



LONDON FIRE BRIGADE

Decision title

Internal Audit – Quarter 2 Progress Report, 2019/20

Recommendation by

Head of Internal Audit

Decision Number

LFC-0261-D

Protective marking: **NOT PROTECTIVELY MARKED**

Publication status: Published in full

Summary

Report LFC-0261 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 second quarter of 2019/20. It provides an assessment of the adequacy and effectiveness of the internal control framework within the Brigade.

Decision

The Commissioner notes:

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

Dany Cotton QFSM
London Fire Commissioner

Date 28-11-19

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LONDON FIRE BRIGADE

Report title

Internal Audit – Quarter 2 Progress Report, 2019/20

Report to	Date
Operations DB	16/10/19
Safety and Assurance DB	24/10/19
Corporate Services DB	29/10/19
Commissioner's Board	06/11/19

Report by	Report number
Head of Internal Audit	LFC-0261

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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 second 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: Notes

1. The work undertaken by Internal Audit during the second quarter of 2019/20;
2. The work planned for quarter three of 2019/20; and
3. 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 two, 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 no equalities implications.

List of Appendices

Appendix	Title	Protective Marking
1.	Internal Audit Progress Report Quarter 2, 2019/20	Not protectively marked

Commissioner's Board

6 November 2019

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 second 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 14 August 2019.

2. Recommendations

That the Commissioner:

1. Notes the work undertaken by Internal Audit in the second quarter of 2019/20.
2. Notes the work planned work for quarter three 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 10 final reports; five risk and assurance, four 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.

	Date of Issue	CB Reported	Review Title	Assurance Rating
1	17/07/19	06/11/19	Babcock Contract Management Review	N/A
2	30/07/19	06/11/19	Environmental Management System	Adequate
3	01/08/19	06/11/19	Risk Maturity Assessment	N/A
4	05/08/19	06/11/19	Risk Management (Follow Up)	Substantial
5	07/08/19	06/11/19	Completion of Babcock Training (Follow Up)	Adequate
6	16/08/19	06/11/19	Road Safety Act 20016-Section 19 (Advisory)	N/A
7	20/08/19	06/11/19	Assurance Framework (Follow Up)	Limited
8	27/08/19	06/11/19	Thematic Review of Health and Safety (Follow Up)	Adequate
9	05/09/19	06/11/19	Management and Control of Counter Terrorism Funding	Adequate
10	17/09/19	06/11/19	ICT Network Resilience/ Topography	Adequate

3.2 Babcock Contract Management Review

This was a contract management review of the fleet contract and was completed by specialist external resource from RSM. The review focussed on contract management practices rather than risk and control and therefore no assurance rating was awarded.

The review identified that the contract was managed well at the operational level, but that improvement could be made to ensure that it delivered value at all levels. The resulting 10 actions related to developing contract management documentation, ensuring that the governance structure was effective, data reconciliation and integrity, performance management through key performance indicators, change management, risk management, financial monitoring and influencing the contractor.

3.3 Environmental Management System

The objective of the review was to provide assurance on specific elements of the ISO 14001 accreditation framework, namely section 6.1.3 (Compliance) and 6.1.4 (Planning).

The compliance element looked at the adequacy of the data in relation to the waste recycling contract. It was identified that the obligations placed on the contractor to provide the data was adequately documented and that waste collection reports were being received. Three medium priority actions were raised around ensuring timely receipt of the data, data validation exercises to ensure that contractor data is accurate and appropriate maintenance of meeting minutes.

The planning element found that the Sustainability team developed a three-year programme to drive monitor their planning activity and that they have a programme of environmental audits that they complete annually. No actions were raised around planning.

3.4 Risk Maturity Assessment

This was not a risk and assurance review, instead it was an assessment of the Brigade's risk maturity against the ALARM risk management framework, which is used to established how embedded risk management is within an organisation. It provides five levels of outcome, and the Brigade was assessed at being a level three and working towards a level four. The Business Management team have agreed to use the outcomes of the review to determine how to further embed risk management across the Brigade.

3.5 Follow Up of Risk Management

The original report was issued in May 2018 and contained three medium priority actions. Our follow up work identified that each of these had been fully implemented resulting in a revised assurance rating of substantial being provided.

3.6 Follow Up of Thematic Review of Completion of Babcock Training

The original report was issued in May 2018 and contained two medium and one low priority actions. Our follow up work identified that both of the medium priority actions had been fully implemented. The low priority action was around dip sampling of compensatory leave due to attendance at courses an this action had not commenced. We were advised by management that this would now be introduced, and as we no longer issue low risk actions no further follow up work will be undertaken.

3.7 Advisory Review of Road Safety Act 2006 – Section 19

The final report provided advice and guidance to management in relation to preparations for the potential enactment of Section 19 of the Act relating to drivers exempt from normal speed limits including blue light organisations.

3.8 Follow Up of Assurance Framework

The original report was issued in November 2018 and contained four actions, including one high priority action in relation to developing an assurance framework. This action was found not to have been completed due to a lack of capacity due to the Fire Resilience Emergency Planning Committee (FREP), Her Majesty's Inspectorate of Constabulary and Fire & Rescue Services (HMICFRS) inspection and Brexit planning. It is anticipated that this work will now be completed by April 2020. Each of the remaining three actions were given a medium rating and our fieldwork identified that two had been fully implemented and one not implemented. The action identified as not implemented was around determining the appropriate level of reporting in relation to assurance, but as this was linked to the development of the assurance framework it has also been delayed. Two further actions were raised as a result of our follow up review.

3.9 Follow Up of Thematic Review of Health and Safety

The original report was issued in May 2018 and included three medium priority actions. One action around exploring potential improvements to the database used for recording the routine inspections was progressed but resulted in the identified risks being accepted as the mitigations were either not possible or the costs involved were too high. One action around Property working to improve the management of repairs and communications with stations had been fully implemented and another action around the consistency of HS2 inspections was partly implemented, as although a communication was issued a number of stations have not received these regular union led inspections.

3.10 Management and Control of Counter Terrorism Funding

The objective of the review was to provide assurance that there is a strategic framework in place to support the management and control of funding relative to counter terrorism (CT) activity.

Areas of effective control included defined requirements in the London Safety Plan, clear understanding of the funding streams and segregation of grant funds allowing any terms associated with grant agreements to be monitored. CT funded activities are effectively overseen through the Operational Resilience Group's monthly departmental management board meetings, and financial monitoring meetings also take place monthly between the DAC for Operational Resilience & Special Operations Group and Finance.

The final report resulted in seven medium priority actions. These included development of service-level plan identifying each of the approved work streams and aligning these to strategic objectives, forecasting anticipated expenditure taking into account the underspend on the smoke filled environment accounting line and assessing the impact of future funding reductions. Other actions were around including an indication of cost in the forward programme decision papers, review of Mass Casualty Recovery project documents and development of a new performance tracking tool.

3.11 ICT Network Resilience/ Topography

The objective of the review was to provide assurance that the ICT network is effectively managed to meet the needs of the Brigade.

Areas of effective control included team understanding of networking standards. The network topography incorporates a range of controls which support IT operations continuity and that a network security policy is in place which defines key policies and processes in securing the network.

The final report resulted in one high and five medium priority actions. The high priority action was around documenting the power downs cycle and key network

operating practices, and the medium priority actions were around defining a suitable security standard to operate within, commissioning an annual penetration test, documenting power down and recovery tests, developing a network strategy linked to the ICT strategy and formally setting and monitoring key performance measures for the network.

- 3.12 All of the planned full reviews for the 2018/19 financial year have been completed, the findings agreed with management and the final reports issued.
- 3.13 The following 2019/20 risk and assurance reviews are currently underway and each is nearing the end of fieldwork or fieldwork has completed and we are in the process of drafting the report:
- Data Protection Compliance Framework (formerly GDPR Compliance Framework)
 - Fire Safe and Well Pilot
 - Fire Safety Enforcement Framework
 - Identification and Management of High Risk Legal Cases
- 3.14 We have also commenced an advisory review around overtime within one specific group which has been undertaken at the request of management.
- 3.15 The planned review of Attendance Management Framework has now been removed from the 2019/20 plan. A new attendance management policy is due to be promulgated later this year meaning that our testing would be against the existing policy rather than the new one, and therefore any findings are likely to be of limited value.

4. Planned Quarter Three Work

- 4.1 Four risk and assurance reviews are due to commence in quarter 3, including:
- Academic Sponsorship
 - Thematic Review of Discipline at Fire Stations
 - Thematic Review of Operational Assessment and Promotion
 - Thematic Review of Station Repairs
- 4.2 The Adult Safeguarding second follow up has been deferred to quarter three as we became aware that implementation had been delayed. As the findings in the original review were high priority a focus on the quality of implementation rather than adhering to deadlines was considered the best approach.
- 4.3 We will also commence follow up reviews for the following:
- Cyber Security Controls
 - Disciplinary Framework
 - Environmental Management Systems

5. Counter Fraud Activity

- 5.1 National Fraud Initiative matches have been reviewed by DARA in this quarter. No frauds have been identified to date and two data entry errors identified and been rectified.
- 5.2 The total number of referrals is 2,025; with 1,516 matches reviewed and closed and 509 under investigation.
- 5.3 We are liaising with the Local Pensions Partnership on the 232 outstanding LFB pensions matches.
- 5.3 The review has included 727 Creditors matches, 476 have been reviewed and closed and 251 are under investigation.
- 5.4 One Creditors match reported that the same bank account was held on the creditors system for two different suppliers. At data capture or amendment another creditor's bank account details had been entered in error. This had resulted in a payment of £159 being made to the wrong creditor, which has subsequently been recovered. The creditors bank details have been corrected and the payment has been made to them.
- 5.5 One Creditors match reported potentially incorrectly paid VAT. The correct VAT was paid to the creditor, but a data input error resulted in a £100 VAT overstatement in the accounts, which has been rectified by Finance.
- 5.6 A review has commenced into management of a petty cash imprest and the team are supporting the advisory review into overtime referred to in paragraph 3.14.
- 5.7 Delivery of counter fraud presentations to Station Managers and Group Managers have been scheduled for March 2020, and these will be focused on the devolvement of responsibilities under the role to rank project. More general counter fraud presentations for FRS staff have been agreed with Finance, but dates are yet to be confirmed.

6. Internal Control Framework

- 6.1 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.
- 6.2 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.

7. 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.

8. 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.

9. Contact Details

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10. 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

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