

Decision title

Internal Audit – Review of 2018/19

Recommendation by

Head Internal Audit

Decision Number

LFC-0198-D

Protective marking: **NOT PROTECTIVELY MARKED**

Publication status: Published in full

Summary

This report provides the London Fire Commissioner with the Head of Internal Audit's annual opinion on the effectiveness of the London Fire Brigade's internal control framework and details of progress on work undertaken during the year 2018/19.

Decision

The London Fire Commissioner notes the report.

Dany Cotton QFSM
London Fire Commissioner



Date 18-09-19

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LONDON FIRE BRIGADE

Report title

Internal Audit – Review of 2018/19

Report to	Date
Safety and Assurance Directorate Board	19 June 2019
Operations Directorate Board	20 June 2019
Corporate Services Directorate Board	25 June 2019
Commissioner's Board	03 June 2019

Report by	Document Number
Head of Internal Audit	LFC-0198

NOT PROTECTIVELY MARKED

Summary

This report provides the London Fire Commissioner with the Head of Internal Audit's annual opinion on the effectiveness of the London Fire Brigade's internal control framework and details of progress on work undertaken during the year 2018/19.

Recommended decision(s)

That the London Fire Commissioner notes the report.

Background

1. This report contains the Head of Internal Audit's annual opinion on the effectiveness of the London Fire Brigade's (LFB) internal control environment. It also summarises the activities and performance of Internal Audit during the financial year 2018/19. The Mayor's Office for Policing and Crime (MOPAC) provides the LFB internal audit service under a shared service arrangement that has been in place since November 2012.
2. The Head of Internal Audit is required to give an opinion at least annually, and this is based on an assessment of the systems of governance, including risk management and the adequacy of the internal control framework. The evaluation of the internal control framework is taken from risk and assurance audits, advisory work and the results of any investigations.
3. The new London Fire Brigade governance framework introduced in April 2018 continues to mature and was developed to meet new statutory requirements following the enactment of the Policing and Crime Act 2017. The risk management framework was also refreshed during the year with the approval of a new strategy which has a clearly defined risk appetite based upon recognised best practice. The internal control framework has been assessed as adequate from the work conducted during the year. The Head of Internal Audit's overall opinion for 2018/19 is that the LFB has an adequate internal control environment and controls to mitigate risks are generally operating effectively.

4. The Internal audit Annual Report for 2018/19 is attached as **Appendix 1**.

Finance comments

5. The Chief Finance Officer has reviewed this report and has no comments.

Workforce comments

6. No consultations were undertaken in relation to this report.

General Counsel's comments

7. 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.
8. 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.
9. 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.
10. Paragraph 13 of the Financial Regulations stipulate the requirements in relation to internal audit.
11. 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.
12. The attached Annual Report is provided in fulfilment of the requirements of the agreement set out above.

Sustainability implications

13. This report has no sustainability implications.

Equalities implications

14. This report has no equalities implications.

List of appendices to this report

- a) Appendix 1 - Annual Report 2018/19
- b) Appendix 2 - Assurance Criteria

M O P A C

MAYOR OF LONDON
OFFICE FOR POLICING AND CRIME

DIRECTORATE OF AUDIT, RISK AND ASSURANCE
Internal Audit Service to the London Fire Brigade

Annual Report
2018/ 19

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Governance Framework

Introduction

1. This report contains the Head of Internal Audit's annual opinion on the effectiveness of the London Fire Brigade's (LFB) risk and internal control environment. It also summarises the activities and performance of Internal Audit during the financial year 2018/19. The Mayor's Office for Policing and Crime (MOPAC) provides the LFB internal audit service under a shared service arrangement that has been in place since November 2012.
2. The Head of Internal Audit is required to give an opinion, at least annually, on the effectiveness of the risk and control environment. This is based on an assessment of the systems of governance; including risk management and the adequacy of the internal control framework. The evaluation of the adequacy of control is obtained primarily from risk and assurance reviews. Advisory and compliance work together with the results of any investigations also help inform that opinion. This continues to be a time of significant change for the LFB with an ongoing need to increase efficiency and achieve better value for money whilst maintaining an effective fire service. Internal Audit has, therefore, reported on opportunities for improving efficiency and value for money in all aspects of its work during the year.
3. The Policing and Crime Act 2017 abolished the London Fire and Emergency Planning Authority (LFEPA) and amended the Greater London Authority Act 1999, to create the London Fire Commissioner (LFC) on 1 April 2018 and a Deputy Mayor for Fire and Resilience was also appointed. The Directorate of Audit, Risk and Assurance (DARA) audit plan for the year had a stronger focus on governance and assurance frameworks, in recognition of the potential impact of these changes on governance structures and the risk landscape, to provide an independent opinion on their effectiveness.
4. The internal audit programme evaluates and concludes on the effectiveness of the control environment including the internal control mechanisms that are in place to mitigate risks that could impact upon the achievement of the Brigade's strategic aims and objectives.

Annual Assurance

5. The revised governance structure introduced in April 2018 continues to mature and in line with best practice has been subject to an internal post implementation review during the year. The findings from the separate Internal Audit review of the governance framework are being considered in tandem. In March 2018 the Strategy Committee approved a new risk management framework, which was rolled out with effect from April 2018. Risk management is a key component of an effective governance framework and Internal Audit undertake reviews of different aspects each year. During 2018/19 we performed a risk maturity assessment, against the Alarm National Performance Model for Risk Management in the Public Services. This reflected the progress being made by the LFB towards level 4 maturity.

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6. This will provide the Brigade with a sound platform for achieving a fully effective control framework designed to maximise efficiency and effectiveness with evidenced and consistent monitoring of activities providing first and second line assurance on the management of risk and the achievement of objectives. The benefits of achieving a fully effective control framework should always be balanced against the costs involved and reflect both current and future risk exposure and appetite. An assessment of this nature will help to inform the Brigade's approach going forward and is an integral part of effective risk management.
7. The need to rationalise existing policies and procedures has continued as a recurring theme throughout the year, together with the need for more evidenced monitoring and review of activities, to ensure that controls are working as intended. We recognise, however, that ongoing improvement in this area is helping to strengthen the control environment and will also assist management with the challenges of maintaining operational services against a backdrop of ongoing financial pressures.
8. When concluding upon the effectiveness of the control framework, Internal Audit also takes into account the work of other assurance providers, the outcome of investigations and advisory work and the results of our follow up programme.

The Head of Internal Audit's overall opinion for 2018/19 is that:

The LFB has an **adequate** internal control environment. Governance and risk management arrangements continue to mature and this, together with a continued focus on the quality of internal control and assurance activity, will help to secure planned improvements and a fully effective control environment going forward.

Commissioner's Board

9. The Commissioner, as a corporation sole, is responsible for the LFB's governance arrangements. To help discharge this responsibility a Commissioner's Board was established and meets fortnightly throughout the year. A Terms of Reference for the Board was produced and agreed during the year. The Commissioner chairs the Board which is also attended by Directors and Assistant Commissioners each with executive responsibility for their respective Departments. General Council are also represented. There are no independent members of the Board.
10. The Commissioner's Board received assurance reports from management and other key assurance providers including Internal and External Audit and the Risk Management function. These reports, including the Annual Governance Statement (AGS) and the External Auditors' Annual Report, provided assurance to the London Fire Commissioner and key stakeholders about the integrity of the

Governance Framework

financial information contained within the annual accounts and the mechanisms in place for managing the key risks facing the organisation. The information reviewed by the Board sets out how the LFB ensured value for money, complied with the regulatory framework, protected its people and assets and demonstrated appropriate business ethics.

Internal and External Audit Arrangements

11. The need for an internal audit service is laid down in the Accounts and Audit Regulations 2015. Regulation 5 requires the Brigade to undertake effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account Public Sector Internal Audit Standards (PSIAS). This includes a review of the effectiveness of the internal audit function at least once every five years by a qualified external assessment team and is supplemented by an ongoing internal quality assurance process. This forms part of the system of internal control referred to in Regulation 3 below.
12. In accordance with PSIAS requirements DARA were subject to an external quality assessment (EQA) by the Chartered Institute of Public Finance and Accountancy (CIPFA) during the period January to March 2019. The assessor found that DARA were fully compliant with the professional standards, conforming to all ten elements of the core principles. 'It is our opinion that the Directorate of Audit, Risk and Assurance (DARA) FULLY CONFORMS to the requirements of the Public Sector Internal Audit Standards and those of the Local Government Application Note.' The report went on to say;
 - 'DARA is recognised throughout the policing sector (and indeed elsewhere in the public sector) as being one of the leading in-house public sector internal audit services.'
 - 'It is evident that the Core Principles (of Professional Practice) are embedded in DARA's procedures and that DARA is a highly competent, motivated, and professional internal audit agency that conforms to all ten elements of the Core Principles.'
 - 'It is evident from this EQA that DARA has a highly professional, experienced and motivated workforce and they perform their duties with due professional care.'

An improvement plan has been developed to ensure that findings identified during the assessment are addressed, these include better use of data analytics and more meaningful insight when reporting to Boards which are already in progress, and an explicit statement of conformance to standards.

13. Regulation 3 of the Accounts and Audit Regulations 2015 requires that the relevant body is responsible for ensuring that it has a sound system of internal control, which facilitates the effective exercise of that body's functions and which includes the arrangements for the management of risk. Under Regulation 6, there is a requirement to review, at least once a year, the effectiveness of its internal control systems for inclusion in the AGS. The work of Internal Audit informs that

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process and has a key role to play in assisting the Director of Corporate Services to fulfil the statutory roles required by this legislation.

14. DARA provided an internal audit service to the LFB during 2018/19 under a shared service arrangement effective since 1 November 2012, and prior to that on an interim basis commencing in September 2011. There have not been any impairments on the independence or objectivity of DARA during the financial year 2018/19.
15. Following a tender exercise by Public Sector Audit Appointments Limited (PSAA) and subsequent consultation with key stakeholders during 2017, arrangements were finalised with the appointment of named audit firms to each individual authority or its successor body. Appointments were made for the duration of five years to commence in 2018/19, with Ernst and Young being appointed to continue to provide the External Audit service to the Brigade.

Corporate Governance Framework

16. LFB has defined corporate governance, strategic planning and performance management frameworks which were regularly reviewed to ensure they were in line with best practice and meet statutory requirements. The AGS for 2018/19 also sets out how the LFB followed the principles of good governance as described in the CIPFA/SOLACE 'Delivering Good Governance in Local Governance Framework'. A London Safety Plan, which provides the strategic direction for the Brigade, covers the four year period 2017 to 2021.
17. Internal Audit recognised that transitioning into the new governance arrangements was a significant area of risk for the Brigade and as such the 2018/19 annual plan included reviews which looked at governance, decision making and the assurance framework. The outcomes from these reviews were taken into consideration when determining the audit opinion for the year and are also reflected in the AGS which has governance as an improvement area for 2019/20.
18. LFB Governance Arrangements continue to mature and provide a sound platform for delivery of the LSP priorities. A new Board structure consisting of a Commissioner's Board supported by three Directorate Boards, and a new Scheme of Governance, facilitate inclusive decision making and escalation within a defined structure. Decisions are also published on the LFB website to aid transparency. However, with increased maturity there may be opportunities to establish an Audit Committee with independent oversight responsibilities to help the LFC discharge responsibilities in line with best practice. The criteria for determining whether decisions are novel, contentious or repercussive in nature could also be more clearly defined to aid consistency and enhance accountability.
19. The Internal Audit review of the Assurance Framework highlighted the need for management to articulate their assurance needs and to ensure that the framework supports the provision of first and second line assurance activity

Governance Framework

across the Brigade and utilises risk and performance reporting where appropriate.

Performance Management Framework

20. During 2018/19, the performance management framework was monitored through the three Directorate Boards; Operations, Safety & Assurance and Corporate Services. Each of the boards has a published framework of meeting dates and escalate areas of strategic concern to the Commissioner's Board.
21. The Commissioner's Board received regular performance reports on its LSP commitments, performance against performance indicators, and key projects through its three Directorate Boards. Comprehensive performance reports covering corporate performance indicators, corporate risks, key projects, as well as departmental performance were considered regularly by the Commissioner's Board and are also escalated to the Fire and Resilience Emergency Planning Committee (FREP), which is chaired by the Deputy Mayor for Fire and Resilience.

Risk Management Framework

22. In March 2018, the Strategy Committee approved a new risk management strategy (2018/21) together with the roll out of a new risk management framework. During 2018/19 Internal Audit completed a review against the Alarm risk maturity assessment and found that the Brigade were at a level 3 (working) moving towards a level 4 (embedded). The results of this review also helped inform the opinion for 2018/19.
23. Risk management is one of several disciplines used to guide strategy, implement Mayoral objectives and make the best use of resources while acting properly and transparently. It is interwoven with corporate governance, business planning and performance management. Internal Audit work alongside staff to provide independent assurance on the effectiveness of the control mechanisms that are in place to mitigate identified risks. Our final audit reports are copied to the Assistant Director Strategy and Risk and any risk issues identified are considered and included within the risk management process. This has improved synergy between the two functions and facilitates an integrated approach to risk management.

Audit and Other Assurance Providers

24. Current best practice recommends the use of a 'Three Lines of Defence' model to help clarify roles and responsibilities for assurance provision. Internal Audit, along with External Audit, are responsible for providing independent assurance as a key part of the third line and are part of the Brigade's internal assurance framework. Each assurance provider has a distinct role within the process and Internal Audit liaises regularly with the second line groups, to discuss their

Governance Framework

respective plans, approach and scope of work. Collaboration between the respective assurance providers is essential to ensure that:

- All work is properly co-ordinated
- Any assurance gaps are identified
- Work is not duplicated
- Assurance provision is mapped to key risks

25. This process also provides a mechanism to ensure that resources are used efficiently and effectively and are directed to areas of highest risk and strategic importance to the LFB. Internal Audit will continue to help raise awareness of this approach.

Material Systems Work – Key Financial Controls

26. The key financial systems that are material to the audit opinion on the financial statements are reviewed using a risk-based and cyclical approach, and for 2018/19 included payroll, accounts receivable, accounts payable, cash and bank, general ledger and pensions. Internal Audit has concluded that overall the control framework for these systems is adequate with controls generally operating effectively. One area of control requires strengthening following the departure of a key member of staff and we are working with the current team to ensure the necessary improvement takes place. This includes, documenting procedures and evidencing system access, output reports and monitoring activity to provide assurance over the accurate processing of creditor data. We meet regularly with External Auditors to discuss our respective work plans and review outcomes. Whilst both sets of auditors have separate responsibilities in respect of key financial systems work, we both take assurance, where appropriate, from each other's work when forming our respective opinions.

Counter Fraud Work and National Fraud Initiative

27. The Counter Fraud and Corruption Policy and Response Plan are contained within policy documents and are published on the LFB's website .

28. The Audit Commission's powers to conduct National Fraud Initiative (NFI) work transferred to the Cabinet Office on 1 April 2015 although data matching arrangements continued as before. The pension, creditor and payroll datasets were submitted for the NFI 2018/19 exercise, with the matches received in quarter 4.

29. In quarter 4 of 2018/19 and quarter 1 of 2019/20 there were 2,024 matches over 21 reports which are to be reviewed during the year. This total includes a further 1,017 matches that were released in May, primarily pensioners in receipt of invalidity benefits. The majority of which, 986, have been reviewed in previous NFIs with no affect upon their pensions. Matches that have previously been distributed to the appropriate LFB staff and contracting bodies for review were 154 payroll matches of which 127 have been cleared and 176 pensions matches,

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with 174 cleared. A further creditors matches have been received and will be reviewed jointly with LFB Accounts Payable staff. Work will continue during 2019/20 to clear the outstanding matches.

30. The MOPAC Counter Fraud team were also involved with investigation and the provision of advice and guidance in response to the following:

- Completed a review into a pension fraud case which was referred to the Police and subsequently went to court. The defendant was the son of a widow who continued to claim her pension after her death, defrauding in excess of £18,000. He pleaded guilting in court and was sentenced to twelve months imprisonment. A confiscation order was raised however this resulted in the nominal confiscation of £1 due to the fact that there was insufficient equity in the property and low prioritisation of the confiscation orders against other debts. The confiscation benefit figure (£18,135.58) remains in force for life and can be revisited should the defendant come into any assets at some future date.
- Completed a review into a fuel shortage reported at a fire station valued at approximately £50. Following the review various prevention measures were introduced to deal with issues of security, for example access to keys and pump and a documented audit trail regarding the use of the tank and a documented hand over.
- Undertook an investigation into a potential fraud case where an invoice in excess of £4k was received for securing a saving of business rates payable, when another company was contracted to out this work. The company submitting the invoice purported to be engaged on a local basis, and the documentation provided by that company was found to be valid. LFB staff identified this could be a fraudulent invoice and there was no loss as the LFB did not make any payments.
- Completed an investigation into another pension case there were concerns over the validity of a request to change the bank account into which the pension was being paid. The investigation concluded that there was no evidence of fraud.
- There have been a considerable number of phishing emails targeting the LFB and investigations are currently underway. We have liaised with IT security and our reviews established no identifiable connection between the phishing attacks. Genuine email accounts were copied or spoofed to that it appeared they came from genuine, often public sector, organisations. No losses have been identified as a result of these emails.
- Delivered two fraud awareness sessions; one to Group Managers and another to Fire Rescue Service staff groups. The content was based around the drivers and indicators of fraud.

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31. In accordance with the government's Transparency Code, the LFB must publish information annually on its counter fraud work. This includes the total number of employees undertaking investigations and prosecutions of fraud, and the total number of fraud cases investigated. The information is published on the LFB website.
32. The 2018/19 outturn was: LFB has not used power under the Prevention of Social Housing Fraud (Power to Require Information) (England) Regulations 2014, or similar powers. The Internal Auditors allocated 45 days to counter fraud activity for 2017/18, at a cost of £16,200 which represents approximately 0.25 of one full time equivalent person. More days were used by the team than planned at the request of management. A significant number of phishing emails led to their investigations conducted by Counter Fraud including control based work around the key financial systems. The Counter Fraud team consisted of professionally accredited counter fraud specialists and ex-police officers who are qualified by experience. The allocated days were split between the provision of counter fraud awareness as well as the review and investigation of fraud referrals as shown above.

Internal Control Framework

Annual Assurance

33. Overall, Internal Audit work this year has concluded that the LFB internal control framework was adequate. We have issued 32 final audit reports this year consisting of 12 risk and assurance, 18 follow ups and two advisory reports. A breakdown of the reports reported to the Commissioner's Board (CB) for 2018/19 is shown below and includes the meeting dates to which the final reports were submitted:

Report Date	CB Date	Review Title	Assurance Rating
17/04/18	18/07/18	Budgetary Control (Follow Up)	-
20/04/18	18/07/18	Protective Security (Follow Up)	-
21/05/18	18/07/18	Capital Budgeting (Follow Up)	-
09/08/18	10/10/18	Environmental Management System	Adequate
14/08/18	10/10/18	Thematic Review of Absences and Partial Absences (Follow Up)	Adequate
19/09/18	19/12/18	Consolidated Review of Personal Protective Equipment (Follow Up)	Adequate
28/08/18	10/10/18	FRS Standby Roster System	No Assurance
24/10/18	19/12/18	Use and Control of Credit Cards	Adequate
09/10/18	19/12/18	IR35 Compliance Framework (Follow Up)	Adequate
15/11/18	13/02/19	Assurance Framework	Limited
06/12/18	13/02/19	Adult Safeguarding Framework (Follow Up)	N/A (interim)
19/12/18	13/02/19	Processing the GLA Payroll	Adequate
21/12/18	13/02/19	Station Security (Follow Up)	Adequate
12/03/19	08/05/19	Minor Capital Programme	Adequate
27/03/19	08/05/19	ICT Skills Profile	Adequate
01/04/19	08/05/19	Operational Policy – External Relations	Adequate
04/04/19	08/05/19	Learning Support Provision	Adequate
18/01/19	08/05/19	Environmental Controls at Merton Control Centre (Follow Up)	Limited
18/01/19	08/05/19	Staff Engagement (Follow Up)	Substantial
22/01/19	08/05/19	Physical Security (Follow Up)	Limited
30/01/19	08/05/19	Collaboration Planning and Preparedness (Advisory)	N/A
21/02/19	08/05/19	Development and Maintenance of Operational Professionalism (DaMOP) (Follow Up)	N/A (Interim)
26/02/19	08/05/19	Environmental Management System (Follow Up)	Adequate
04/03/19	08/05/19	ICT Project Governance (Follow Up)	Adequate
27/03/19	08/05/19	Vision Mobilising System – Realisation of the Operational Benefits (Follow Up)	Adequate

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Report Date	CB Date	Review Title	Assurance Rating
04/04/19	08/05/19	Third Party Data Assurance (Follow Up)	Adequate
16/04/19	31/07/19	Inclusion Strategy (Follow Up)	Adequate
07/05/19	31/07/19	CAMS and Station End Equipment (Follow Up)	Adequate
08/05/19	31/07/19	Governance Arrangements (Advisory)	Limited
14/05/19	31/07/19	Thematic Review of Driving on Brigade Business	Adequate
15/05/19	31/07/19	Delegate Throughput for Babcock Training	Limited
20/05/19	31/07/19	Workforce Planning	Adequate

Risk and Assurance Reviews

34. The table below provides detail of the assurance ratings provided in relation to the 12 full risk and assurance reviews, along with a comparison to the full reviews issued in 2017/18:

Overall Assurance Rating	2017/18		2018/19	
Substantial	0	0%	0	0%
Adequate	11	65%	9	75%
Limited	6	35%	2	17%
No	0	0%	1	8%
Total	17	70%	12	100%

35. While the overall number of final reports has reduced, there are a number of reviews where the fieldwork has completed, and the reports are at draft report stage. The findings from these reviews are reflected in our overall audit opinion but are not included in the table above. Indicative assurance ratings, if included above, would have a minimal impact on the percentages shown. The reviews at draft report stage (with indicative rating) are as follows:

- Contract Management - Adequate
- ICT Network Topography/ Resilience - Adequate
- Management and Control of CT Funding - Adequate
- Risk Management Framework – Risk Maturity – Level 3
- Third Party Data Assurance - Limited
- Key Financial Systems - Adequate

36. **Appendix 2** contains the definition of assurance levels. The two limited and one no assurance reviews were:

- Assurance Framework (Limited)
- Delegate Throughput for Babcock Training (Limited)
- FRS/ Control Standby Roster System (No Assurance)

Internal Control Framework

37. When we conclude on a limited assurance rating it is usually a result of the control framework requiring improvement with key controls either missing or not working as intended. In the cases shown above, key aspects of the framework, and policies and procedures, were in need of review to ensure they provided an appropriate foundation for the delivery of activity. The need to rationalise and improve policy and procedures continued as a recurring theme across the Brigade during the year, although we recognise that management respond positively to the issues identified and take prompt action to strengthen the control environment.

Follow Up Reviews

38. We liaise on an ongoing basis with the departments concerned to establish the status of the agreed actions arising from these reviews. The outcome is included in updates reported quarterly to three Commissioner's Boards which enables them to monitor the progress of implementation.

39. To evidence that agreed actions have been fully implemented we perform a full up review within six months of the issue of the final report for high risk areas and within 12 months for those that present less risk.

40. To further support the annual audit opinion during 2018/19 we now provide an updated assurance rating for our follow up reviews. The three reviews in the table below where it states "none provided" were issued prior to this change in reporting:

Overall Assurance Rating	2018/19	
None provided	3	17%
N/A Interim	2	11%
Substantial	1	5%
Adequate	10	56%
Limited	2	11%
No	0	0%
Total	18	100%

41. We undertook two interim follow ups where the original reviews had been given a limited assurance rating, namely Adult Safeguarding Framework and the Development and Maintenance of Operational Professionalism. In both cases, management had initiated a significant programme of work to achieve full implementation of the agreed actions within a set timeframe. We did not give a revised rating as the original agreed actions had not reached their due dates, but we were able to report considerable progress had been made towards achieving full implementation, including the establishment of projects to support this process. Further follow up reviews are planned in 2019/20 to ensure that full implementation concludes in a timely manner.

Internal Control Framework

42. Overall, actions are being implemented, although not necessarily within the initial agreed timescales as a number are reported as deferred to the Directorate Boards. In some instances we have raised a further action against an original action that had been fully implemented. This has occurred where in testing the effectiveness of the control we found there to be a new risk. These further actions are agreed with management and monitored through the Directorate Boards.

Systems Development and Control Advice

43. Internal Audit provide advice and assistance to departments as part of our annual plan. This can be in response to a specific request for assistance or as part of an ongoing arrangement with the department concerned. This year has seen a continued change of focus with more emphasis on advisory work to assist the LFB during this time of significant change. Areas of advice provided during the year included:

- Fire Safety Improvement Programme – provision of advice around planned improvements within the Fire Safety quality assurance function
- Management Fire Station Staff – review into management authorisation of expenses and special leave at one fire station
- Collaboration Planning and Preparedness – advisory review undertaken to support the development of the blue light collaboration agenda
- Governance Arrangements – advisory review undertaken to provide control advice around the developing new governance arrangements
- HR Service Centre Project – attendance at the project board for the purpose of providing control advice in the developing system

Acceptance and Implementation of Recommendations

44. The three Directorate Boards were provided with a detailed quarterly update on the status of reported recommendations and/or agreed actions that are outstanding. The figures shown below demonstrate how the control framework continues to improve following the implementation of agreed actions. This approach also provides more transparency and independent scrutiny which are key components of an effective governance framework.

45. From the 12 risk and assurance audits finalised during the year 2018/19, there were a total of 46 agreed actions. The status of these actions is monitored throughout the year by the Directorate Boards and published under the LFB's transparency agenda.

46. We continue to liaise with the departments concerned to determine the current status of the remaining outstanding recommendations and an update will be reported to the Directorate Board in our quarter 1 update for 2019/20.

Internal Audit Performance

Strategic Approach

47. We continued to use a risk based approach to our annual planning cycle linked, where possible, to the Brigade's corporate and departmental risks. As part of this process we discussed and agreed with Commissioner's Board members and Heads of Service the areas upon which they required objective assurance. We used this approach during our assignment planning and delivery, making sure that our work focussed primarily upon reviewing key risks and areas that were identified as material to achieving business objectives. In addition, we continued providing assurance on the management of ICT risks in collaboration with an outsourced provider. This approach is designed to meet the statutory requirement for an annual opinion on the adequacy and effectiveness of the internal control environment, whilst recognising this is a time of significant change with a demand for improving efficiency and achieving better value for money.
48. Completion of the 2018/19 annual plan has enabled the Head of Internal Audit to provide an opinion on the effectiveness of the control environment, which in turn informs the AGS published with the Annual Accounts. The 2018/19 plan contained a reduction of 86 audit days (from 859 to 773), and our review of this during the year provided confirmation that this did not adversely affect delivery of the audit plan or our ability to provide an annual audit opinion on the adequacy and effectiveness of the risk and control environment. As a result, the reduction was made permanent for 2019/20. We have worked in consultation with management, striking the appropriate balance between providing assurance, challenge and advice. We also look to report on opportunities for improving efficiency and value for money in all aspects of our work.

Planning and Delivery

49. Internal Audit have a range of Key Performance Indicators (KPIs) to monitor performance and identify any areas for improvement. These are both qualitative and quantitative measures.
50. We completed 100% of the agreed 2018/19 audit plan to report stage with 84% at final report and 16% at draft report stage. This exceeds our target of 90%.
51. Of the planned audits finalised this year 87.5% were completed within budget subject to authorised revisions, and we will work to improve this outturn during 2019/20.
52. Internal Audit issue post audit questionnaires to the recipients of full audit reports at the conclusion of each review to monitor the effectiveness of our current programme of work and to identify any areas where we could be of assistance in the future. The responses received this year indicate a high level of satisfaction. On a scale of 1 to 5 with 5 being the highest, all responses were 4 or above.

Internal Audit Performance

53. We also monitor timeliness at key stages of each review. For the 32 final reports issued the following outturn was reported:

KPI	Target	Result
DARA issue draft report to the client within 15 working days of fieldwork completing for full reviews and 10 days for follow up reviews	90%	91%
LFB management respond to draft report within 15 working days of issue of draft report	90%	69%
DARA issue final report to client within 5 working days of management response for	90%	94%

54. The target for LFB management response within 15 working days of receipt of draft report was not achieved and we will work with management to identify any underlying trends and/or reasons for this to facilitate improvement. It may be that these response targets are not sufficiently articulated or reported on within LFB and this is something that we will address during 2019/20.

55. Three reviews were cancelled during the year at the request of management. These were the Digital Transformation Strategy (which will be reviewed at a later date), the Management of Personal Injury Claims and Standby Travel Arrangements. The budgeted days for these reviews were used to support more in-depth work undertaken in relation to the key financial systems and for two additional reviews requested by management around Environmental Management Systems and Operational Policy-External Relations.

Working in Partnership

External Review Agencies

56. Internal Audit has effective working relationships with the External Auditors and we work in liaison with them to optimise the use of resources and avoid duplication.

Audit Forums

57. The MOPAC Director of Audit, Risk and Assurance is a panel member of the CIPFA Better Governance Forum. We also contribute to the London Audit Group and sub-groups set up to exchange best practice on auditing procurement, major contracts and ICT. Our involvement ensures we keep at the forefront of professional developments and provide a responsive audit service.

Counter Fraud Groups

58. MOPAC DARA work with other public sector bodies to combat fraud and to develop an effective counter fraud response. We are represented on the steering group of the London Public Sector Counter Fraud Partnership, which brings

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together over 120 local authority, central government and NHS bodies to promote counter fraud activity and share good practice. We will use our knowledge and experience in this area to assist our work in the Brigade where appropriate in the coming year.

Shared Internal Audit Services

59. DARA is the lead internal audit provider to the GLA group, delivering services to the GLA, London Fire Brigade, London Legacy Development Corporation, Old Oak and Park Royal Development Corporation and also provides a service to the National Police Chiefs Council. This has resulted in monetary savings as well as synergy across the GLA group and provides the opportunity to optimise the use of all available professional and specialist audit skills. We continue to work in partnership with the private sector drawing from a GLA wide framework agreement to meet our specialist ICT audit resource requirements.

Professional Standards

60. All MOPAC DARA work is conducted in line with professional standards and recognised best practice. The Public Sector Internal Audit Standards (PSIAS) provide the benchmark for the delivery of our service, including the requirement for all of the audit team to be professionally qualified.

Equalities and Diversity

61. Auditors and investigators receive appropriate training in equality and diversity issues and their performance within the Brigade is monitored as part of our internal quality assurance process. Our work is designed to provide as wide a range of coverage of the Brigade as is possible and practicable.

Assurance Criteria

Overall Rating	Criteria	Impact
Substantial	There is a sound framework of control operating effectively to mitigate key risks, which is contributing to the achievement of business objectives.	There is particularly effective management of key risks contributing to the achievement of business objectives.
Adequate	The control framework is adequate and controls to mitigate key risks are generally operating effectively, although a number of controls need to improve to ensure business objectives are met.	Key risks are being managed effectively; however, a number of controls need to be improved to ensure business objectives are met.
Limited	The control framework is not operating effectively to mitigate key risks. A number of key controls are absent or are not being applied to meet business objectives.	Some improvement is required to address key risks before business objectives can be met.
No Assurance	A control framework is not in place to mitigate key risks. The business area is open to abuse, significant error or loss and/or misappropriation.	Significant improvement is required to address key risks before business objectives can be achieved.