

Decision title

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## Internal Audit – Quarter 3, 2019/20

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Recommendation by  
Head of Internal Audit

Decision Number  
LFC-0314-D

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Protective marking: **NOT PROTECTIVELY MARKED**

Publication status: Published in full

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### Summary

Report LFC-0314 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 third 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 notes the report.

1. Notes the work undertaken by Internal Audit during the third quarter of 2019/20;
2. Notes the work planned for quarter four of 2019/20; and
3. Notes Internal Audit's current assessment of the adequacy and effectiveness of the internal control framework.

**Andy Roe**  
London Fire Commissioner



Date 4<sup>th</sup> March 2020

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LONDON FIRE BRIGADE

Report title

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## Internal Audit – Quarter 3 Progress Report, 2019/20

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Report to

Corporate Services DB  
Operational Delivery and Assurance DB  
Commissioner's Board

Date

18 February 2020  
19 February 2020  
26 February 2020

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Report by

Head of Internal Audit

Report number

LFC-0314

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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 third quarter of 2019/20. It provides an assessment of the adequacy and effectiveness of the internal control framework within the Brigade.

### Recommended decision(s)

That the London Fire Commissioner:

1. Notes the work undertaken by Internal Audit during the third quarter of 2019/20.
2. Notes the work planned for quarter four of 2019/20.
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 three, 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.

### **General Counsel's comments**

8. Under section 9 of the Policing and Crime Act 2017, the London Fire Commissioner (the "Commissioner") is established as a corporation sole with the Mayor appointing the occupant of that office. Under section 327D of the GLA Act 1999, as amended by the Policing and Crime Act 2017, the Mayor may issue to the Commissioner specific or general directions as to the manner in which the holder of that office is to exercise his or her functions.
9. Section 1 of the Fire and Rescue Services Act 2004 states that the Commissioner is the fire and rescue authority for Greater London. The Commissioner is also a 'best value' authority under the Local Government Act 1999 and must make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
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 is provided in accordance with the legislative and 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 3, 2019/20	Not protectively marked

# Commissioner's Board

## 26 February 2020

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### Directorate of Audit, Risk and Assurance Progress Report

Report by: The Director of Audit, Risk and Assurance

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#### 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 third 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 6 November 2019.

#### 2. Recommendations

That the Commissioner:

1. Notes the work undertaken by Internal Audit in the third quarter of 2019/20.
2. Notes the work planned work for quarter four of 2019/20.
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 12 final reports; five risk and assurance, six follow ups and one advisory. 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	04/11/19	26/02/20	Overtime at Protective Equipment Group (Advisory)	Limited
2	26/11/19	26/02/20	Cyber Security Controls (Follow Up)	Adequate
3	03/12/19	26/02/20	Processing the GLA Payroll (Follow Up)	Adequate
4	04/12/19	26/02/20	Fire Safe and Well Pilot	Adequate
5	11/12/19	26/02/20	Disciplinary Framework (Follow Up)	Substantial
6	20/12/19	26/02/20	Use and Control of Credit Cards (Follow Up)	Adequate
7	03/01/20	26/02/20	Data Protection Compliance Framework	Adequate
8	10/01/20	26/02/20	Fire Safety Enforcement Framework	Adequate
9	15/01/20	26/02/20	Environmental Management Systems (Follow Up)	Substantial
10	16/01/20	26/02/20	Development and Maintenance of Operational Professionalism (DaMOP) (Follow Up)	Substantial
11	22/01/20	26/02/20	Identification and Management of High Risk Legal Cases	Adequate
12	28/01/20	26/02/20	Sponsorship	Limited

### 3.2 Advisory Review of Overtime at the Protective Equipment Group (PEG)

We were asked to provide assurance that overtime within PEG was being offered fairly and consistently, and this was an additional piece of work to our 2019/20 plan. While we found no evidence of fraud or misconduct, we did identify a number of areas in which the internal control environment could be improved, and our final report contained four actions; one high priority and three medium priority.

### 3.3 Follow Up of Cyber Security Controls

The original report was issued in July 2018 and contained three medium priority actions. Our follow up work identified that two had been fully implemented and one partly implemented. The partly implemented action was around delays in completing high criticality issues, and although progress had been made the issues had not all been cleared. No further action was raised as IT had a framework in place to monitor completion.

### 3.4 Follow Up of Processing the GLA Payroll

The original report was issued in December 2018 and contained three medium priority actions. Our follow up work identified that all three of the actions had been fully implemented, however, two further actions were raised to ensure that the control environment remained effective. The actions related to ensuring that there was regular review of the authorised email list from the GLA and ensuring that starter notifications did not contain next of kin details to ensure compliance to GDPR requirements.

### 3.5 Fire Safe and Well Pilot

The objective of the review was to provide assurance on the effectiveness of the governance arrangements put in place to manage the two-year pilot, which ran from September 2017 to September 2019.

Areas of effective control included the development of a Project Initiation Document where the individuals filling the roles of project sponsor, project manager and project team had been recorded, and the development of a Terms of Reference where the roles and responsibilities of project team members were clearly defined. There were regular meetings which were minuted and the collection of data from the visits to support the outcomes of the pilot was adequately controlled.

The final report resulted in three medium priority actions which would all be completed through a post pilot evaluation. The areas to be included were review of the project set up process to ascertain where lessons could be learnt for future projects, authorisation of the extension of the project from 18 months to two years and an evaluation of the governance arrangements and flow of information between the project team and the governance board against a standard project management framework.

### 3.6 Follow Up of Disciplinary Framework

The original report was issued in July 2018 and contained six medium priority actions. Our follow up work identified that five actions had been fully implemented and one partly implemented. The partly implemented action was around ensuring that the reporting of theft, fraud, corruption or other financial irregularity was reported regularly to the Director of Corporate Services in accordance with PN568, and we raised one further action to reduce the frequency of reporting to quarterly and to include nil returns to ensure that reports were meaningful.

### 3.7 Follow Up of Use and Control of Credit Cards

The original report was issued in October 2018 and contained three medium priority action and one low. Our follow up work identified that all four of the actions had been fully implemented. However, we identified that the mitigations for two of the actions had resulted in further risks emerging around the potential for duplicate claims and the bypassing of controls for line manager sign-off. Therefore, two further actions were raised.

### 3.8 Data Protection Compliance Framework

The objective of the review was to provide assurance on the effectiveness of the corporate arrangements in place to ensure personal data is dealt with in accordance with legislation.

Areas of effective control included work to increase the awareness of the new General Data Protection Regulations (GDPR) within LFB departments, the development and publishing of the Privacy Information Notices on the LFB website and the appointment of a Brigade Data Protection Officer to oversee all data protection matters.



The final report resulted in five medium priority actions which included the provision of guidance and training and the frequency within which the training should be completed, the development of a central information register, review of data protection risks and where they are recorded (including whether there should be a corporate data protection risk), development of a process for data holders to complete data compliance returns at least annually and ensuring data protection risks, breaches and general themes are adequately reported to support the identification of lessons learnt.

### 3.9 Fire Safety Enforcement Framework

The objective of the review was to provide assurance that the administrative element of the enforcement framework is operating effectively, and excluded assurance on the adequacy of the enforcement work undertaken.

Areas of effective control included the availability of a guidance note providing a defined framework for staff to operate within, and that the roles and responsibilities of the Inspecting Officers were clearly defined. Timescales for the completion of cases have been defined and monthly meetings take place at which cases are discussed. To improve the efficiency of the process one member of staff from the General Counsel's department has been nominated as a dedicated resource to Fire Safety for two days each week.

The final report resulted in five medium priority actions. These included identifying all legislation that Fire Safety investigate against and determining how best to ensure that changes to that legislation are known, updating guidance around prosecutions and cautions, clearly defining responsibility for case oversight, review of the framework for supervision and oversight and the provision of sufficient information to the DAC.

### 3.10 Follow Up of Environmental Management Systems

The original report was issued in August 2018 and included three medium priority actions. Our follow up work identified each of the three actions had been fully implemented. However, renewing the membership of the Sustainable Development Working Group had not significantly improved attendance at the quarterly meetings therefore we made a further recommendation to consider whether there is a more efficient and effective way to communicate with required attendees.

### 3.11 Follow Up of Development and Maintenance of Operational Professionalism (DaMOP)

The original report was issued in February 2018, and we issued an interim follow up report in February 2019 which resulted in three medium priority actions. Our follow up work for this review identified that all actions had been fully implemented, and that issues identified post go-live were identified and addressed promptly.

### 3.12 Identification and Management of High Risk legal Cases

The objective of the review was to provide assurance that there is effective identification and management of high risk legal cases.

Areas of effective control included allocation of responsibility for risk consideration at allocation and throughout the case, the availability of procedures to provide guidance on case management and how to risk assess cases and an annual review of risk management. High risk cases are marked as such within the system, regular updates are provided on the current high risk cases, there is monthly monitoring of time and cost on cases and trends are identified through internal meetings.

The final report resulted in three medium priority actions around review of the high risk report to make it a live document including key contacts and a communication plan, consideration of the review requirements for high risk cases and the introduction of a system for identifying the cases that require review.

### 3.13 Sponsorship

The objective of the review was to provide assurance on the adequacy of the governance arrangements in place for entering into sponsorship arrangements.

Areas of effective control included the revised policy note containing key elements as expected, and that oversight had been provided to a newly recruited Head of Brand and Events who had identified that a new agreement was required. Roles and responsibilities in relation to getting a new agreement approved were adequately documented in checklists available via Hotwire.

The final report resulted in four medium priority actions around updates required to the policy in relation to assessment of value, clarifying the difference between sponsorship and a gift and appending the checklists to the policy note. Also finalising the new sponsorship agreement template, ensuring that there is only version of the sponsorship register and gaining assurance that sponsorship income is being received.

## **4. Other Activity for This Quarter**

4.1 There is one risk and assurance review of Academic Sponsorship at draft report stage, and we are in the process of agreeing the report with the LFB lead.

4.2 Five reviews have been removed from the original 2019/20 plan. The planned review of Cyber Security was completed within a follow up of the same title, reviews around ICT File Share, Estates Strategy and a follow up of Minor Capital Programme have been deferred in agreement with management due to significant changes within the area and will be conducted at a later date. The post implementation review of Governance Arrangements will be replaced with advisory

work in this area as part of the refresh of the arrangements. To compensate, we have been able to accommodate requests from management for additional work in relation to key financial systems and the overtime review within PEG.

## **5. Planned Quarter Four Work**

5.1 Nine risk and assurance reviews are currently at fieldwork stage, and work will continue to finalise these reviews at the earliest opportunity:

- ICT File Share Review
- Key Financial Systems, to include five separate areas
  - Accounts Payable
  - Accounts Receivable
  - Cash and Bank
  - General Ledger
  - Payroll and Pensions
- Thematic Review of Station Repairs
- Thematic Review of Discipline at Fire Stations
- Thematic Review of Operational Assessment and Promotion

5.2 There are five risk and assurance reviews that are due to commence in quarter four:

- Contract Management
- Recruitment Strategy for Operational Staff
- Risk Management Framework
- Social Media
- Wellbeing Strategy

5.3 There are also three follow up reviews that are due to commence:

- ICT Skills Profile
- Learning Support Provision
- Operational Policy – External Relations

## **6. Counter Fraud Activity**

6.1 National Fraud Initiative matches have been reviewed by DARA in this quarter. One match has been classified as 'fraud' in accordance with NFI guidance, an undetected double billing by a legal counsel, that was paid twice. The full £2,143 overpayment has been recovered.

6.2 The total number of referrals remains at 2,025; with 1,961 matches reviewed and closed and 64 under investigation.

6.3 There were 1,111 pension referrals of which 1,110 have been cleared. We are liaising with the Local Pensions Partnership on the one pension overpayment identified in a match to another fire authority payroll. Recovery is suspended pending an internal dispute resolution procedure initiated by the pensioner.

- 6.4 The review has included 727 Creditors matches, 663 have been reviewed and closed and the 64 matches remaining are the only NFI cases still under investigation.
- 6.5 NFI have commenced early preparation work on the next biennial exercise, with data uploads to be as at September 2020.
- 6.6 The review of the management of a petty cash imprest has concluded and is with management for consideration and the team are supported the advisory review into overtime referred to in paragraph 3.14.
- 6.7 A counter fraud presentation to FRS staff has been scheduled for delivery on 19 February. The presentation will provide staff with details of real frauds that have been identified and investigated, with the aim of providing attendees with insight as to where ineffective controls led to the frauds. The planned presentations to operational staff have been deferred to 2020/21.

## **7. Internal Control Framework**

- 7.1 Our control environment opinion has remained adequate as a result of the work completed to date. 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	26/11/20	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 (Follow Up)	Substantial
11	16/01/20	26/02/20	Development and Maintenance of Operational Professionalism (DaMOP) (Follow Up)	Substantial

### 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
<b>Substantial Assurance</b>	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.
<b>Adequate Assurance</b>	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.
<b>Limited Assurance</b>	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.
<b>No Assurance</b>	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