

Public Document Pack

Lancashire Combined Fire Authority Audit Committee

Thursday, 27 March 2025 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 - 6)**
4. **Internal Audit Monitoring Report (Pages 7 - 14)**
5. **Internal Audit Plan (Pages 15 - 24)**
6. **External Audit - Audit Progress Report and Sector Update (Pages 25 - 46)**
7. **Date of Next Meeting**

The next scheduled meeting of the Committee has been agreed for 10:00 hours on **24 July 2025** in the Main Conference Room, Service Headquarters, Fulwood.

Further meetings are: scheduled for 25 September 2025
 proposed for 27 November 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, 28 November 2024, at 10.00 am in the Main Conference Room,
Service Headquarters, Fulwood.**

Minutes

Present:	
Councillors	
S Clarke	
M Clifford (Chair)	
J Hugo	
F Jackson	
M Salter	
J Shedwick (Vice-Chair)	
J Singleton	

Officers
S Brown, Director of Corporate Services (LFRS) L Barr, Member Services Officer (LFRS) J Meadows, Head of Finance (LFRS) A Latham, Financial Accountant (LFRS)

In attendance
A Dalecki, Internal Audit, Lancashire County Council L Rix, Internal Audit, Lancashire County Council G Jones, External Audit, Grant Thornton

21/24	Apologies for Absence
	None received.
22/24	Disclosure of Pecuniary and Non-Pecuniary Interests
	None received.
23/24	Minutes of the Previous Meeting
	Resolved: - That the Minutes of the last meeting held on 26 September 2024 be confirmed as a correct record and signed by the Chair.

24/24	<p>External Audit Findings Report</p>
	<p>Georgia Jones, Key Audit Partner presented the Audit Findings report to the Committee.</p> <p>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.</p> <p>The Audit Committee had received the draft Audit Findings Report which summarised the conclusions from the external auditor's work undertaken as part of the year-end audit of accounts at the September Committee meeting. The updated report confirmed that all the work had been completed and the letter of assurance from the pension fund auditor had been received. Once confirmation was received that the assurance had been completed, the opinion would be signed.</p> <p>It was noted that the only addition that had changed the account was the insertion of a contingent liability note in relation to the Matthew's legal case. It was expected that any liability that could transpire would be covered by the pension top-up grant.</p> <p>Georgia Jones gave her thanks to the Finance Team for their work on the audit and expressed her appreciation for their assistance.</p> <p>Resolved: - That the Committee noted and endorsed the updated Audit Findings Report.</p>
25/24	<p>Internal Audit Monitoring Report</p>
	<p>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 07 November 2024 was presented by Laura Rix, Senior Auditor.</p> <p>To date, 26 days had been spent this financial year on completion of the 2024/25 plan, equating to 37% of the total planned audit activity of 70 days. The table in the report showed the current status of all audit work.</p> <p>It was noted that the audit of 'Implementations of Learning from National Incidents' had been positive with minor actions as per the report pack in the agenda.</p> <p>Members were informed that work had now commenced on the key financial systems and Cyber Security.</p> <p>In response to a query from County Councillor Shedwick in relation to the number of Audit days used over a 6-month period and the planned usage of the remaining 44 days, Laura Rix explained that the report had been created 6 weeks prior to the meeting and numerous days had been used in that period for work on the Key Financial Systems. No issues were anticipated with using the remaining days for the planned work.</p>

	Resolved: - That the Committee noted the report.
26/24	Risk Management
	<p>The Director of Corporate Services presented the report to Members.</p> <p>In March 2024, the Audit Committee supported the updated Lancashire Fire and Rescue Service (LFRS) risk management policy, procedure, and the associated organisational risk register. This aligned with ISO 31000:2018 standards, was in line with the National Fire Chiefs Council (NFCC) template and represented good practice in the sector. Effective risk management practices were integrated into quarterly Corporate Performance Board (CPB) meetings agendas, provided strategic oversight, ensured legislative compliance, optimised resource allocation, and facilitated risk reporting to the Combined Fire Authority.</p> <p>The Audit Committee was 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 included evaluating the effectiveness of the Authority’s risk management arrangements.</p> <p>The Civil Contingencies Act (CCA 2004) set out the legal framework for contingency arrangements to assess, plan and advise against LFRS organisational risks, be it departmental or corporate, however, there was no prescriptive way within the framework of doing that. Therefore, the Service had the freedom to manage risk using a method that ensured a clear governance structure that best met the needs of the business.</p> <p>This moral and statutory duty not only required LFRS to take all reasonable actions to safeguard its employees, assets, and the public, but also ensured that it was not financially or operationally disrupted. It could meet this duty by ensuring that risk management played an integral part in the governance of the Service at a strategic, tactical, and operational level.</p> <p>The risk management policy and procedure at LFRS ensured compliance with legislative requirements and NFCC good practice. The policy and procedure were aligned with ISO 31000:2018, to ensure an accurate description and appropriate monitoring and management of LFRS risks. Additionally, a tiered approach to risk was in place which allowed for escalation and de-escalation as needed.</p> <p>Effective risk management practices aligned with ISO 31000:2018 yielded numerous benefits for LFRS that included proactive risk mitigation, enhanced decision-making, clear accountability, and improved financial control.</p> <p>Risk Management was integrated into quarterly CPB meetings, as a standing agenda item LFRS aimed to provide strategic oversight of the risk management process. Overall, the measures enabled LFRS to fulfil its legislative duties and optimise resource allocation whilst providing a structured mechanism for reporting on risk to the Audit Committee. The Corporate Risk Register was reviewed quarterly, and updates provided by all pertinent risk managers and owners.</p>

Members noted that the top three risks identified in the risk register were:

- Loss of Funding (it had been confirmed that the Service would receive a 1-year settlement for 2025/26, however, a multiyear financial settlement that ensured financial sustainability was likely for 2026/27);
- Telecommunications (actions were noted on page 80 of the agenda pack - It was highlighted that a planned power outage took place at the Service's Leadership & Development Centre to test the Business Continuity Plan and testing also took place for the scenario of a Service-wide outage due to flooding); and
- Retention and Recruitment of On-Call Staff (actions were noted on page 87 of the agenda pack – On-Call availability had begun to improve with the measures in place).

In response to a question from County Councillor Singleton in relation to the measures in place to mitigate the risk for telecommunications, the Director of Corporate Services advised that he would investigate the measures and feedback his findings at a future committee meeting.

County Councillor Shedwick commented that the Service was well represented by the CFO regarding the implementation of the new mobilising system and asked how the Risk ID 11h 'Loss of NWFC Mobilising System', on Page 87 of the agenda pack, was a closed risk.

Councillor Hugo highlighted that no implications had been identified in terms of Equality, Diversity and Inclusion (EDI) on Page 76 of the agenda pack and, although LFRS was nationally recognised for having outstanding culture, she suggested it would be prudent to consider adding EDI to the risk register. The impact of the EDI risk to the Service could be catastrophic, as seen in other Fire and Rescue Services. The Director of Corporate Services advised that he would find information outside of the meeting about how that risk was managed and would feed back to a future meeting.

Members discussed EDI in the Fire Service, that LFRS had outstanding culture regarding EDI, and work in that area would need to be continuous.

It was suggested that a training session be delivered to Members around EDI & Culture to explore the issues respectfully and openly and all Members agreed. The Director of Corporate Services advised that the option of training may be able to be provided at a future Strategy meeting and would discuss with the Executive Board.

Laura Rix believed that an Audit on EDI had previously taken place. She would investigate and bring any findings back to the committee.

The Chair stated that the risk map in the agenda pack was very useful for providing risk information.

Resolved: - That the Committee: -

- i) Endorsed LFRS's risk management arrangements: and

	ii) Noted the up-to-date Corporate Risk Register and its content.
27/24	Date of Next Meeting
	<p>The next meeting of the Committee would be held on 27 March 2025 at 10:00 hours in the Main Conference Room at Lancashire Fire and Rescue Service Headquarters, Fulwood.</p> <p>Further meeting dates were noted for 24 July 2025 and agreed for 25 September 2025.</p>

M Nolan
Clerk to CFA

LFRS HQ
Fulwood

This page is intentionally left blank

Lancashire Combined Fire Authority Audit Committee

Meeting to be held on 27 March 2025

Internal Audit Monitoring Report

(Appendix 1 refers)

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
4 March 2025**

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 4 March 2025 was in accordance with the agreed audit plan. To date, 63.5 days have been spent this financial year on completing the 2024/25 plan, equating to 91% 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. 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	14.5	0.5	Final	● Moderate March 2025
Implementation of learning from national incidents	15	15	0	Final	● Substantial November 2024
Business processes					
Accounts payable	9	8.5	0.5	Draft Report	N/A

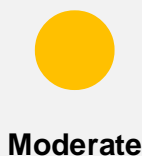
Accounts receivable	9	8.5	0.5	Draft Report	N/A
General ledger	6	5	1	Draft Report	N/A
<i>Follow up audit activity</i>					
District planning activity	2	1.5	0.5	Final	N/A
<i>Other components of the audit plan</i>					
Management activity	10	7.5	2.5	Ongoing	
National Fraud Initiative	1	1	0		
Total	70	63.50	6.5		

3 Extracts from Audit Reports

3.1 Extracts of assurance summaries are shown below

Cyber Security: Governance

Overall assurance rating



See Appendix A for Rating Definitions

Audit findings requiring action

Extreme	High	Medium	Low
0	0	2	2

Page 12

The Fire and Rescue Service received its Cyber Essentials Plus accreditation in August 2024, a government backed certification scheme that helps to keep organisation's data safe from cyber-attacks. The organisation complies with the National Cyber Security Centre's cyber assessment framework, with the outlined principles evident across its policies and procedures. The service has sound controls in place surrounding business continuity and incident response, with thorough plans in place and an active process to stress-test processes through simulated exercises. The ICT service was recognised for its sound technical controls by the National Fire Chiefs Council, winning their Excellence in Cyber award for 2024.

The service is in the process of drafting a cybersecurity plan for 2025-2027 which is due for review and approval from the Senior Information Risk Officer later this year. A recommendation has been raised to help current drafts further comply with the National Cyber Security Centre's framework which the organisation adheres to. The Senior Information Risk Officer receives regular updates on cyber issues through a standing quarterly meeting with the security lead, however updates are not provided to the Executive Board, and information provided to committees are inconsistent in detail.

Policy documents referencing cyber security provide guidance and direction on the organisation's cyber security framework and plans in the event of a cyber-attack, However, we have identified some inconsistent practices which may impact the consistent application of these policies by all staff, including accessibility of policies via the intranet and inconsistent document version controls.

During our audit, the Interim Head of ICT identified a system error which resulted in mandatory 12-monthly training on cyber awareness to be issued on a two-yearly basis. This has since been rectified; however, some 231 staff were outstanding on their training as of the 24 January. Members of the Executive Board are enrolled onto the training module but is not accessible to members of committees, who may otherwise benefit from additional training to support their decision making and scrutiny on cyber security matters.

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

Lancashire Combined Fire Authority

Audit Committee

Meeting to be held on 27 March 2025

Internal Audit Plan 2025/26

(Appendix 1 refers)

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

Executive Summary

Appendix 1 sets out the proposed Internal Audit Plan for 2025/26.

Recommendation(s)

The Committee is asked to agree the Internal Audit Plan for 2025/26.

Information

The Internal Audit service is provided by Lancashire County Council. They are required to produce an Annual Audit Plan, setting out areas they intend to review during the year. A proposed plan is attached as Appendix 1 and will be presented by the Internal Audit Manager. The plan utilises a total of 70 days which is consistent with previous years.

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

The proposed audit fee for 2024/25 is £28,266.

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
Internal Audit Plan: 2025/26**

1 Introduction

- 1.1 Internal Auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation achieve its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.
- 1.2 Responsibility for maintaining and reviewing the system of internal control and for implementing a system of governance and risk management rests with the Combined Fire Authority. However, the process by which the Annual Governance Statement is produced includes obtaining assurances on the effectiveness of key controls and Internal Audit provides one of the key sources of such assurance.

2 Aims of Internal Audit

- 2.1 The primary aims of Internal Audit include:
 - **Enhancing Governance:** Strengthening the effectiveness of governance processes.
 - **Risk Management:** Evaluating and improving the effectiveness of risk management processes.
 - **Control Processes:** Assessing and enhancing the effectiveness of control processes.
 - **Objective Assurance:** Providing independent and objective assurance to the board and management.
 - **Advisory Services:** Offering advice and insights to improve organisational operations and decision-making.

3 Development of the Annual Plan

- 3.1 The annual plan was developed in compliance with the new Global Internal Audit Standards, which came into effect for UK Local Government on 1st April 2024. These standards guide the worldwide professional practice of Internal Auditing and serve as a basis for evaluating and elevating the quality of Internal Audit. These standards require that Internal Audit be delivered and developed in accordance with the Internal Audit charter. The charter is currently being reviewed to reflect the new audit standards. Developing an annual plan is crucial for several reasons, including:
 - **Strategic Alignment:** It ensures that the Internal Audit activities are aligned with the organisation's strategic objectives and priorities. This alignment helps in focusing audit efforts on areas that are most critical to the organisation's success.
 - **Risk Management:** An annual plan is developed based on a comprehensive risk assessment. This approach ensures that Internal Audit addresses the most significant risks facing the organisation, thereby enhancing risk management processes.
 - **Resource Allocation:** It helps in the efficient allocation of Internal Audit resources. By planning ahead, the Internal Audit team can ensure that they have the necessary skills, tools, and time to effectively carry out their audits.
 - **Compliance and Standards:** Developing an annual plan ensures compliance with professional standards, such as those set by the Institute of Internal

Auditors (IIA). These standards require a risk-based approach to planning, which helps in maintaining the quality and effectiveness of Internal Audit.

- **Stakeholder Expectations:** It ensures that Internal Audit meets the expectations of key stakeholders, including the committee, senior management, and other relevant parties. By involving stakeholders in the planning process, Internal Audit can address their concerns and provide valuable insights.

3.2 By developing an annual plan, Internal Audit can systematically and effectively contribute to the governance, risk management, and control processes of the Lancashire Fire and Rescue Service, ultimately supporting the achievement of their organisational objectives.

4 Requirements for an Annual Audit plan

4.1 When developing an annual audit plan, the Global Internal Audit Standards require:

- **Risk-Based Approach:** The Internal Audit plan must be based on an assessment of the organisation's strategies, objectives, and risks. This assessment must be informed by the Chief Audit Executive's (CAE) understanding of the organisation's governance, risk management, and control processes.
- **Alignment with Corporate Priorities:** The Internal Audit plan must support the strategic objectives and success of the organisation and align with the expectations of the board, senior management, and other key stakeholders.
- **Integrated Assurance:** The Internal Audit plan should integrate assurance activities to ensure comprehensive coverage of the organisation's risk landscape.

5 Purpose of the plan

5.1 The Internal Audit annual plan is a critical tool for ensuring that Internal Audit effectively supports the organisation's objectives. By adhering to the new Global Internal Audit Standards, the plan ensures a risk-based, strategically aligned approach that enhances governance, risk management, and control processes. Internal Audit focus should be proportionate and appropriately aligned.

5.2 The plan will remain fluid and subject to ongoing review and amendment, in consultation with senior management within the Lancashire Fire and Rescue Service, to ensure it continues to reflect the organisation's needs and risks. Any significant amendments to the plan will be reported to the Audit Committee.

6 Delivery of the plan

6.1 The planning and scheduling of audit activities will be coordinated with management. The detailed scoping of each audit will also be discussed and agreed to ensure that all relevant areas are covered comprehensively. The results of all audits will be communicated to the relevant management levels upon completion. Our audit team will provide an assessment and assurance level regarding the effectiveness and adequacy of the control framework in the audited area, based on our findings.

6.2 We will continue to support management by offering prioritised recommendations aimed at enhancing governance, risk management, and internal control frameworks. These recommendations, if implemented, will improve overall

effectiveness and efficiency. They will be documented in an action plan and categorised into those that enhance governance and control, and those that improve efficiency and effectiveness.

- 6.3 Throughout the year, we will engage with senior management to provide updates on audit performance, significant findings, and to address any issues that may impact current and future audit plans.
- 6.4 We will also continue to explore and implement opportunities to enhance service delivery through the use of technology and remote information capture. This approach will help maximise the efficiency of audit resources and minimise the impact of audit activities on operational staff.

7 Degrees of assurance

- 7.1 For 2025/26 we will categorise our assurance levels using one of the following four definitions: Please note that we have changed "moderate assurance" to "reasonable assurance" following feedback from clients. These assurance opinions are the most commonly used options in the industry.

<p>Substantial assurance: the framework of control is adequately designed and/ or effectively operated overall.</p>
<p>Reasonable: 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.</p>
<p>Limited assurance: there are some significant weaknesses in the design and/ or operation of the framework of control that put the achievement of its objectives at risk.</p>
<p>No assurance: there are some fundamental weaknesses in the design and/ or operation of the framework of control that could result in failure to achieve its objectives.</p>

8 Deployment of audit resources and fees

- 8.1 The content and outline scope of each audit within the proposed plan, as well as an estimate of the number of audit days considered appropriate, is provided in the table below. The plan amounts to a total resource of 70 audit days. To ensure that the fees charged reflect the resource costs incurred the auditor and manager will be charged at different rates. The daily rate for auditors will be £380 and audit managers £450.
- 8.2 The total approximate overall cost for the 2025/26 plan will be £28,266.

Short title	Outline audit scope	Link to corporate priorities	Audit Days
<i>Governance and business effectiveness</i>			
Overall governance, risk management and control arrangements	<p>In addition to the direct assurance gained from the individual audit assignments listed below, we will additionally gain assurance as follows:</p> <ul style="list-style-type: none"> • We will consider the robustness of the risk management arrangements from our involvement and attendance at the meetings of the Audit Committee. • We will obtain assurance regarding the adequacy of governance arrangements, through our review of the minutes of key operational and decision-making boards across LFRS. 	Responding to fires and other emergencies quickly and competently.	3
<i>Service delivery and support</i>			
Risk Management	Evaluate the controls in place to ensure the adequacy and effectiveness of risk management arrangements within the Lancashire Fire and Rescue Service.	Preventing fires and other emergencies from happening. Protecting people and property when fires happen. Responding to fires and other emergencies quickly and competently.	12

Business Continuity	Assess the adequacy and effectiveness of Business Continuity within the Lancashire Fire and Rescue Service, building on the work already undertaken in the Cyber Security Governance Audit.	Preventing fires and other emergencies from happening. Protecting people and property when fires happen. Responding to fires and other emergencies quickly and competently.	10
Business Processes			
VAT	Evaluate the controls in place for managing VAT, now that it has been brought in-house from Lancashire County Council.	Delivering value for money in how we use our resources.	8
Treasury Management	Assess the controls in place for managing Treasury Management, following its transition in-house from Lancashire County Council.	Delivering value for money in how we use our resources.	10
Procurement	Evaluate how Lancashire Fire and Rescue Service has implemented the new Public Procurement regulations.	Delivering value for money in how we use our resources.	12
Other aspects of the audit plan			
Follow up audits	These reviews will comprise a self-assessment by management of the progress made in implementing agreed actions, and selective test checking of controls and review of documentary evidence.		4
Audit programme management activity	<ul style="list-style-type: none"> • Liaison with external audit. • Attendance at meetings and liaison. • Central reporting (annual and periodic progress); and • General management of the contract. 		10

Lancashire Combined Fire Authority - Internal Audit Plan 2025/26

National Fraud Initiative	Support to Lancashire Combined Fire Authority as required with the testing of data matches identified.		1
Plan Total			70

This page is intentionally left blank

**Lancashire Combined Fire Authority
Audit Committee**

Meeting to be held on 27 March 2025

External Audit Progress Report and Sector Update

(Appendix 1 refers)

Contact for further information:

Steven Brown - Director of Corporate Services – Telephone Number 01772 826804

Executive Summary

This report updates Committee Members of the progress with the External Audit work and a sector update.

Decision Required

The Committee is asked to note the attached report.

Information

This paper provides the Audit Committee with a report on progress in delivering Grant Thornton's responsibilities as our external auditors. The paper also includes a summary of emerging national issues and developments that may be relevant.

Financial Implications

None

Legal Implications

None

Business Risk Implications

None

Environmental Impact

None

Equality and Diversity Implications

None

Human Resource Implications

None

Local Government (Access to Information) Act 1985

List of background papers

Appendix 1: Audit Progress Report and Sector Update

page 27

Lancashire Combined Fire Authority Audit Progress Report and Sector Update

Year ending 31 March 2025

27 March 2025



Agenda

Introduction	3
Progress at March 2025	4
2024/25 Deliverables	6
Fire Sector Update	7
Wider Sector Update	10
Accounting Update – IFRS 16	15

Page 28

Introduction



Your key Grant Thornton team members are:

Liz Luddington

Key Audit Partner

T: 0161 953 6410

E: Liz.A.Luddington@uk.gt.com

Curtis Wallace

Engagement Manager

T: 0151 224 0891

E: Curtis.AG.Wallace@uk.gt.com

Ryan Colclough

Assistant Manager

T: 0151 224 0828

E: Ryan.J.Colclough@uk.gt.com

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

The paper also includes a summary of emerging national issues and developments that may be relevant to you.

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

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

We continue to bring specialists to our update conversations where appropriate to share any learning from our position as a leading audit supplier to the fire sector.

You will also have access to our annual Chief Accountant Workshops and any other networking opportunities we create for the various stakeholders.

Progress at March 2025

Key areas

Financial Statements Audit

Our audit of your financial statements for 2023/24 is now complete, and we issued an unqualified opinion on 29 November 2024.

In March 2025 we commenced our detailed audit risk assessment for 2024/25. We will issue a detailed audit plan, setting out our proposed approach to the audit of the 2024/25 financial statements to the Audit Committee in July 2025.

We expect to receive the draft financial statements in June 2025 with our audit work commencing in July 2025.

We will report our work in the Audit Findings Report and aim to give our opinion on the Statement of Accounts before 31 December 2025 (however, this will be dependent on receipt of IAS 19 assurances from the Pension Fund auditor).

Value for Money

We aim to complete all 2024/25 value for money audit reviews in line with the Code's requirements so before 30 November 2025.

From current trends around cost pressures and service demand, we anticipate that risks around financial sustainability and reserves will require consideration across most value for money reviews for 2024/25. Arrangements for governance and improving economy, efficiency and effectiveness will also be reviewed. The current estimated financial trajectory of the sector is shown within the sector update in this report.

Where there are lessons to be learnt from the findings for our 2023/24 value for money reviews, we will seek to share them on a timely basis, to inform future practice.

We anticipate issuing our Auditor's Annual Report by 30 November 2025.

Progress at March 2025

Other areas

Meetings

We met with Finance Officers in March 2025 as part of our quarterly liaison meetings and continue to be in discussions with finance staff regarding emerging developments and to ensure the audit process is smooth and effective. We also met with the Director of Corporate Services in March 2025 to discuss logistics of the audit, current position of the Authority and strategic priorities and plans.

Events

We provide a range of workshops, along with network events for members and publications to support the Director of Corporate Services and Chief Fire Officer. Your officers attended our Accounts Workshop in March 2025, where we highlighted financial reporting requirements for the 2024/25 accounts and gave insight into elements of the audit approach.

Further details of the publications that may be of interest to the Director of Corporate Services and Chief Fire Officer and Audit Committee members are set out in our Sector Update section of this report.

Audit Fees

PSAA have published their scale fees for 2024/25: [2024/25 auditor appointments and audit fee scale – PSAA](#).

For LCFA these fees are £103,053. These fees are derived from the procurement exercise carried out by PSAA in 2022. They reflect both the increased work auditors must now undertake as well as the scarcity of audit firms willing to do this work.

2024/25 deliverables

2024/25 Deliverables	Planned Date	Status
<p>Accounts Audit Plan</p> <p>We are required to issue a detailed accounts audit plan to the Audit Committee setting out our proposed approach in order to give our opinion on the 2024/25 financial statements.</p>	July 2025	Not due yet
<p>Interim Audit Findings</p> <p>We will report to you the findings from our interim audit within our Progress Report.</p>	September 2025	Not due yet
<p>Audit Findings (ISA260) Report</p> <p>We intend to report the Audit Findings Report to the November Audit Committee.</p>	November 2025	Not due yet
<p>Auditors Report</p> <p>This is the opinion on your financial statements and annual governance statement. We intend to issue our opinion by 31 December 2025, however this is dependent on receipt of IAS 19 assurances from the Pension Fund auditor.</p>	December 2025	Not due yet
<p>Auditor's Annual Report</p> <p>The key output from local audit work on arrangements to secure VFM is an annual commentary on arrangements, which will be published as part of the Auditor's Annual Report (AAR). A draft of the AAR will be taken to the September Audit Committee.</p>	November 2025	Not due yet

Fire Sector Update

Public services including Fire are changing. Deficiencies identified in building safety combined with tightening funding envelopes require a continuing drive to achieve greater efficiency in the delivery of public services. Public expectations of the service continue to rise in the wake of recent high-profile incidents, and there continues to be a drive for greater collaboration between wider blue-light services.

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

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

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



Grant Thornton Publications
Insights from sector specialists
Accounting and regulatory updates

HMICFRS

HMICFRS – Standards of behaviour: The handling of misconduct in Fire and Rescue Services (August 2024)

Between October 2023 and January 2024, HMICFRS carried out an inspection of the handling of misconduct in fire and rescue services (FRSs) in England.

The terms of reference were to carry out an inspection of the handling of misconduct in FRSs in England. This was to include examining:

- the extent to which services are identifying and investigating misconduct;
- the effectiveness of misconduct processes and how consistently they are applied;
- how confident FRS staff are in raising concerns and in misconduct processes; and

the role of fire and rescue authorities and other organisations in handling misconduct.

HMICFRS carried out detailed inspections of ten FRSs: Cornwall, Dorset and Wiltshire, Greater Manchester, Humberside, Kent, Lincolnshire, Northamptonshire, Staffordshire, Tyne and Wear, and West Midlands.

These services were selected to be a representative sample of FRSs across England in terms of size, location, governance structures and performance. HMICFRS reviewed their relevant policies and processes; examined a sample of their grievance, discipline, whistle-blowing and public complaints case files; and interviewed and held focus groups with staff in a variety of roles and at all levels of seniority.

HMICFRS also analysed data provided by all 44 FRSs in England about their grievance and discipline cases.

The full report can be found here - <https://hmicfrs.justiceinspectorates.gov.uk/publication-html/standards-of-behaviour-handling-misconduct-in-frs>



Transfer from Home Office to MHCLG

Sir Keir Starmer announces Machinery of Government change (February 2025)

On 4 September 2024, Sir Keir Starmer announced that the Government would respond in full to the Grenfell Phase 2 inquiry report within six months. In response to one of the recommendations from the report, on 13 February 2025, the Prime Minister confirmed that responsibility for fire will move from the Home Office to the Ministry of Housing, Communities and Local Government (MHCLG).

This change will bring responsibility for building safety and fire under a single Secretary of State, providing a more coherent approach to keeping people safe from fire in their homes.

The Home Office will retain management of the Airwave Service Contract on behalf of the MHCLG and will remain responsible for the Emergency Services Mobile Communications Programme and His Majesty's Inspectorate of Constabulary and Fire & Rescue Services (HMICFRS).

This change will be effective from 1 April 2025. The Government will respond to the full report in due course.

Page 35



Home Office



Ministry of Housing,
Communities &
Local Government

Wider sector updates

A briefing for audit committees on the wider sector updates across Public Sector Audit, Financial Reporting and the responsibilities of Audit Committee members

Page 36

Local audit reform

For government in England to really access the potential benefits that devolution may bring, there needs to be certainty that accountability and transparency can be maintained at local level. This looks likely to mean a complete overhaul of the current local audit system.

In December 2024, the Ministry of Housing, Communities and Local Government (MHCLG) published a green paper around local audit reform. In the consultation, the government recognised that just 1% of accounts for 2022/23 were published on time, and that whilst there have been calls since 2018 for a separate, dedicated, specialist local audit body to be established, there has been no such body in place since the Audit Commission was disbanded in 2015.

The consultation has now closed, and primary legislation is likely to be introduced in May 2025. The ambition is to establish a new Local Audit Office in the Autumn of 2026 and for the Local Audit Office to begin contract management and other elements of a new oversight role by 2028.

MHCLG statement on the backlog:

1 % audited accounts published on time 2022/23

Source: MHCLG green paper, December 2024

The government has committed that when it arrives, the new Local Audit Office (“LAO”) will:

- Be statutory and independent, with a remit to streamline and simplify the system;
- Assume the functions of appointing and contracting auditors for local authorities (meaning that authorities would no longer have the power to appoint their own auditor);
- Adopt ownership of the Code of Audit Practice from the NAO and deliver relevant training;
- Hold responsibility for quality oversight of local audit, including overseeing an inspection programme, enforcement and some elements of supervision;
- Publish national insight reports on local audit health, which could include emerging trends, quality, market sustainability, VFM arrangements and statutory recommendations and public interest reports; and
- Oversee professional bodies with regard to their remit for the qualification, registration and conduct of local auditors.

MHCLG describes the current system as “complex and dysfunctional” and “broken” but states that it is “determined to get the house in order”. To a large degree, the future of local audit will depend on the extent to which the new body is given appropriate scope, powers and responsibilities. We are contributing actively to stakeholder groups and will work constructively with the new body as it comes into existence.

For a full copy of MHCLG’s intentions, see [Statement of intent and consultation](#) .

The future of financial reporting

The government’s consultation on local audit reform also included consultation on the future of local government financial reporting and accounts. The government’s December 2024 statement of intent and consultation committed to:

- Review the content and format of accounts;
- Determine an appropriate approach to consistency across the UK;
- Consider primary legislation to separate pension fund accounts from administering authority accounts;
- Guarantee a freely available Accounting Code; and
- Consider the introduction of standardised statements in the longer term.

Work is intended to include ensuring that the accounting code does not require more disclosures than are necessary and to consider the purposes and users of local authority accounts. The statement of intent highlighted that timeliness, comprehension (understandability) and professional capability (capacity) have all been issues in the past, culminating in just 1% of audited accounts being published on time for 2022/23.

Grant Thornton’s track record is strong (84% of unqualified opinions for 2022/23 signed by the 13th December 2024 backstop date), but we welcome the government’s new commitments. Better timeliness and more comprehensible reporting across the sector will strengthen accountability and transparency and lead to a firmer platform for decision-making and devolved delivery.

13th December 2024 backstop performance – Grant Thornton compared to sector pre-backstop performance

Sector: % audited accounts published on time (pre-backstop dates being set)	1
Grant Thornton: % 2022/23 opinions signed by the 13th December 2024 backstop date	84
Grant Thornton: % 2022/23 VFM Auditor Annual Reports published by the 13th December 2024 backstop date	99

In the meantime, with the 28th February 2025 backstop date now passed for 2023/24 statements of accounts, many will now be turning their attention to getting ready for 2024/25 financial reporting. Unaudited accounts for 2024/25 need to be published by 30th June this year. The backstop publication date for the audited 2024/25 accounts is 27th February 2026 . Early consideration of resourcing and timetabling will help.

For a full copy of the statement of intent and consultation, see [Statement of intent and consultation](#)

For the Accounts and Audit Regulations 2024, see [The Accounts and Audit \(Amendment\) Regulations 2024](#)

Value for money webinar for Audit Committee members

We plan to hold the second in a series of Value for Money (VFM) webinars for members of Audit Committees on 4th June 2025 from 4:00pm until 5.30pm. Invitations will be available on the Grant Thornton website shortly. Alternatively, please speak to your audit Engagement Lead or Engagement Manager.

Delivered by Grant Thornton specialists and drawing on experience from across the sector, the webinar will cover:

How to prepare for devolution and reorganisation:

- Shared experience from other reorganisations, with a focus on:
 - Setting up new strategic authorities;
 - Preparing successful final November 2025 proposals;
 - Programme management;
 - Organisational enablement;
 - Robust evidence for costs and benefits analysis;
 - Setting out your vision; and
 - Successful engagement with people and culture.

Lessons learnt from 2023/24 and how to get ready for 2024/25:

- Review of findings from more than 100 Auditor Annual Reports to identify common findings and what those tell us about areas where more scrutiny is needed;
- Year on year trends across the sector; and
- How to prepare for VFM audit 2024/25.

We look forward to welcoming you.



Audit Committee resources

The Audit Committee and organisational effectiveness in local authorities (CIPFA):

<https://www.cipfa.org/services/support-for-audit-committees/local-authority-audit-committees>

LGA Regional Audit Forums for Audit Committee Chairs

These are convened at least three times a year and are supported by the LGA. The forums provide an opportunity to share good practice, discuss common issues and offer training on key topics. Forums are organised by a lead authority in each region. Please email ami.beeton@local.gov.uk LGA Senior Adviser, for more information.

Public Sector Internal Audit Standards

<https://www.gov.uk/government/publications/public-sector-internal-audit-standards>

Code of Audit Practice for local auditors (NAO):

<https://www.nao.org.uk/code-audit-practice/>

Governance risk and resilience framework: material for those with a leadership responsibility on good governance (CfGS):

<https://www.cfgs.org.uk/material-for-those-with-a-leadership-responsibility-on-good-governance/>

The Three Lines of Defence Model (IAA)

<https://www.theiia.org/globalassets/documents/resources/the-iias-three-lines-model-an-update-of-the-three-lines-of-defense-july-2020/three-lines-model-updated-english.pdf>

Risk Management Guidance / The Orange Book (UK Government):

<https://www.gov.uk/government/publications/orange-book>

CIPFA Guidance and Codes

The following all have a charge, so do make enquiries to determine if copies are available within your organisation.

Audit Committees: Practical Guidance For Local Authorities And Police

<https://www.cipfa.org/policy-and-guidance/publications/a/audit-committees-practical-guidance-for-local-authorities-and-police-2022-edition>

Delivering Good Governance in Local Government

<https://www.cipfa.org/policy-and-guidance/publications/d/delivering-good-governance-in-local-government-framework-2016-edition>

Financial Management Code

<https://www.cipfa.org/fmcode>

Prudential Code

<https://www.cipfa.org/policy-and-guidance/publications/t/the-prudential-code-for-capital-finance-in-local-authorities-2021-edition>

Treasury Management Code

<https://www.cipfa.org/policy-and-guidance/publications/t/treasury-management-in-the-public-services-code-of-practice-and-crosssectoral-guidance-notes-2021-edition>

Accounting Update – IFRS 16

A briefing for audit committees on the implementation of IFRS16

Page 41

IFRS 16 - Leases

Lessee accounting up to 31 March 2024

Until April 2024, when the fire body gained the use of an asset under a lease agreement, it had to determine whether it was a finance lease or an operating lease. The distinction was based on which entity had substantially all the risks and rewards of ownership. It was important because finance leased assets were deemed capital and accounted for on the authority's balance sheet, whereas operating lease costs were charged to expenditure over the life of the lease.

Lessee accounting from 1 April 2024

From the adoption of IFRS 16 leases on 1 April 2024, the distinction between operating and finance leases for lessees has been removed. Now all leases, apart from those that are deemed low value or short term, are accounted for on balance sheet by lessees.

Asset and liability recognised

Under IFRS 16, lessees recognise their right to use an asset and also a liability for the present value of the total amount they expect to pay over the period of the agreement. Initially, the right of use asset and the liability are usually recognised at the same value, unless there have been any relevant payments before the start of the lease.

After initial recognition, the right of use asset is valued the same way as owned assets of a similar type and the liability is increased for interest due or changes in expected payments due to the application of a rate or index such as RPI, and decreased for amounts paid.

Public sector adaptation

In the public sector, the definition of a lease has been extended to include the use of assets for which little or no consideration is paid, often called "peppercorn" rentals. This is one instance where the right of use asset and associated liability are not initially recognised at the same value. For peppercorn rentals, the right of use assets are initially recognised at market value and any difference between that and the present value of expected payments is accounted for as income, similar to the treatment of donated assets.

IFRS 16 - Leases

Judgements required

Most of the information needed to determine the appropriate figures for the accounts will come from the lease agreement. However, sometimes judgements may need to be made by management. Such judgements may include:

- determining what is deemed to be a low value lease. This is based on the value of the underlying asset when new and is likely to be the same as the authority's threshold for capitalising owned assets.
- determining whether an option to terminate or extend the lease will be exercised. This is important as it affects the lease term and subsequently the calculation of the lease liability based on the expected payments over the lease term

the valuation of the right of use asset after recognition. An expert valuer may be required to support management in this.

Lessor accounting

IFRS 16 has preserved the distinction between finance and operating lease accounting for lessors. The key things that lessors need to be aware of are:

- assets leased out for a peppercorn rental should be treated as finance leases if they have, in substance, been donated to the operator
- if the asset is sub-let, the consideration of whether the sub-lease is a finance lease or an operating lease takes account of the value and duration of the head lease rather than the value and life of the underlying asset

IFRS 16 - Leases

Questions to consider

Questions for fire bodies to ask themselves include:

- How have you gained assurance on completeness, that you have identified all your leases including those for a peppercorn rent?
 - Have you set your threshold for low value leases?
 - How have you identified all options to terminate or extend existing leases and assessed the lease term on the basis of the likelihood you will exercise them?
- Page 44
- Have you reconciled your operating lease commitments as disclosed in your 31 March 2023 accounts under IAS 17 to your lease liability under IFRS 16 on 1 April 2024?
- How have you gained assurance that right of use assets are carried at the appropriate value at the balance sheet date?
- If you are an intermediate lessor, have you reassessed whether the leases out are finance or operating leases with reference to the terms of the head lease?
 - Have you updated your systems to ensure that the budgetary and accounting impact of all leases is identified in a timely and effective manner.



© 2025 Grant Thornton. All rights reserved.

'Grant Thornton' refers to the brand under which the Grant Thornton member firms provide assurance, tax and advisory services to their clients and/or refers to one or more member firms, as the context requires. Grant Thornton International Ltd (GTIL) and the member firms are not a worldwide partnership. GTIL and each member firm is a separate legal entity. Services are delivered by the member firms. GTIL does not provide services to clients. 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.

This page is intentionally left blank