



LONDON FIRE BRIGADE

Decision title

Internal Audit – Quarter 4 Progress Report, 2019/20

Recommendation by
Head of Internal Audit

Decision Number
LFC-0362-D

Protective marking: **NOT PROTECTIVELY MARKED**

Publication status: Published in full

Summary

Report LFC-0362 summarises the work carried out under the Internal Audit Shared Service Agreement by the Mayor's Office for Policing and Crime (MOPAC)'s Directorate of Audit, Risk and Assurance in the fourth quarter of 2019/20. It provides an assessment of the adequacy and effectiveness of the internal control framework within the Brigade.

Decision

That the London Fire Commissioner:

1. Notes the work undertaken by Internal Audit during the fourth quarter of 2019/20 attached in Appendix 1 to Report LFC-0362.
2. Notes the work planned for quarter one of 2020/21.
3. Notes Internal Audit's current assessment of the adequacy and effectiveness of the internal control framework.

Andy Roe
London Fire Commissioner

Date **This decision was remotely signed on Monday 24 August 2020**

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LONDON FIRE BRIGADE

Report title

Internal Audit – Quarter 4 Progress Report, 2019/20

Report to

Corporate Services DB
Operational Delivery DB
Commissioner's Board

Date

26/05/2020
03/06/2020
03/06/2020

Report by

Head of Internal Audit

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Summary

This report summarises the work carried out under the Internal Audit Shared Service Agreement by the Mayor's Office for Policing and Crime (MOPAC)'s Directorate of Audit, Risk and Assurance in the fourth quarter of 2019/20. It provides an assessment of the adequacy and effectiveness of the internal control framework within the Brigade.

Recommended decisions

That the London Fire Commissioner:

1. Notes the work undertaken by Internal Audit during the fourth quarter of 2019/20 attached in Appendix 1.
2. Notes the work planned for quarter one of 2020/21.
3. Notes Internal Audit's current assessment of the adequacy and effectiveness of the internal control framework.

Background

1. MOPAC's Directorate of Audit, Risk and Assurance have been providing the internal audit service to the London Fire Brigade since 2012 under a shared service agreement.
2. Quarterly reports are provided to the Commissioner's Board on the progress of Internal Audit's work against the annual audit plan agreed in March 2019, for the financial year 2019/20.
3. This report provides an update on the work completed to quarter four, 2019/20, and our opinion of the current assurance level of the internal control framework.

Finance comments

4. Under the Accounts and Audit Regulations 2015, a local authority must ensure it has a sound system of internal control which:

- Facilitates the effective exercise of its functions and the achievement of its aims and objectives;
 - Ensures that the financial and operational management of the Brigade is effective; and
 - Includes effective arrangements for the management of risk.
5. In carrying out their duties Internal Audit plays a key role against regulation 5 in helping management to discharge their responsibilities by evaluating the effectiveness of internal control, risk management and governance processes.
 6. The Internal Audit arrangements are carried out under a shared service arrangement with MOPAC and the audit reviews are agreed as part of the annual audit plan and managed within the approved budget.

Workforce comments

7. This report has no impact on the workforce.

Legal comments

8. This report is presented for information only, and no direct legal implications arise.
10. The Local Audit and Accountability Act 2014 defines the Commissioner as a 'relevant authority' for the purposes of that Act and the subsidiary legislation, the Accounts and Audit Regulations 2015 (the 2015 Regulations). The 2015 Regulations require that the Commissioner undertakes, "an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance" (regulation 5(1)).
11. The LFC's Scheme of Governance sets out, in Part 6 – Financial Regulations, detailed rules covering financial planning, monitoring, control, systems and procedures and insurance. Paragraph 13 of the Financial Regulations stipulate the requirements in relation to internal audit.
12. Under an agreement dated 26 November 2012 the Mayor's Office for Policing and Crime discharges of functions in respect of Internal audit functions by on behalf of the Commissioner.
13. The attached quarterly report and Appendix 1 is provided in accordance with the legislative and internal governance requirements set out above and complies with the Public Sector Internal Audit Standards, which sets the standards for internal audit across the public sector.

Sustainability implications

14. This report has no sustainability implications.

Equalities implications

15. This report has The London Fire Commissioner and decision takers are required to have due regard to the Public Sector Equality Duty (s149 of the Equality Act 2010) when taking decisions. This in broad terms involves understanding the potential impact of policy and decisions on different people, taking this into account and then evidencing how decisions were reached.
16. It is important to note that consideration of the Public Sector Equality Duty is not a one-off task. The duty must be fulfilled before taking a decision, at the time of taking a decision, and after the decision has been taken.

17. The protected characteristics are: Age, Disability, Gender reassignment, Pregnancy and maternity, Marriage and civil partnership (but only in respect of the requirements to have due regard to the need to eliminate discrimination), Race (ethnic or national origins, colour or nationality), Religion or belief (including lack of belief), Sex, Sexual orientation.
18. The Public Sector Equality Duty requires us, in the exercise of all our functions (i.e. everything we do), to have due regard to the need to:
 - (a) eliminate discrimination, harassment and victimisation and other prohibited conduct.
 - (b) advance equality of opportunity between people who share a relevant protected characteristic and persons who do not share it.
 - (c) foster good relations between people who share a relevant protected characteristic and persons who do not share it.
19. Having due regard to the need to advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it involves having due regard, in particular, to the need to:
 - (a) remove or minimise disadvantages suffered by persons who share a relevant protected characteristic where those disadvantages are connected to that characteristic;
 - (b) take steps to meet the needs of persons who share a relevant protected characteristic that are different from the needs of persons who do not share it;
 - (c) encourage persons who share a relevant protected characteristic to participate in public life or in any other activity in which participation by such persons is disproportionately low.
20. The steps involved in meeting the needs of disabled persons that are different from the needs of persons who are not disabled include, in particular, steps to take account of disabled persons' disabilities.
21. Having due regard to the need to foster good relations between persons who share a relevant protected characteristic and persons who do not share it involves having due regard, in particular, to the need to
 - (a) tackle prejudice, and
 - (b) promote understanding.
22. An Equality Impact Assessment (EIA) has not been undertaken.
23. An EIA was not required because this is a performance report on the work undertaken by Internal Audit which does not directly impact staff.

List of Appendices

Appendix	Title	Protective Marking
1.	Internal Audit Progress Report Quarter 4, 2019/20	Not protectively marked

Commissioner's Board

3 June 2020

Directorate of Audit, Risk and Assurance Progress Report

Report by: The Director of Audit, Risk and Assurance

1. Report Summary

This report summarises the work carried out under the Internal Audit Shared Service Agreement by the Directorate of Audit, Risk and Assurance (DARA) in the fourth quarter of 2019/20. It also provides an assessment of the adequacy and effectiveness of the internal control framework for each of the Internal Audit final reports issued since the last report to the Commissioner's Board on 26 February 2019.

2. Recommendations

That the Commissioner:

1. Notes the work undertaken by Internal Audit in the fourth quarter of 2019/20.
2. Notes the work planned work for quarter one of 2020/21.
3. Notes Internal Audit's current assessment of the adequacy and effectiveness of the internal control framework.

3. Reviews Completed This Quarter

- 3.1 Since our last update we have issued five final reports; three risk and assurance and two follow ups. These reviews and the resulting assurance ratings are listed in the table below, and a summary of the findings from the reports are included in the subsequent paragraphs in this section. For reference, the criteria attached to each of the assurance ratings has been included at Annex B of this report.

	Date of Issue	CB Reported	Review Title	Assurance Rating
1	27/03/20	03/06/20	Thematic Review of Discipline at Fire Stations	Limited
2	07/04/20	03/06/20	Key Financial Systems – Cash and Bank	Substantial
3	07/04/20	03/06/20	ICT Skills Profile (Follow Up)	Substantial
4	17/04/20	03/06/20	Academic Sponsorship	Limited
5	21/04/20	03/06/20	Adult Safeguarding Framework (Follow Up)	Adequate

3.2 Thematic Review of Discipline at Fire Stations

The objective of the review was to provide assurance on the effectiveness of the discipline framework as undertaken at a fire station level; including the completion of local management investigations and the undertaking of stage one hearings.

Areas of effective control included the discipline and grievance area in Hotwire providing links to key policy and guidance documents, and the introduction of a new mandatory Babcock led one day training course for both Station and Group Commanders. Our review of local management investigations for cases being heard at all stages found them to be proportionate and supported by appropriate evidence.

The final report resulted in one high priority and five medium priority actions. The high priority action was for a review of the provision of information that is specific to line managers, ensuring that there is sufficient information available to them to undertake this element of their role with confidence. The medium priority actions were in relation to there being sufficient guidance as to when a local management investigation is required and ensuring it is then concluded promptly. Actions were also agreed around hearing outcome letters being available in the individuals electronic Personal Record File, retention of documentation to ensure compliance to the General Data Protection Regulations and a review of the training to ensure that it will be effective when provided to those with less experience of Brigade practices.

One further medium priority recommendation was made around undertaking a survey of line managers to ascertain if there are aspects of the framework which cause problems in practice. This recommendation was not accepted by management as People Services did not consider that a survey was necessary, but accepted further guidance is required to remove misunderstanding. No further action will be undertaken in relation to this finding.

3.3 Key Financial Systems – Cash and Bank

The objective of the review was to provide assurance on the effectiveness of the control framework around management of the Brigade's bank accounts, and also to follow up on the implementation of the two agreed actions from our 2018/19 review.

Areas of effective control included the availability of adequate procedure notes and an effective separation of duties across all processes. Access to key systems is appropriate, and income is allocated promptly to the identified codes and accounts. The miscellaneous income account contained only eight entries and is reviewed regularly to ensure that all income is allocated at the earliest opportunity. Daily cash flow monitoring takes place and there is sufficient resilience built into this process to ensure that payments due will be met. Bank reconciliations are undertaken promptly at the end of each month and reviewed by a third party.

The review resulted in one medium priority action around authority to amend or draw down from the GLA syndicate bank account known as the GIS.

Both of the actions from our 2018/19 review were found to be fully implemented.

3.4 Follow Up of ICT Skills Profile

The original report was issued in March 2019 and contained four medium priority actions, all of which have been fully implemented and no further actions have been raised. The actions were around the ICT Strategy and the use of skills matrices to deliver it, use of skills matrices to ensure that appropriately skilled staff are in place for ICT projects and regular review of resources available to support work plans.

3.5 Academic Sponsorship

The objective of the review was to provide assurance on the adequacy of the arrangements in place to govern academic sponsorship.

Areas of effective control included a newly approved policy which clearly sets out the approvals required, forms to be used and timescales that should be adhered to. Monthly reports on spend are produced and reviewed to enable oversight of the approved budgets.

The review resulted in two high priority actions around ensuring that line manager responsibilities are clearly documented in policy and ensuring that processes are in place to evaluate the effectiveness of the scheme. Eight medium priority actions were also raised. These were in relation to updating the policy to ensure that it reflects practice, ensuring that application forms are available to decision makers as appropriate, strengthening controls around continuing applications, appropriate monitoring of completion and attendance. Also that there is appropriate evidence of approval and authorisation and processes in place for the recovery of monies from leavers.

3.6 Follow Up of Adult Safeguarding

The original report was issued in April 2018, and an interim follow up report was issued in November 2018 which found that each of the four actions had been partly

implemented. This resulted in a further four actions being raised, three of which were high priority and one low.

This second follow up identified that all of the further actions have now been fully implemented, however, the revised policy note has not yet been rolled out due to delays in concluding the consultation process due to the Coronavirus pandemic. No further actions have been raised.

4. Other Activity for This Quarter

4.1 One advisory and eight risk and assurance reviews are at fieldwork stage:

- Key Financial Systems, in four separate areas
 - Accounts Payable
 - Accounts Receivable
 - General Ledger
 - Payroll and Pensions
- Thematic Review of Station Repairs
- Thematic Review of Operational Assessment and Promotion
- Social Media
- Risk Management – Alignment to Strategic Objectives (Advisory)

4.2 Two follow up reviews are also currently at fieldwork stage:

- Operational Policy – External Relations
- Learning Support Provision

4.3 The annual review of Contract Management has been deferred to ensure our work can properly consider any impacts of Coronavirus in this area.

5. Planned Quarter One Work

5.1 We will seek to complete the outstanding 2019/20 reviews at the earliest opportunity. However, it should be noted that in some instances there may be delays in concluding the work due to changes in LFB priorities and working practices together with the joint challenges of working remotely in these unprecedented times.

5.2 A scoping meeting has been scheduled to look at the feasibility of commencing a review of Recruitment Strategy for Operational Staff which was also part of the 2019/20 plan.

5.3 Our 2020/21 draft annual plan was approved at the Commissioner's Board on 25 March 2020. In light of the significant response provided by the LFB, and the

changes to working routines for all staff groups, it is our intention to seek senior managements' view on the degree to which COVID 19 has affected delivery of the transformation plan. In particular, its impact on current/planned activities and on any emerging risks and new activity that may be necessary. Whilst our plan for 2020/21 was intended to be flexible enough to reflect changing priorities, it is important that we continue to provide assurance and assistance where it is most needed and this could mean we include COVID response/recovery activity to assess its impact on the achievement of the Transformation Delivery Plan. We will set the quarter one programme of reviews following our consultation with senior management and commence work as appropriate.

6. Counter Fraud Activity

- 6.1 National Fraud Initiative (NFI) matches have been reviewed by DARA in this quarter. The total number of referrals remains at 2,025; with 1,998 matches reviewed and closed and 27 under investigation.
- 6.2 The review included 727 Creditors matches, 700 have been reviewed and closed and the 27 matches remaining are the only NFI cases still under investigation. Systems records have been reviewed and manual files obtained from archive for these 27 cases. The files arrived at Union Street as staff were sent home in relation to Coronavirus and cannot be reviewed until a return to the office. The NFI have extended their planned closure date to allow for such circumstances.
- 6.3 NFI have commenced early preparation work on the next biennial exercise, with data uploads to be as at September 2020. They are consulting on an increase to the cost by £200 to £1,200.
- 6.4 A counter fraud presentation to FRS staff took place on 19 February. The presentation provided staff with details of real frauds that have been identified and investigated, to provide attendees with insight as to where ineffective controls led to the frauds. Staff actively participated and a discussion was held at the end of the presentation. The planned presentations 2020/21 to operational staff have been deferred.
- 6.5 Covid-19 fraud advice from the government, CIPFA and the London Fraud Forum has been and continues to be collated and distributed to key contacts.

7. Internal Control Framework

- 7.1 Our control environment opinion has remained adequate as a result of the work completed to date, including those at fieldwork stage. A full list of the reviews completed against the 2019/20 audit plan can be found in Annex A.
- 7.2 Identified risks are rated either high, medium or low to provide management with a guide to the level of resource and urgency that they should apply to any mitigation

activity. Although our plan is linked to the areas of highest risk to the Commissioner, we also undertake routine compliance work in areas of lower risk at the request of management, to provide assurance that systems, particularly at fire stations, are operating as intended. As each area we review has a different risk profile (financial or otherwise), it is necessary to consider this wider context when looking at individual risk ratings within each area. On this basis, a medium risk in any one system or area may not be comparable in materiality to those in other areas.

8. Equality and Diversity Impact

The MOPAC's commitments to equality and diversity are considered in all activities carried out by the Directorate of Audit, Risk and Assurance. All field auditors and investigators have received appropriate training in equality and diversity issues and their performance is monitored. The Internal Audit work plan is designed to provide as wide a range of coverage of staff and systems as is possible and practicable.

9. Risk Implications

Completion of the audit plan enables the Director of Audit, Risk and Assurance to provide assurance on the adequacy and effectiveness of the LFB internal risk and control framework.

10. Contact Details

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11. Appendices and Background Papers

- Annex A – Progress against the 2019/20 annual plan

Progress Against the 2019/20 Annual Plan

To date we have issued the following risk and assurance reports:

	Date of Issue	CB Reported	Review Title	Assurance Rating
1	30/07/19	06/11/19	Environmental Management System	Adequate
2	04/12/19	26/02/20	Fire Safe and Well Pilot	Adequate
3	03/01/20	26/02/20	Data Protection Compliance Framework	Adequate
4	10/01/20	26/02/20	Fire Safety Enforcement Framework	Adequate
5	22/01/20	26/02/20	Identification and Management of High Risk Legal Cases	Adequate
6	28/01/20	26/02/20	Sponsorship	Limited
7	27/03/20	03/06/20	Thematic Review of Discipline at Fire Stations	Limited
8	07/04/20	03/06/20	Key Financial Systems – Cash and Bank	Substantial
9	17/04/20	03/06/20	Academic Sponsorship	Limited

To date we have issued the following follow up reports:

	Date of Issue	CB Reported	Review Title	Assurance Rating
1	27/06/19	14/08/19	FRS Staff Standby Roster System	Adequate
2	05/08/19	06/11/19	Risk Management	Substantial
3	07/08/19	06/11/19	Thematic Review of Completion of Babcock Training	Adequate
4	20/08/19	06/11/19	Assurance Framework	Limited
5	27/08/19	06/11/19	Thematic Review of Health and Safety	Adequate
6	26/11/19	26/02/20	Cyber Security Controls	Adequate
7	03/12/19	26/02/20	Processing the GLA Payroll	Adequate
8	11/12/19	26/02/20	Disciplinary Framework	Substantial
9	20/12/19	26/02/20	Use and Control of Credit Cards	Adequate
10	15/01/20	26/02/20	Environmental Management Systems	Substantial
11	16/01/20	26/02/20	Development and Maintenance of Operational Professionalism (DaMOP)	Substantial
12	07/04/20	03/06/20	ICT Skills Profile	Substantial
13	21/04/20	03/06/20	Adult Safeguarding Framework (Follow Up)	Adequate

To date we have issued the following advisory reports:

	Date of Issue	CB Reported	Review Title	Assurance Rating
1	04/11/19	26/02/20	Overtime at Protective Equipment Group	Limited

Assurance Criteria

ASSURANCE RATING	ASSURANCE CRITERIA	BUSINESS IMPACT
Substantial Assurance	The control framework is sound and operating effectively to mitigate key system risks.	Risks are managed effectively to provide assurance that business objectives will be achieved.
Adequate Assurance	The control framework is adequately designed although some controls are not operating effectively to mitigate key system risks.	Risks are generally managed effectively although some improvement in the application of controls is required.
Limited Assurance	The control framework is not designed adequately and a number of key controls are absent or are not operating effectively to mitigate key system risks.	Risks are not being managed adequately with improvement in the design and application of controls required to achieve business objectives.
No Assurance	The control framework is not in place and existing controls are not operating effectively to mitigate key system risks.	Risks are not being managed, and significant improvement to the overall control environment is essential to achieve business objectives