required to report on by exception under the Code of Audit Practice

Under the Code of Audit Practice published by the National Audit Office in April 2020 on behalf of the Comptroller and Auditor General (the Code of Audit Practice) we are required to consider whether the Statement on Annual Governance Arrangements does not comply with ‘Delivering Good Governance in Local Government Framework 2016 Edition’ published by CIPFA and SOLACE, or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Statement on Annual Governance Arrangements addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

We have nothing to report in this regard.

Opinion on other matters required by the Code of Audit Practice

In our opinion, based on the work undertaken in the course of the audit of the financial statements, the other information published together with the financial statements in the Statement of Accounts for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

Under the Code of Audit Practice, we are required to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

We have nothing to report in respect of the above matters.

Responsibilities of the Authority and the Treasurer

As explained more fully in the Statement of Responsibilities, the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Treasurer. The Treasurer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24, for being satisfied that they give a true and fair view, and for such internal control as the Treasurer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Treasurer is responsible for assessing the Authority’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they have been informed by the relevant national body of the intention to dissolve the Authority without the transfer of its services to another public sector entity.

G. Audit opinion

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. Irregularities, including fraud, are instances of non-compliance with laws and regulations. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

We obtained an understanding of the legal and regulatory frameworks that are applicable to the Authority and determined that the most significant which are directly relevant to specific assertions in the financial statements are those related to the reporting frameworks (the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24, the Local Audit and Accountability Act 2014, the Accounts and Audit Regulations 2015, the Local Government Act 2003 and the Fire and Rescue Services Act 2004, the Public Service Pensions Act 2013, the Firefighters' Pension Scheme (England) Regulations 2014 and the Firefighters' Pension Scheme (England) Order 2006).

We enquired of management and the Audit Committee, concerning the Authority's policies and procedures relating to:

- the identification, evaluation and compliance with laws and regulations;
- the detection and response to the risks of fraud; and
- the establishment of internal controls to mitigate risks related to fraud or non-compliance with laws and regulations.

We enquired of management, internal audit and the audit committee, whether they were aware of any instances of non-compliance with laws and regulations or whether they had any knowledge of actual, suspected or alleged fraud.

We assessed the susceptibility of the Authority's financial statements to material misstatement, including how fraud might occur, by evaluating management's incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of potential management bias in determining accounting estimates for the valuation of land and buildings and the pension liability/asset, and management override of controls. We determined that the principal risks were in relation to processing of inappropriate journals.

Our audit procedures involved:

- evaluation of the design effectiveness of controls that management has in place to prevent and detect fraud,
- journal entry testing, with a focus on large and unusual journals
- challenging assumptions and judgements made by management in its significant accounting estimates in respect of land and buildings and the defined pension fund net liability valuations, and
- assessing the extent of compliance with the relevant laws and regulations as part of our procedures on the related financial statement item.

These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.

We communicated relevant laws and regulations and potential fraud risks to all engagement team members, including the potential for fraud in revenue and expenditure recognition, and the significant accounting estimates related to land and buildings and defined pension fund net liability valuations. We remained alert to any indications of non-compliance with laws and regulations, including fraud, throughout the audit.

G. Audit opinion

Our assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team's.

- understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation
- knowledge of the local government sector
- understanding of the legal and regulatory requirements specific to the Authority including:
 - the provisions of the applicable legislation
 - guidance issued by CIPFA/LASAAC and SOLACE
 - the applicable statutory provisions.

Page 53
In assessing the potential risks of material misstatement, we obtained an understanding

- the Authority's operations, including the nature of its income and expenditure and its services and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement.
- the Authority's control environment, including the policies and procedures implemented by the Authority to ensure compliance with the requirements of the financial reporting framework.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Report on other legal and regulatory requirements – the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

Matter on which we are required to report by exception – the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

Under the Code of Audit Practice, we are required to report to you if, in our opinion, we have not been able to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2024.

We have nothing to report in respect of the above matter.

Responsibilities of the Authority

The Authority is responsible for putting in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

Auditor's responsibilities for the review of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to be satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We undertake our review in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in January 2023. This guidance sets out the arrangements that fall within the scope of 'proper arrangements'. When reporting on these arrangements, the Code of Audit Practice requires auditors to structure their commentary on arrangements under three specified reporting criteria:

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

We document our understanding of the arrangements the Authority has in place for each of these three specified reporting criteria, gathering sufficient evidence to support our risk assessment and commentary in our Auditor's Annual Report. In undertaking our work, we consider whether there is evidence to suggest that there are significant weaknesses in arrangements.

G. Audit opinion

Report on other legal and regulatory requirements – Audit certificate

We certify that we have completed the audit of Lancashire Combined Fire Authority for the year ended 31 March 2024 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

Use of our report

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 [and as set out in paragraph 85 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited]. Our audit work has been undertaken so that we might state to the Authority’s members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Signature:

Georgia Jones, Key Audit Partner
for and on behalf of Grant Thornton UK LLP, Local Auditor
Liverpool
Date:

Page 54



This page is intentionally left blank

Lancashire Combined Fire Authority

Audit Committee

Meeting to be held on 28 November 2024

Internal Audit Monitoring Report

(Appendix 1 & 2 refer)

Contact for further information – (Steven Brown - Director of Corporate Services)
Tel: 01772 866(804)

Executive Summary

The attached report sets out the current position in respect of the internal audit plan for 2024/25.

Recommendation(s)

The Committee is asked to note 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 is attached as Appendix 1 and will be presented by the Head of Internal Audit.

Business risk

Effective Internal Audit is a key element of our Governance arrangements.

Sustainability or Environmental Impact

None.

Equality and Diversity Implications

None.

Data Protection (GDPR)

Will the proposal(s) involve the processing of personal data? N

HR implications

None

Financial implications

None.

Legal implications

None.

Local Government (Access to Information) Act 1985

List of background papers

Paper: N/A

Date: N/A

Contact: N/A

Reason for inclusion in Part 2 if appropriate: Insert Exemption Clause

Lancashire Combined Fire Authority

**Internal Audit Service monitoring report: period ended
07 November 2024**

1 Purpose of this report

- 1.1 The Internal Audit Plan for 2024/25 was approved by the Audit Committee in March 2024. This report details the progress to date in undertaking the agreed coverage.

2 Internal audit work undertaken

- 2.1 Work carried out during the period 1 April 2024 to 7 November 2024 was in accordance with the agreed audit plan. To date, 26 days have been spent this financial year on completing the 2024/25 plan, equating to 37% of the total planned audit activity of 70 days. The table below shows the current status of all audit work.

Use of this report

- 2.2 This report has been prepared solely for the use of the 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. In particular, we expect the external auditors to determine for themselves the extent to which they choose to utilise our work.

Audit review	Audit days			Status	Assurance opinion
	Planned	Actual	Variation		
Governance and business effectiveness					
Overall governance, risk management and control arrangements	3	2	1	Ongoing	
Service delivery and support					
Cyber security	15	1	14	Scoping started	N/A
Implementation of learning from national incidents	15	14	1	Final	■ Substantial November 2024
Business processes					
Accounts payable	9	1	8	Scoping started	N/A
Accounts receivable	9	1	8	Scoping started	N/A

General ledger	6	0.5	5.5	Scoping started	N/A
<i>Follow up audit activity</i>					
District planning activity	2	1.5	0.5	Final	N/A
<i>Other components of the audit plan</i>					
Management activity	10	4	6	Ongoing	
National Fraud Initiative	1	1	0		
Total	70	26	44		

3 Extracts from Audit Reports

3.1 Extracts of assurance summaries are shown below

Implementations of Learning from National Incidents

Overall assurance rating



Substantial

See Appendix A for Rating Definitions

Audit findings requiring action

Extreme	High	Medium	Low
0	0	1	1

Lancashire Fire and Rescue Service (LFRS) has strong controls in place to ensure that learnings from national and regional services are implemented consistently and in a timely manner.

The Organisational Assurance Group (OAG) meets quarterly to monitor and report on performance against the service's preparedness, response, and learning. Its membership is agreed in its terms of reference and covers each operational area of the organisation. The group reviews action and information notes submitted by the National Operational Learning (NOL) and Joint Organisational Learning (JOL) and assesses the impact of these learnings against its own policies and procedures. Whilst these briefings are archived on the Assurance Monitoring System (AMS), meeting minutes sometimes lack sufficient detail regarding their impact on LFRS, which could inform members not present due to operational demand.

Actions identified from action and information notes submitted by other fire services are raised and assigned to appropriate officers on the AMS system, and updates tracked until completion. Notes uploaded were found to be sufficiently detailed and accompanied by supporting documentation. OAG meetings are supported by an action plan for issues raised during discussions, with updates given at the start of each meeting through a standing agenda item. Whilst updates provided are detailed in meeting minutes, our review identified two instances where issues from other fire services were not added to the action plan and subsequently not followed up at the next meeting.

Audit assurance levels and residual risks

Appendix 1

Note that our assurance may address the adequacy of the control framework's design, the effectiveness of the controls in operation, or both. The wording below addresses all of these options, and we will refer in our reports to the assurance applicable to the scope of the work we have undertaken.

- **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.
- **Limited assurance:** there are some significant weaknesses in the design and/ or operation of the framework of control that put the achievement of its 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 its objectives.

Classification of residual risks requiring management action

All actions agreed with management are stated in terms of the residual risk they are designed to mitigate.

-  **Extreme residual risk:** critical and urgent in that failure to address the risk could lead to one or more of the following: catastrophic loss of the LRFS services, loss of life, significant environmental damage or significant financial loss, with related national press coverage and substantial damage to the LRFS reputation. *Remedial action must be taken immediately.*
-  **High residual risk:** critical in that failure to address the issue or progress the work would lead to one or more of the following: failure to achieve organisational objectives, significant disruption to the LRFS business or to users of its services, significant financial loss, inefficient use of resources, failure to comply with law or regulations, or damage to the LRFS 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 when combined with others could give cause for concern. *Specific remedial action is desirable.*

This page is intentionally left blank

Internal Audit

Implementation of Learnings from National Incidents

2024/25

Internal Audit service provided by:



Contents

1.	Executive Summary
2.	Background and Scope
3.	Summary of Audit Findings
4.	Action Plan
Appendix A - Rating Definitions	

Distribution List

<u>For action</u> Steven Brown – Director of Corporate Services Thomas Powell – Head of Service Improvement <u>For information</u> Andy Dalecki - Head of Service Internal Audit

Internal audit team - key contacts

Report author:	Liam Kirby - Senior Auditor
Reviewed by:	Laura Rix - Audit Manager

Report status: Final

Draft report issued: 18th October 2024
 Final report issued: 18th November 2024
 Audit Committee: 28h November 2024

Audit Ref: 2024-02F

Section One – Executive Summary

Overall assurance rating



Substantial

See Appendix A for Rating Definitions

Audit findings requiring action

Extreme	High	Medium	Low
0	0	1	1

Lancashire Fire and Rescue Service (LFRS) has strong controls in place to ensure that learnings from national and regional services are implemented consistently and in a timely manner.

The Organisational Assurance Group (OAG) meets quarterly to monitor and report on performance against the service's preparedness, response, and learning. Its membership is agreed in its terms of reference and covers each operational area of the organisation. The group reviews action and information notes submitted by the National Operational Learning (NOL) and Joint Organisational Learning (JOL) and assesses the impact of these learnings against its own policies and procedures. Whilst these briefings are archived on the Assurance Monitoring System (AMS), meeting minutes sometimes lack sufficient detail regarding their impact on LFRS, which could inform members not present due to operational demand.

Actions identified from action and information notes submitted by other fire services are raised and assigned to appropriate officers on the AMS system, and updates tracked until completion. Notes uploaded were found to be sufficiently detailed and accompanied by supporting documentation. OAG meetings are supported by an action plan for issues raised during discussions, with updates given at the start of each meeting through a standing agenda item. Whilst updates provided are detailed in meeting minutes, our review identified two instances where issues from other fire services were not added to the action plan and subsequently not followed up at the next meeting.

Agreed actions from the audit	Action ref	Priority
Meeting minutes should reflect sufficient detail so that members that were not present can remain updated and reliably informed on agenda items discussed.	4.1	
Minute meetings will be reviewed to confirm that all actions raised as part of agenda discussions are captured in the appending action plan and assigned to an appropriate officer before being issued to members.	4.2	

Section Two – Background and Scope

2.1 Background

This audit has been undertaken in accordance with the 2024/25 Internal Audit Plan as approved by the Audit Committee. The audit covers the period October 2023 to September 2024 and has been conducted in conformance with the Public Sector Internal Audit Standards.

2.2 Context

LFRS OAG was moved to report under Service Improvement in January 2024. The Terms of Reference for the group was approved in March 2024. As part of its remit, the group considers shared learning from the National Fire Chiefs Council (NFCC) through its National Operational Learning (NOL) tool. Fire Services use the online function as a central repository to improve the exchange of good practice and lessons learned. The group also considers learnings regionally from other fire services through Joint Organisational Learning (JOL), which exists to encourage closer interoperability between responder organisations.

2.3 Previous audit

We have not previously undertaken an audit in this area.

2.4 Scope of Audit

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:

- Governance;
- Assessment and Identification of Actions Required; and
- Implementation and Follow Up of Actions.

Section Three: Summary of Audit Findings

Area of Coverage	Commentary	Action ref	Assessment
Governance	The Organisational Assurance Group (OAG) meets quarterly for its regular meetings and holds additional interim meetings for informal progress updates on raised actions. The group considers learnings from safety events and incident monitoring, including those highlighted regionally and nationally by other fire services. The terms of reference for the group were last reviewed in March 2024 and sufficiently outline the roles and responsibilities of its members. The functions of the group are consistently carried out as per the terms of reference. Meetings are minuted; however, we have identified some minor instances where officers would have benefited from more detailed action and information notes from other authorities. These notes will serve as points of reference for those who have provided apologies for that meeting. A membership structure has been established for the group, including senior staff members from each area of the organisation. However, we have identified some service areas that have not had representation at half of the standard meetings in the last twelve months. This includes Service Delivery and Prevention. It is acknowledged that many of the group's members are operational officers, and as such, operational demands may prevent attendance.	4.1	●
Assessment and Identification of Actions Required	OAG agendas include standing items to discuss action and information notes received both regionally and nationally through the NOL and JOL. Meeting minutes record the number of action and information notes received in the previous quarter and confirm that actions are raised on the AMS system. These actions are attributed to notes and assigned to individuals. Actions are also given a risk rating and a deadline for completion. Changes in legislation are shared with the service both by the Home Office via the Fire Minister and via the National Fire Chiefs Council. The service considers the impact of these changes and implements actions as appropriate, which are monitored to completion via the AMS system. This has been evidenced through the actions from the Grenfell Inquiry, which include actions raised as a result of the Fire Safety Act (2021). OAG agendas have standing items to discuss LFRS learnings, which have been fed back to other fire services through the NOL and JOL.	n/a	●

Section Three: Summary of Audit Findings

Area of Coverage	Commentary	Action ref	Assessment
Implementation of and Follow Up of Actions	Actions raised by the OAG are discussed in detail at subsequent meetings as part of a standing agenda item that opens the meeting. They remain on the OAG's action plan until the group agrees they can be discharged. Meeting minutes provide sufficient detail on updates provided. However, in a couple of instances, we have identified actions that have not been added to the plan and therefore have not been followed up at subsequent meetings. Notes uploaded against actions recorded on the AMS system are annotated with the time of upload and the authoring officer's details. They are sufficiently detailed and supported with relevant documentation for officers to review. They are followed up promptly and closed where appropriate, otherwise, they are updated and monitored regularly for ongoing actions. Officers receive communications of changes to policies and procedures through the quarterly Organisational Assurance Quarterly report, which is archived on the service's intranet page. Updates of higher priority or urgency are issued to staff via Rec 1 notifications, which are published on an eLearning platform. Each member of staff confirms receipt and understanding of the content of these forms and carries out any actions where applicable. As part of Station Preparedness visits, officers are questioned on their knowledge of the Organisational Assurance reports to ensure awareness of topical events and compliance with subsequent learnings. Results are monitored by senior staff to support wider learning and training.	4.2	●

Section Four: Action Plan

4.1 Governance: meeting minutes

Finding

Our review of meeting minutes for the Organisational Assurance Group has identified instances where there has been limited detail from discussions on important agenda items, including action and information notes from the National (NOL) and Joint Organisational Learning (JOL). For example, as part of April 2024 minutes, there was minimal detail noted for the five new information notes received from the NOL, including considerations and implications of these notes to key areas of the service from the group's key stakeholders.

Implications

As has been acknowledged in our summary of audit findings, members of the group may not be present at meetings due to operational demand and will be reliant on sufficiently detailed minutes to understand the implications of topics such as learnings from other fire services in a timely manner.

Agreed Action

Meeting minutes should reflect sufficient detail so that members that were not present can remain updated and reliably informed on agenda items discussed.

Responsible:	Thomas Powell Head of Service Improvement
Priority:	Low 
Target date:	January 2025

Section Four: Action Plan

4.2 Implementation of and Follow Up of Actions : actions raised in OAG meetings

Finding

Our review of meeting minutes for the Organisational Assurance Group has identified two instances where actionable items have been raised as part of discussions under 'learning from safety events in other fire and rescue services but not been attributed to the group's action plan. On both occasions, issues raised were not discussed at subsequent meetings. For example, as part of January 2024's minutes, an action mooted to liaise with Greater Manchester's fire service regarding sharing of appliances for resilience purposes was not added to the appended action plan, and subsequently not followed up in the April meeting.

Implications

Actions that are not added to the action plan will not be followed up by the group at subsequent meetings, meaning that the service is at risk of either understanding the implications of action taken, or not acting on the raised issues at all.

Agreed Action

Minute meetings will be reviewed to confirm that all actions raised as part of agenda discussions are captured in the appending action plan and assigned to an appropriate officer before being issued to members.

Responsible:	Thomas Powell Head of Service Improvement
Priority:	Medium ●
Target date:	January 2025

Appendix A: Rating Definitions

Audit Finding Risk Rating

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 Lancashire Fire and Rescue 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 Lancashire Fire and Rescue business or to users of its services, significant financial loss, inefficient use of resources, failure to comply with law or regulations, or damage to reputation. Remedial action must be taken
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.

Overall Assurance Rating

 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 its objectives.
 Limited	There are some significant weaknesses in the design and/ or operation of the framework of control that put the achievement of its objectives at risk.
 Moderate	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.
 Substantial	The framework of control is adequately designed and/ or effectively operated overall.

This page is intentionally left blank

Lancashire Combined Fire Authority

Audit Committee

Meeting to be held on 28 November 2024

Risk Management

(Appendix 1 - Corporate Risk Register & Appendix 2 - Risk Matrix refer)

Contact for further information – Esma Alicehajic, Senior Business Continuity and Emergency Planning Officer

Tel: 01772 866 6874

Executive Summary

In March the Audit Committee supported the updated Lancashire Fire and Rescue Service (LFRS) risk management policy, procedure, and the associated organisational risk register; this aligns with ISO 31000:2018 standards and is in line with the National Fire Chiefs Council (NFCC) template and represents good practice in the sector. Effective risk management practices are integrated into quarterly Corporate Performance Board (CPB) meeting agendas, provides strategic oversight, ensures legislative compliance, optimises resource allocation, and facilitates risk reporting to the Combined Fire Authority.

The Audit Committee provides independent assurance to governance stakeholders regarding the adequacy of LFRS's risk management processes. This report provides the Committee with the latest Risk Register and its content and is an opportunity to consider the adequacy of LFRS's risk management arrangements.

Recommendation(s)

- The Audit Committee is requested to endorse LFRS's risk management arrangements and note the up-to-date Corporate Risk Register and its content.

Information

The Audit Committee is a cornerstone of the Authority's governance framework, tasked with providing independent assurance to governance stakeholders regarding the adequacy of LFRS's risk management framework, annual governance processes, and internal control environment. Its primary function includes evaluating the effectiveness of the Authority's risk management arrangements.

The Civil Contingencies Act (CCA 2004) sets out the legal framework for contingency arrangements to assess, plan and advise against LFRS organisational risks, be it departmental or corporate, however, there is no prescriptive way within the framework of doing this. Therefore, the Service has the freedom to manage risk using a method that ensures a clear governance structure that best meets the needs of the business.

This moral and statutory duty not only requires LFRS to take all reasonable actions to safeguard its employees, assets, and the public, but also to ensure that it is not financially or operationally disrupted. It can meet this duty by ensuring that risk management plays an integral part in the governance of the Service at a strategic, tactical and operational level.

The risk management policy and procedure at LFRS ensures compliance with legislative requirements and NFCC good practice. The policy and procedure are aligned with ISO 31000:2018, to ensure an accurate description and appropriate monitoring and management of LFRS risks. Additionally, a tiered approach to risk is in place, allowing for escalation or de-escalation as needed.

Effective risk management practices aligned with ISO 31000:2018 yield numerous benefits for LFRS, including proactive risk mitigation, enhanced decision-making, clear accountability, and improved financial control.

Risk management is integrated into quarterly CPB meetings, as a standing agenda item LFRS aims to provide strategic oversight of the risk management process. Overall, these measures enable LFRS to fulfil its legislative duties and optimise resource allocation while providing a structured mechanism for reporting on risk to the Audit Committee.

The Corporate Risk Register is reviewed quarterly, and updates provided by all pertinent risk managers and owners. It is included as Appendix 1 for the Audit Committee's review. Additionally, a visual representation of the current LFRS risks can be found in Appendix 2.

Business risk

The business risk to LFRS of not implementing an efficient and effective risk management system can be catastrophic in terms of financial impacts, service provision, health and safety, service objectives, KPIs, reputation and for government relationships.

Sustainability or Environmental Impact

There are no identified impacts on sustainability or the environment.

Equality and Diversity Implications

There are no identified implications on equality and diversity.

Data Protection (GDPR)

Will the proposal(s) involve the processing of personal data? N

If the answer is yes, please contact a member of the Democratic Services Team to assist with the appropriate exemption clause for confidential consideration under part 2 of the agenda.

HR implications

The long-term outcome of this proposal is that risks will be managed more efficiently therefore having a positive impact on managers time in dealing with risk impacts.

Financial implications

The long-term implications of this proposal will allow LFRS to make evidence-based decisions and consider the cost benefit of risk versus the acceptance of the risk impacts.

Legal implications

Failure to establish robust mechanisms for identifying and managing organisational risks within LFRS could lead to non-compliance with the Civil Contingencies Act (CCA) 2004.

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

Paper:

Date:

Contact:

Reason for inclusion in Part 2 if appropriate: Insert Exemption Clause

This page is intentionally left blank

Risk ID	Risk Cause	Current Controls/ Mitigations	Likelihood	Impact	Inherent Risk	Actions	Likelihood	Impact	Residual Risk Score
1	Loss or lack of staff due to...				0				0
1a	Industrial Action	1) Tactical Industrial Action BCP 2) Operational BCP Industrial Action 3) Grey book pay award agreement 23/24 and 24/25. 4) Undertaken lengthy, robust, thorough planning and testing of the IA BCPs for Grey Book staff. 5) Staff Absence Tactical BCP 6) Departmental mitigations for loss of staff 7) Green book 24/25 pay negotiations ongoing	2	4	8	1) Continue monitoring of the Unions position on current and future potential disputes. 2) Address any potential green book staff industrial action in respective departmental BCPs. 3) Lobbying of new Ministers ongoing at the National level, including a long-term budget settlement. 4) Changes in operational response models and monitoring of the Unions position.	2	4	8
1b	Inability to recruit or retain key staff	1) Workforce Plan 2) CFA decision to upscale by two sliding scale points for each green book staff. 3) Ability to apply market supplements where necessary	2	3	6	1) Watching brief	2	3	6
1c	Inability to provide sufficient staff in leadership roles	1) Workforce plan agreed and implemented which clearly identifies our challenges and workforce profile. 2) Recruitment policy in place which reviews the success of recruitment campaigns against the knowledge and skills gap. 3) Appraisal system in place, to establish opportunities for development feedback, identification of training needs, development opportunities and talent. 4) Leadership Development programmes in place. 5) Coaching and mentoring system introduced 6) Action Learning Sets introduced. 7) Leadership Conferences delivered 8) Talent Gateway in place.	2	3	6	1) The Service continues to offer leadership development to supervisory and middle managers. 2) The identification of talented individuals and the creation of a development pathway is currently ongoing at a local level to ensure that there are suitably qualified competent staff to fill future leadership positions. 3) A revised grading structure has been implemented for Green Book employees which should aid recruitment and retention.	1	3	3
1d	Pandemic/ill-health epidemic	1) Tactical BCP Staff Absences 2) Tactical Appliance and Crew Degradation BCP 3) Recommendations on AMS resulting from the COVID debrief 4) LRF recommendations from COVID debrief. 5) Increased remote working capabilities.	3	5	15	1) Continuation of updating relevant plans and H&S information in line with newest developments and research. 2) Explore the possibility of developing an early warning trigger mechanism from HR to inform REP action/monitoring on potential increases sickness and absences.	2	4	8
2	Financial Pressures				0				0

Risk ID	Risk Cause	Current Controls/ Mitigations	Likelihood	Impact	Inherent Risk	Actions	Likelihood	Impact	Residual Risk Score
2a	Loss of funding	1) Lobby for a multi-year settlement 2) Monitoring national picture with regards to Fair Funding and Business Rates Retention model to ensure fire service risks / funding adequately represented 3) Lobby for continued Council Tax flexibility (i.e. £5 flexibility provided in respect of council tax increases in 23/24) 4) Regular updating of MTFS assumptions and scenario planning	4	5	20	1) Support NFCC in lobbying the new government for multiyear finance settlement that ensure financial sustainability.	4	4	16
2b	Overspending and future financial pressures on MTFS due to increase in costs of goods and services and pay	1) Continuing to monitor any trends in terms of this, with a view to identifying the extent of any impact. 2) Extended lead times considered BaU at the planning stages. 3) Contingencies considered during the planning stages of a project. 4) Medium term financial strategy used for budget planning.	3	3	9	1) Continue to monitor impact, and will incorporate increases in our draft MTFS, as well as reviewing our level of reserves specific to this risk. 2) Continue to asses level of contingencies required on all major projects. 3) Updating of Budget Holder Guidance booklet. 4) Identifying issues via budget monitoring meetings and the various boards.	3	2	6
2c	Future financial pressures on MTFS due to changes in legislation	1) Monitor planned changes in impact on spending plans in the MTFS 2) Consider potential changes in our current spending plans and potential impacts 3) Build in contingencies into future spending assumptions	3	3	9	1) Continue to monitor potential impact, incorporating in our draft MTFS 2) Continue to regularly review any potential changes.	3	2	6
2d	Overspending due to increase in costs and administrations associated with changes to pensions	1) Court decision re FF pensions schemes that Various allowances were deemed pensionable, LFRS implemented a policy of 6 years backdating for relevant allowances from 1/6/21 2) An agreement has been reached between FBU and LGA to allow a current solution pending the final arrangements called “immediate detriment” regarding court decision re FF pensions schemes McCloud/Sergeant judgement. 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) 3) Completed the necessary actions for backdating the payment of increased benefits and measures are in place to collect amended contributions.	4	4	16	1) The government have now issued measures for remedy to be completed by October 2025, this requires considerable recalculation and data collection. This is being undertaken and should resolve the issue. 2) Set up our own Pension Team to support these exercises who are progressing the various strands but the extent of the changes and complications are extremely resource intensive. 3) Liaising with our Pension Provider on costs and timescales for undertaking the work 4) Liaising with Govt via LGA about meeting the costs of the administrative burden (some funding has been made available for this) and the additional net pension costs	4	2	8
3	Loss of Utilities				0				0
3a	Telecommunications	1) Tactical Mobilising BCP 2) Fallback communication 3) ERAL radio 4) StarLink radio 5) LRF Communications BCP	4	4	16	1) Implementing recommendations from Exercise Mighty Oak - Resilient communications installed ERAL and Starlink on Command Support Units. 2) Participating in NWFC BC group to address the communication backups 3) 2024 plan to develop LFRS NPO BCP and test by end of year. 4) Closely monitor the LifeX Talkgroup outages to ensure a timely and effective resolution by NWFC.	4	4	16

Risk ID	Risk Cause	Current Controls/ Mitigations	Likelihood	Impact	Inherent Risk	Actions	Likelihood	Impact	Residual Risk Score
3b (i)	Power outage - General	1) LFRS own two mobile generators permanently located at STC. They are on a maintenance contract with an external contractor. Stations have external specialist sockets to connect the generators to. 2) NWFRS (Blackburn, Burnley, Chorley, Fleetwood) PFI Stations each have an onsite back up generator. They are on a maintenance contract through the PFI contractor. 3) Station BCPs 4) Ability to hire additional generators as required and connection to external generator sockets	2	5	10	1) Drafting of a power outage Tactical BCP 2) Implementing the recommendations from Exercise Mighty Oak 3) Full load testing of all LFRS generator capabilities 4) Conduct a cost benefit analysis of strategically locating the mobile generators across Lancashire.	2	4	8
3c	Water	1) Stockpiled drinking bottled water through stores. 2) Facility specific BCPs to ID alternative local locations for water supply. 3) Utilisation of open water to replenish water stocks for appliances.	2	4	8	1) Conduct a gap analysis on water outage on a county-wide scale, including bottled drinking water, firefighting water, and hygiene requirements. 2) Consider service delivery and training requirements to reduce water needs as required. 3) Investigate multiagency reciprocal agreements	2	3	6
3d	Fuel	1) Tactical Fuel Disruption BCP 2) LRF Fuel Disruption BCP 3) National NEP-F 4) LFRS Bunkered Fuel	2	4	8	1) Review and update the LFRS Fuel Disruption BCP 2) Contribute to the updating of the LRF Fuel Disruption BCP 3) Maintain a minimum level of fuel (75%) in bulk storage 4) Diversification of fleet - through alternative powered vehicles	2	3	6
4	Loss of ICT				0				0

Risk ID	Risk Cause	Current Controls/ Mitigations	Likelihood	Impact	Inherent Risk	Actions	Likelihood	Impact	Residual Risk Score
4a	Cyber Security	1. Best practice standards set by the National Cyber Security Centre (NCSC) 2. The e-mail systems have been fully refreshed and all mailboxes are migrated to 365 for even better security and feature enhancements. 3. Aligning with the National Cyber Security Centre best practice security framework. 4. A modern EDR solution has been rolled out to all endpoints giving us greater visibility and detection. 5. All remote working laptops are now in sight of the security team for monitoring purposes. 6. MFA has begun to roll out to users with around a 88% adoption rate so far. security framework 7. Canary Devices now in place to give us an early warning measure for an incident on our network. 8. Cyber Essentials has now been achieved 9. ICT Out of hours cover now in place for 24x7x365 cover for cyber related incidents	3	4	12	1. A Cyber Security Strategy approved by Exec board that's include things like additional managed services to assist with monitoring the environment, Investment in next generation perimeter defences such as next generation Firewalls and changed to working practice, such as enforcing more secure password and multi factor authentication. 2. Aligning with the National Cyber Security Centre best practice security framework and will continue to do so as that develops. 3. Incident Response Retainer, having a specialist company on call for potential incidents.	3	4	12
4b	Failure of key ICT systems	1. Resilience, backup and recovery measures all consistently evolving to respond to changing threat and vulnerability profiles. 2. Asset replacement policy in place, regularly reviewed. Upgraded firewall's in place to provide perimeter defence, with enhanced email gateway, anti-virus, device control (USB) and removeable HDD encryption measures also rolled out. 3. Windows 10 & Office 365 now rolled out. Patch and update policy in operation to ensure servers and workstations are up to date with latest security developments. 4. Aggressive vulnerability scanning and remediation procedures now in place, regular security reviews and threat intelligence awareness with partner agencies and NCSC feeds. 5. Modern Wide Area Network (WAN) to all administrative and operations sites now in play with improved outbound bandwidth available through Virgin managed internet access. 6. Storage Area Network (SAN) data, infrastructure and all essential servers replicated to the disaster recovery site at STC. 7. 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, improved resilience in mobilising infrastructure at NWECC	3	4	12	1. Complete migration of users mailboxes to 365. 2. Reachieve Cyber Essentials Plus. 3. Identify pathway to Azure migrate for data, storage & infrastructure. 4. Exploit cloud based security controls and increase secure score across subscriptions. 5. Implement IDS / IPS defence 6. Identify and deploy most suitable SIEM solution 7. Monthly data backups to offline storage with airgap 8. Replacement of aging Wi-Fi equipment 9. Re-Architecture of elements of the network with our new Firewall Refresh increasing resiliency and security.	3	3	9
5	Death or Serious injury of...				0				0

Risk ID	Risk Cause	Current Controls/ Mitigations	Likelihood	Impact	Inherent Risk	Actions	Likelihood	Impact	Residual Risk Score
5a	A member of staff or contractor during work activities	1) H&S training 2) Risk Assessments 3) Health and Safety Management System (HSMS) in place certified to ISO 45001:2018 to develop, maintain and continuously improve the HSMS. LFRS Health, Safety and Wellbeing Plan 2022-27 4) Professional H&S advice from the Safety, Health and Environment Department. 5) Publication of the service risk profile information – Health and Safety Risk and Opportunities Register resulting in service objectives and actions, Generic Risk Assessments, Service Orders, Standard Operating Procedures etc. 6) External audit and scrutiny through External Auditors using ISO standards. 7) Nominated Exec Board Director lead for workplace Health and Safety. Health, Safety and Environment Advisory Group / Health and Safety Consultation Meeting monitor performance. 8) Joint working with Trade Union Safety Representatives on health and safety issues within LFRS. 9) Annual SHE Report presented to CFA for member scrutiny of performance.	4	4	16	1) In March 2024, the Health and Safety and Environmental Management Systems underwent an independent audit as part of our ISO 45001 and ISO 14001 certification process. No non-conformances were identified with one opportunity for improvement suggested by the auditor.	3	3	9
5b	A member of staff during operational activities	1) H&S training and Incident Command training. 2) Risk Assessments 3) Health and Safety Management System (HSMS) in place certified to ISO 45001:2018 to develop, maintain and continuously improve the HSMS. LFRS Health, Safety and Wellbeing Plan 2022-27 4) Operational Assurance Programme in place to ensure effective response arrangements. 5) Publication of the service risk profile information – Health and Safety Risk and Opportunities Register resulting in service objectives and actions, Generic Risk Assessments, Service Orders, Standard Operating Procedures etc. 6) External audit and scrutiny through External Auditors using ISO standards. 7) Nominated Exec Board Director lead for workplace Health and Safety. Health, Safety and Environment Advisory Group / Health and Safety Consultation Meeting monitor performance. 8) Joint working with Trade Union Safety Representatives on health and safety issues within LFRS. 9) Annual SHE Report presented to CFA for member scrutiny of performance	4	4	16	1) In March 2024, the Health and Safety and Environmental Management Systems underwent an independent audit as part of our ISO 45001 and ISO 14001 certification process. No non-conformances were identified with one opportunity for improvement suggested by the auditor.	3	3	9
5c	A member of the public due to Service activities	1) H&S training and Incident Command training. 2) Risk Assessments 3) Health and Safety Management System (HSMS) in place certified to ISO 45001:2018 to develop, maintain and continuously improve the HSMS. LFRS Health, Safety and Wellbeing Plan 2022-27 4) Prevention and protection referrals 5) Operational Assurance Programme in place to ensure effective response arrangements. 6) Publication of the service risk profile information – Health and Safety Risk and Opportunities Register resulting in service objectives and actions, Generic Risk Assessments, Service Orders, Standard Operating Procedures etc. 7) External audit and scrutiny through External Auditors using ISO standards. 8) Nominated Exec Board Director lead for workplace Health and Safety. Health, Safety and Environment Advisory Group / Health and Safety Consultation Meeting monitor performance. 9) Annual SHE Report presented to CFA for member scrutiny of performance	4	4	16	1) In March 2024, the Health and Safety and Environmental Management Systems underwent an independent audit as part of our ISO 45001 and ISO 14001 certification process. No non-conformances were identified with one opportunity for improvement suggested by the auditor.	3	3	9

Risk ID	Risk Cause	Current Controls/ Mitigations	Likelihood	Impact	Inherent Risk	Actions	Likelihood	Impact	Residual Risk Score
5d	Death of member of staff, visitor or contractor due to on service premises	1) H&S training 2) Risk Assessments 3) Health and Safety Management System (HSMS) in place certified to ISO 45001:2018 to develop, maintain and continuously improve the HSMS. LFRS Health, Safety and Wellbeing Plan 2022-27 4) Operational Assurance Programme in place to ensure effective response arrangements. 5) HSA3 – workplace inspection programme identifies risks and concerns which need action on LFRS sites. 6) Publication of the service risk profile information – Health and Safety Risk and Opportunities Register resulting in service objectives and actions, Generic Risk Assessments, Service Orders, Standard Operating Procedures etc. 7) External audit and scrutiny through External Auditors using ISO standards. 8) Nominated Exec Board Director lead for workplace Health and Safety. Health, Safety and Environment Advisory Group / Health and Safety Consultation Meeting monitor performance. 9) Joint working with Trade Union Safety Representatives on health and safety issues within LFRS. 10) Annual SHE Report presented to CFA for member scrutiny of performance	4	4	16	1) In March 2024, the Health and Safety and Environmental Management Systems underwent an independent audit as part of our ISO 45001 and ISO 14001 certification process. No non-conformances were identified with one opportunity for improvement suggested by the auditor.	3	3	9
5e	Failure to identify and implement learning from past events.	1) Operational Assurance Programme in place to ensure effective response arrangements. 2) Safety event reporting and investigation process to facilitate learning. 3) External audit and scrutiny through External Auditors using ISO standards. 4) Nominated Exec Board Director lead for workplace Health and Safety. Health, Safety and Environment Advisory Group / Health and Safety Consultation Meeting monitor performance. 5) Annual SHE Report presented to CFA for member scrutiny of performance. 6) LFRS SHE Audit and Development Plan to develop, maintain, ensure compliance, review and continuously improve the HSMS.	4	4	16	1) In March 2024, the Health and Safety and Environmental Management Systems underwent an independent audit as part of our ISO 45001 and ISO 14001 certification process. No non-conformances were identified with one opportunity for improvement suggested by the auditor.	3	3	9
6	Change in national legislation requiring additional workloads to assess implement and embed.				0				0
6a	Changes to Emergency Response Driver Training	1. The Driver Training department establishment has already been increased by an additional full time Driver Trainer to manage the existing demand. 2. 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. 3. Exec Board decision to revert to previous training requirements until such time as the legislation is brought in.	3	4	12	1) The increase in course duration for Emergency Response Driver Training is likely to come in to force once section 19 of the road safety act changes. However the duration for the new legislation is still unknown. This will be partially offset by the trainer to student ratio being changed. 2) A review of driver trainer contracts is currently underway. 3) Monitor the impact over time to ensure that new entrants are able to undertake the relevant training and therefore are able to drive appliances. 4) Options scoped to further supplement and support the driving school to meet the identified deficiencies.	3	4	12
8	Loss of Service Premises				0				0

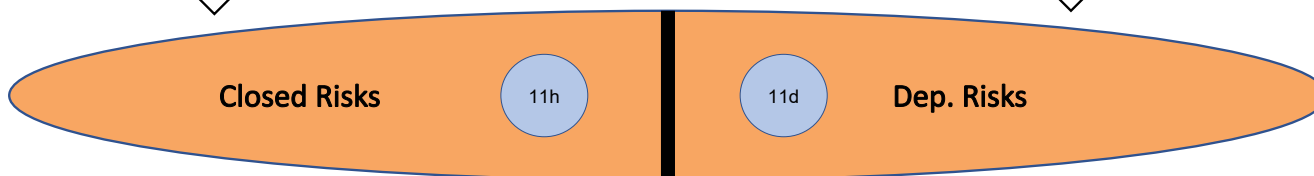
Risk ID	Risk Cause	Current Controls/ Mitigations	Likelihood	Impact	Inherent Risk	Actions	Likelihood	Impact	Residual Risk Score
8b	Control room	1) Secondary control 2) Tactical Mobilising BCP 3) Fall-back in Service	2	3	6	1) Involvement in NWFC BC arrangements and exercises 2) Active participation on NWFC BC Management Group Meetings	2	2	4
9	Failure to maximise opportunities				0				0
9a	Technological advances	1) Review of digital strategy and ICT plans now commenced to ensure appropriate fit and alignment with current DDaT landscape 2) Engagement with other FRS through NFCC DDaT re collaboration on key projects (ServiceDesk, DataWarehouse & PowerBI) with a view to shared resource burden	3	4	12	1) Initiate and mature Community Developer concept 2) Continue to skill-up, train and educate users 3) Re-assigned key resource to progress a strategic technology workstream. 4) Planned review of DT / IC resource and structure to align & optimise resource, provide progression routes with succession planning and remove single points of failure 5) Exec will consider some investment into DT / ICT resource following the above exercise if provided with compelling evidence of risk reduction	3	3	9
10a	Failure to appropriately manage an event, situation or incident that leads to a loss of public confidence in the Fire Service								
10a	Failure to provide appropriate communications on events, situations or incidents that could lead to a loss of public confidence in LFRS	1) 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. 2) 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. 3) Effective reactive press office and proactive media activity to build positive reputation including on-call arrangements for out-of-hours cover. 4) Media and social media training forms part of middle manager development programme and is delivered to individuals and teams as required throughout the year. 5) Guidance on corporate use of social media is available to all staff and Teams training sessions are offered to any staff who wish learn more. 6) New users of corporate social media have to undertake training with the communications department and anyone can request refresher training. 7) All staff must operate social media within the parameters of the policy set out in the email and internet acceptable use policy.	3	3	9	1) Training continues to be delivered. Deliver training in conjunction with HR on use of messaging apps. 2) On-going monitoring and reporting of all forms of communications. 3) Implement media training for new flexi duty officers.	2	3	6
11	Operational				0				0

Risk ID	Risk Cause	Current Controls/ Mitigations	Likelihood	Impact	Inherent Risk	Actions	Likelihood	Impact	Residual Risk Score
11a	Rapid external fire spread in high rise premises	1) 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). 2) 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 . 3) All High Rise owners and managers have been written to signposting the Government Cladding Remediation Fund. 4) Thematic Operational Assurance for high rise has been completed, which consisted of 15 audits covering all duty systems and areas across LFRS. 5) Incident command training now covers more in-depth awareness of external fire spread and tactical considerations. 6) Regional high rise exercises involving staff from LFRS have been completed in 2022. Introduction of a Protection Transformation Team, who have responsibility to oversee the Building Risk Review (BRR). 7) 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.	2	5	10	1) Following the introduction of a dedicated AM Prevention and Protection along with GM for Protection the Protection function has undergone a second stage of transformation which saw the introduction of Built Environment and Ops Liaison Officers (centrally managed) to implement the requirements of the Building Safety Regulator, manage premises in Interim Measures and oversee the life span of high risk, high risk premises. 2) Measures and oversee the life span of high risk, high risk premises. 3) The legislation introduced following the initial Building Risk Review work has now come in to force with training provided to all Inspecting Officers and Operational crews. 4) The BEOLT continue to work with Responsible Persons to understand their external wall systems and their prioritisation of replacement in line with the NFCC Fire Risk Assessment Prioritisation Tool for wall systems. 5) Regional high rise exercises involving staff from LFRS is planned for Q3 and the learning will be shared.	2	4	8
11b	Complete removal of DCP	1) Securing a collective agreement with FRSA and FOA 2) DCP system continues to be voluntary. 3) ECR implementation of duty system changes completed on 1st March 2024, reducing DCP units from 11 to 7.	2	4	8	1) Ongoing engagement with staff and Trade Unions.	1	4	4
11c	Lack of required skills of operational staff	1) Recruitment of Whole-time and On-Call staff is undertaken against national standards. 2) Initial and Continuation training delivery is based on National Occupational Standards (NOS), National Operational Guidance (NOG) and Training Specifications. 3) Role related competencies have been identified and recorded within the PDR Pro system with appropriate retraining frequencies identified. 4) Initial and Refresher training delivered to cover a wide range of specialist skills. 5) Particularly risk Critical areas such as Breathing Apparatus are centrally assessed to ensure uniformity. 6) 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. 7) 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.	3	4	12	1) Monitor effectiveness of Operational Assurance Performance Report in disseminating information. 2) Operational Assurance Officers to be mobilised to provide additional assurance at incidents that meet specific criteria, broadly when the risk to FF's is increased. For example this includes operational discretion and critical incidents. 3) TOR continue to work closely with Service Delivery to ensure attendance on Safety Critical mandatory training, monthly performance reports are sent to HoSD. 4) TOR trainers are skill graded to ensure they operate consistently in terms of identifying training needs.	3	3	9

Risk ID	Risk Cause	Current Controls/ Mitigations	Likelihood	Impact	Inherent Risk	Actions	Likelihood	Impact	Residual Risk Score
11d	Pump delay times (10 minute rule)	1) 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. 2) Pump Delay times used by NWFC was matched against actual performance over the past 12 months as opposed to traditional calculations. 3) 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. 4) 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	1) Maintain a watching brief in view of the the NWFC new mobilising system and its implications	3	3	9
11e	ESMCP	1) 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. 2) 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. 3) 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. 4) 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.	4	4	16	1) 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. 2) 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. 3) 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.	3	3	9
11f	Retention, development and recruitment of OnCall staff	1) On Call Improvement Programme Board established with significant workstreams to improve the recruitment, development and retention of on call staff. 2) Increased On Call basic recruits course population to 96 per year. 3) Quicker access to BA course on completion of recruit training. 4) On Call SM and OCSO Team in place to support all elements of On Call. 5) NJC On Call Remuneration review completed. 6) Enable dual contract staff to contribute to the On Call. 7) Proactive recruitment by SDM's. 8) Joint working between HR and service delivery to enhance current recruitment processes. 9) A new Recruitment Vehicle has been established.	5	3	15	1) Continuous programme of improvement to identify and make proposals across OC aimed at improving recruitment, development and retention. 2) Enhanced coordination between OCSO TL, HR, & Corp comms on recruitment targeting 4) Wholetime "Have a Go" events to showcase OC role at targeted stations 5) Changes to development requirements, circa 50% reduction in evidence requirements 6) Look forward, plans for OC SM to review/develop; • Turn in / out arrangements • Maintenance of skills (level of demand) • Employer engagement 7) Potentially looks to move OnCall to the Page One pagers to remove geographical limitations to aid with recruitment catchment and allow for increased turn in times. 8) Pay as you go proposals being developed to enable more flexible contracts. 9) Evaluate 365 recruitment and Area Hub trial 10) Development of an On Call Service Order for signposting to the Service guidance.	5	3	15
11h	Loss of NWFC mobilising system	1) Engagement with NWFC and monitor through Mobilising System replacement project meetings, project board and steering committee.	3	4	12	1) Monitor and maintain contact with NWFC regarding discussions 2) Paper due to NWFC Steering Committee proposing the contract extension	2	4	8
12	General								

Risk ID	Risk Cause	Current Controls/ Mitigations	Likelihood	Impact	Inherent Risk	Actions	Likelihood	Impact	Residual Risk Score
12a	Lack of effective Management of personal data	1) A data protection team has been established and policies and procedures implemented. 2) Data Protection Officer and SIRO in place 3) Compliance with the Data Protection Act (DPA) and General Data Protection Regulation (GDPR) remains a priority. 4) A data protection LearnPro module; this will further support the Service in effective information management by increasing staff awareness. 5) The Service has also provided specialist data protection and GDPR training to increase staff knowledge and engagement with the subject matter. 6) Data protection has been added as a standard agenda item to several key Papers in the Service.	2	5	10	1) Continuation of training and awareness to all staff around information governance. 2) Records management position now well established.	2	5	10

Impact		1	2	3	4	5
Likelihood		Minor	Noticable	Significant	Critical	Catastrophic
5	Certain/ Almost certain			11f		
4	Very likely		2d		2a 3a	
3	Likely		2b 2c	4b 11e 5	6a 4a	
2	Unlikely		8b	1b 10a 3c 3d	1a 1d 3b	12a
1	Rare/Very Unlikely			1c	11b	



Appendix 2

KEY



New Risk



Existing Risk



Priority Reduction



Tolerance (ongoing reduction)



Within Appetite (monitor)

2a – Loss of funding
3a – Loss of telecommunications
11f – Retention and Recruitment of On-Call staff

This page is intentionally left blank