



LONDON FIRE BRIGADE

Decision title

Internal Audit – Quarter 2 Progress Report, 2020/21

Recommendation by
Head of Internal Audit

Decision Number
LFC- 0430- D

Protective marking: **NOT PROTECTIVELY MARKED**

Publication status: Published in full

Summary

Report LFC- 0430 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 2020/21. It provides an assessment of the adequacy and effectiveness of the internal control framework within the Brigade.

Decision

That the London Fire Commissioner:

1. Notes the work undertaken by Internal Audit during the second quarter of 2020/21 attached in Appendix 1 of report LFC- 0430.
2. Notes the work planned for quarter three of 2020/21.
3. Notes Internal Audit's current assessment of the adequacy and effectiveness of the internal control.

Andy Roe
London Fire Commissioner

This decision was remotely signed
Date on Monday 14 December 2020

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Report title

Internal Audit – Quarter 2 Progress Report, 2020/21

Report to	Date
Operational Delivery DB	21 October 2020
Corporate Services DB	27 October 2020
People DB	27 October 2020
Commissioner's Board	4 November 2020
Transformation Board	9 November 2020
London Fire Commissioner	

Report by	Report number
Head of Internal Audit	LFC-0430

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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 2020/21. 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 second quarter of 2020/21 attached in Appendix 1.
2. Notes the work planned for quarter three of 2020/21.
3. Notes Internal Audit's current assessment of the adequacy and effectiveness of the internal control framework.

Background

1. MOPAC's Directorate of Audit, Risk and Assurance have been providing the internal audit service to the London Fire Brigade since 2012 under a shared service agreement.
2. Quarterly reports are provided to the Commissioner's Board on the progress of Internal Audit's work against the annual audit plan agreed in March 2019 for the financial year 2019/20 and March 2020 for the financial year 2020/21.

3. The report at Appendix 1 provides an update on the work completed to quarter two, 2020/21, and our opinion of the current assurance level of the internal control framework.

Finance comments

4. Under the Accounts and Audit Regulations 2015 ('Regulations'), 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 of the Regulations in helping management to discharge their responsibilities by evaluating the effectiveness of internal control, risk management and governance processes.
6. The Internal Audit arrangements are carried out under a shared service arrangement with MOPAC and the audit reviews are agreed as part of the annual audit plan and managed within the approved budget.

Workforce comments

7. This report has no impact on the workforce.

Legal comments

8. This report is presented for information only, and no direct legal implications arise.
10. The Local Audit and Accountability Act 2014 defines the London Fire Commissioner (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 Commissioner'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 on behalf of the Commissioner.
13. The attached quarterly report at Appendix 1 is provided in accordance with the legislative and internal governance requirements set out above, and the report author confirms it 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 2, 2020/21	Not protectively marked

Commissioner's Board

4 November 2020

Directorate of Audit, Risk and Assurance Progress Report

Report by: The Director of Audit, Risk and Assurance

1. Report Summary

This report summarises the work carried out under the Internal Audit Shared Service Agreement by the Directorate of Audit, Risk and Assurance (DARA) in the second quarter of 2020/21. 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 12 August 2020.

2. Recommendations

That the Commissioner:

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

3. Reviews Completed This Quarter

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

	Date of Issue	CB Reported	Review Title	Assurance Rating
1	24/08/20	04/11/20	Follow Up Assurance Framework	Limited
2	11/09/20	04/11/20	Operational Assessment and Promotions *	Limited
3	11/09/20	04/11/20	Recruitment Strategy for Operational Staff *	Limited
4	02/10/20	04/11/20	Follow of Control & Mobilising and Station End Equipment	Substantial
5	05/10/20	04/11/20	Follow up of FRS Standby Roster System	Substantial

* Denotes reviews from the 2019/20 annual plan and not the 2020/21 plan

3.2 Assurance Framework (Follow Up)

We originally reviewed Assurance Framework in November 2018 and concluded our first follow up review in August 2019. Since the previous follow up a significant amount of change has taken place, including the roll out of the Transformation Delivery Plan, the establishment of Transformation Directorate and the recruitment of a Director to head it. Included in the Director for Transformation's remit is the assurance framework, and the work undertaken against our original review has been superseded. As the actions had not been completed, nor an assurance framework established we were unable to increase the assurance rating from limited.

3.3 Operational Assessment and Promotions

This review sought to provide assurance on the effectiveness of the control framework for ensuring approved promotion rounds are completed promptly and fairly, and that applicants have sufficient information to support their progress throughout the process. Our review looked at the processes in place from application stage to promotion/ employment; we did not look at the decisions to undertake individual promotional rounds or how these were advertised.

Areas of effective control included the production of information/ documentation for promotion rounds which are based on role maps with the rounds commencing with the highest rank and concluding with the lowest to accommodate natural gaps caused by progression through the ranks. Statements around valuing diversity are included as standard in adverts and People Services reviewed the protected characteristics in May 2019. Candidates are assessed at the assessment centre against a score of four on scripts provided centrally, and assessors are currently being provided with appropriate training.

This review received a limited assurance rating as key elements of an effective control framework were absent or were not being applied consistently. This included the need for documented guidance and/or procedures for the end to end process to help ensure fairness and consistency; for instance, in determining the content of an advertisement, the scheduling and resourcing assessments, allocating assessors, processing the outcomes from assessments, assigning successful candidates to positions and monitoring compliance to the Public Sector Equality Duty. Providing clear guidance to users provides the framework against which activity can be measured and reported on.

There was also a need to define more clearly the purpose, roles and responsibilities of the plenaries which play a key role in determining the placement of successful candidates. Records of meeting discussions and decisions made at the panels are not documented with the resulting lack of transparency leading to potential challenge and an inability to demonstrate fairness and clear justification for the decisions made. This could impact upon delivery of the Togetherness Strategy objectives. The system would also benefit from a degree of independent oversight from People Services to provide further assurance over its effective operation.

3.4 Recruitment Strategy for Operational Staff

This review focussed on providing assurance over the effectiveness of the current control environment supporting the operation of the trainee firefighter recruitment campaigns to help inform the development of the recruitment strategy going forward.

Areas of effective control included the Recruitment and Talent Board whose remit is to manage interdependencies, discuss current campaigns and identify any areas of good practice or improvement. To support the continual need for trainees, recruitment rounds are undertaken twice each year and Equality Impact Assessments are completed. A programme of training for assessors was also being rolled out to help ensure consistency, there is adequate opportunity for candidates to feed back on their assessment day and metrics looking at the progress of staff through the process are collated and reviewed at the Recruitment and Talent Board.

We recognise that this is a fast moving, developing landscape with considerable activity taking place. External advice has also been sought on key aspects of delivery which is helping to address under representation across the Brigade. This review, however, received a limited assurance rating as key components of an effective control framework were absent or had yet to be applied. A recruitment strategy with clearly defined objectives and accountabilities, aligned to the Brigade's strategic objectives, had yet to be developed but will help to rationalise activity, formalise the direction of travel and support the change processes that are underway. Documenting the assessment criteria for campaigns and creating performance metrics that are linked to objectives and which include all aspects of delivery will enhance oversight and performance measurement. It is likely that further progress has been made since our fieldwork was completed and it is our intention to re-visit this area on an ongoing basis to provide advice and assurance as the framework continues to develop and mature.

3.5 Control & Mobilising and Station End Equipment (Follow Up)

We initially reviewed CAMS and Station End Equipment in October 2017 where we provided a limited assurance rating. We followed up on the implementation of the 10 actions that arose from that report in May 2019 and concluded the control environment had improved with the full implementation of eight of the original agreed actions, and the partial implementation of the remaining two. As a result, two further actions were agreed to improve the management of the key risks. This review followed up on the two medium risk further actions that were accepted, and found that both had been fully implemented resulting in an increase in the assurance rating to substantial assurance.

3.6 FRS Standby Roster System

We originally reviewed FRS Standby Roster System in August 2018 which resulted in a rating of no assurance being provided and two high priority actions. We completed a follow up review in June 2019 which identified that both actions had been partly implemented resulting in an improved assurance rating of adequate and two further actions. This review followed up on the two further actions from the previous follow up review which were aimed at further improving the control environment and found that both had been fully implemented resulting in an increase in the assurance rating to substantial assurance.

4. **Other Activity for This Quarter**

- 4.1 Social Media is the final review outstanding from the 2019/20 annual plan, the draft report has now been issued and we are awaiting management responses to enable us to issue as a final report.
- 4.2 From the 2020/21 annual plan we have issued one draft follow up report:
- Delegate Throughput for Babcock Training
- 4.3 Fieldwork is underway for a further six risk and assurance reviews:
- Budgetary Control
 - Contract Management
 - Control and Mobilising Improvement Plan
 - Digital Transformation
 - Leadership Programme
 - Operational Support Group – Financial Management
- 4.4 Fieldwork is also underway for four follow up reviews:
- Inclusion Strategy
 - Overtime at the Protective Equipment Group
 - Road Safety Act 2006 – Section 19
 - Thematic Review of Driving on Brigade Business
- 4.5 A Terms of Reference is in the process of being agreed with management around the annual review of the Environmental Management Systems.

4.6 Our planned review of Covid 19 Response, Recovery and Renewal will not now take place due to the HMICFRS inspection in this area. Instead, we have agreed to issue an advisory note providing advice and guidance.

5. Planned Quarter Two Work

5.1 Internal Audit will seek to complete the outstanding 2019/20 review at the earliest opportunity.

5.2 The reviews outlined in paragraph 4.3, 4.4 and 4.5 above will be progressed in agreement with management.

5.3 We will develop Terms of Reference for two station based reviews; one around operational equipment and the other the management of special leave.

6. Counter Fraud Activity

6.1 National Fraud Initiative 2018/19 (NFI) matches - the total number of referrals remains at 2,025; with 1,998 matches reviewed and closed and 27 under investigation. The review included 727 Creditors matches, 700 have been reviewed and closed and the 27 matches remaining are the only NFI cases still under investigation. The manual creditor files arrived as lockdown commenced and were then returned to archive are being recalled to Union Street again to allow audit inspection to resolve the 27 matches. The NFI have extended their planned closure date to allow for such circumstances.

6.2 NFI 2020/21 – Payroll have provided their data and creditor data will be provided in time for checking prior to upload to the NFI website in early October. LPP upload the pensions data directly to the NFI. NFI will then process and match the LFB data sets against each other and the data of other participants. From 28 January 2021 onwards the NFI matches will be available for review and investigation.

6.3 In early August the HR helpdesk received a report from an east London cemetery that had received two suspect telephone calls from what appeared to be the same person claiming to be an LFB employee. Each time the voice appeared to be the same, but a different name was given. The caller requested large sums of money for services they claimed the LFB had supplied to the cemetery. IT reported the matter to Action Fraud.

6.4 In mid-September a phishing email to the Payroll Manager purporting to be from a senior IT employee was immediately identified upon receipt and reported to the IT Phishing mail box. IT reported the matter to Action Fraud.

7. Internal Control Framework

7.1 Our control environment opinion has remained adequate as a result of the work completed to date, including those at fieldwork stage. A full list of the reviews completed against the 2020/21 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, Internal Audit 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 2020/21 annual plan

Progress Against the 2020/21 Annual Plan

To date Internal Audit have issued the following risk and assurance reports:

	Date of Issue	CB Reported	Review Title	Assurance Rating
			None to date	

To date Internal Audit have issued the following follow up reports:

	Date of Issue	CB Reported	Review Title	Assurance Rating
1	24/08/20	04/11/20	Assurance Framework	Limited
2	02/10/20	04/11/20	Control & Mobilising and Station End Equipment	Substantial
3	05/10/20	04/11/20	FRS Standby Roster System	Substantial

To date Internal Audit have issued the following advisory reports:

	Date of Issue	CB Reported	Review Title	Assurance Rating
			None to date	

Assurance Criteria

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