

Report title

Internal Audit – Quarter 3 Progress Report, 2020/21

Report to	Date
Corporate Service Directorate Board	16 February 2021
Commissioner's Board	24 February 2021
Audit Committee	24 May 2021
London Fire Commissioner	

Report by	Report number
Head of Internal Audit	LFC-0492

Protective marking: **NOT PROTECTIVELY MARKED**

Publication status: Published in full

I agree the recommended decision below.



Andy Roe
London Fire Commissioner

Date **This decision was remotely signed
on Thursday 11 March 2021**

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 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 third quarter of 2020/21 attached in Appendix 1.
2. Notes the work planned for quarter four 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 and the Audit Committee on the progress of Internal Audit's work against the annual audit plan agreed March 2020 for the financial year 2020/21.
3. The report at Appendix 1 provides an update on the work completed to quarter three, 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.
9. The Local Audit and Accountability Act 2014 defines the London Fire Commissioner (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)).
10. 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.
11. Under an agreement dated 26 November 2012, the Mayor's Office for Policing and Crime discharges internal audit functions on behalf of the Commissioner.

12. 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

13. This report has no sustainability implications.

Equalities implications

14. 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.
15. 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.
16. 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.
17. 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.
18. 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.
19. 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.

20. 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.
21. An Equality Impact Assessment (EIA) has not been undertaken.
22. 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, 2020/21	Not protectively marked

Commissioner's Board

24 February 2021

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 third quarter of 2020/21. It also provides an assessment of the adequacy and effectiveness of the internal control framework for all Internal Audit final reports issued since the last report to the Commissioner's Board on 4 November 2020.

2. Key Considerations for the Board

- Of the six risk and assurance reviews issued; two received a substantial assurance rating meaning control framework is sound and operating effectively, three received an adequate assurance rating where key risks are generally being managed with some areas of improvement identified, and one received a limited assurance rating where the control framework is not operating effectively to manage key risks.
- The limited assurance review was for the Outreach Programmes – Safety Mobilisation Centre where we identified a lack of effective control around project management. This issue was also highlighted in our Digital Transformation Strategy review and is an emerging theme in two reviews that have not yet concluded; Control and Mobilising Improvement Plan and Leadership Programme. We recognise, however, that work is underway to improve programme/project governance and oversight within key change projects. This will be essential to support both the delivery of the Transformation Delivery Plan and also the achievement of the wider Brigade objectives.

- Effective engagement has been maintained, although scheduling reviews can be challenging at times due to the volume of change currently taking place across the Brigade. We will continue to work with senior managers to address this.

3. Reviews Completed This Quarter

3.1 Since our last update Internal Audit have issued 14 final reports; six risk and assurance reviews, six follow ups and two 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	28/10/20	24/02/20	Social Media	Substantial
2	11/11/20	24/02/20	Delegate Throughput for Babcock Training (Follow Up)	Limited
3	16/11/20	24/02/20	Workforce Planning (Follow Up)	Adequate
4	30/11/20	24/02/20	Overtime at the Protective Equipment Group (Follow Up)	Adequate
5	30/11/20	24/02/20	Road Safety Act 2016 – Section 19 (Follow Up)	Adequate
6	04/12/20	24/02/20	Contract Management	Adequate
7	07/12/20	24/02/20	Thematic Review of Driving on Brigade Business (Follow Up)	Adequate
8	16/12/20	24/02/20	Inclusion Strategy (Follow Up)	Adequate
9	17/12/20	24/02/20	Environmental Management Systems	Substantial
10	04/01/21	24/02/20	Digital Transformation Corporate Issues (Advisory)	N/A
11	07/01/21	24/02/20	Operational Support Group – Financial Management (Advisory)	N/A
12	13/01/21	24/02/20	Digital Transformation	Adequate
13	22/01/21	24/02/20	Key Financial Systems - Budgetary Control	Adequate
14	25/01/21	24/02/20	Outreach Programmes – Safety Mobilisation Centre	Limited

3.2 Social Media

This review sought to provide assurance that the framework established by management to support the effective use of social media is robust and being complied with.

Areas of effective control included the development of a new policy (PN944 - Social media policy for London Fire Brigade) in May 2019 to provide governance for the use of social media through corporate accounts, and also for individuals. The launch of

the policy note was appropriately advertised and following this a Social Media Accounts Board was established to oversee the approval of any new corporate accounts requested. Access to the corporate accounts is appropriately managed and training is provided on the use of them, which is monitored by the use a dedicated application. This can also be used to monitor platforms for LFB related activity on accounts not belonging to LFB.

No actions were raised as a result of this review.

3.3 Delegate Throughput for Babcock Training (Follow Up)

The original report was issued in May 2019 and resulted in a limited assurance rating with one high priority action and three medium. The follow up review identified that an Operational Licence report and supporting Training Policy had been drafted, and review of these documents found that they defined the risk critical skills required for operational staff and the frequency of either refresher training or revalidation following initial acquisition. However, the report and policy note had not been approved and promulgated meaning that the original high priority risk had not been mitigated. A further action was raised and the assurance level remained limited.

Other areas of improvement were the establishment of a cross departmental working group to support more effective scheduling of courses, and the draft Terms of Reference was expected to be approved at the next meeting.

3.4 Workforce Planning (Follow Up)

The original report was issued in May 2019 and resulted in two medium priority actions. Both actions were found to be partly implemented and no further actions were raised as the key risks identified were being addressed. A recruitment strategy had been drafted and is currently subject to submission to Directorate Boards and then the Trade Unions for consultation, and lessons learnt was a topic discussed at the Workforce Planning Review Group.

3.5 Overtime at the Protective Equipment Group (Follow Up)

The original report was issued in November 2019 and resulted in one high and three medium priority actions. The follow up identified the high risk action was no longer relevant as the overtime identified in the original review was an ongoing need due to staffing shortages; at the time of follow up overtime was no longer used for respiratory protective equipment (RPE) purposes following a successful recruitment campaign and stricter monitoring of workflow. However, if the need for RPE overtime was to return a framework would need to be developed for the use of overtime as its use was outside of Brigade policy. Review would need to include the use of annual leave and weekend working practices. The three medium priority actions were found to be fully implemented.

3.6 Road Safety Act 2016 – Section 19 (Follow Up)

The original report was issued in August 2019 and resulted in two high and two medium priority actions and limited assurance rating. Follow up fieldwork identified that two actions had been fully implemented and two partly implemented. Of the two partly implemented actions; one was high priority and one medium, and both related to Babcock driver trainers and ensuring that their qualification logs and continuous professional development are up to date.

3.7 Contract Management

Her Majesty's Inspectorate of Constabulary and Fire and Rescue Services (HMICFRS) recommended that the Brigade should undertake a review of contract management arrangements of its major suppliers. The objective of the Internal Audit review was to provide assurance on the effectiveness of the control framework in place to meet the objectives of the action plan approved to support the HMICFRS recommendation.

Areas of effective control included the objectives of the action plan being appropriately defined, the actions being clearly documented with allocated action owners and implementation dates. Regular reporting on progress of delivery was taking place to the Transformation Directorate under the Transformation Delivery Plan.

The report resulted in four medium priority actions; the need for formal review of the contracts register to ensure that it is up to date and accurate, the need to ensure a consistent process for the closure of expired contracts on the database, roles and responsibilities within the contract management framework to be clearly defined and documented and a process for ensuring that contract variation documents have been uploaded.

3.8 Thematic Review of Driving on Brigade Business (Follow Up)

The original report was issued in May 2019 and resulted in seven medium priority actions. Follow up work confirmed that four actions had been fully implemented, two partly implemented and one not implemented. Key issues outstanding included a review of PN813 (Authority to drive Brigade vehicles) which had not concluded as it had been subject to a major rewrite. Further work was required around ensuring that some operational staff, and non-operational staff who are required to drive, are included in the driving licence database and therefore subject to annual licence checks. No action had been taken around the use of random drugs and alcohol tests for drivers and the risk has been accepted by management.

3.9 Inclusion Strategy (Follow Up)

We initially reviewed the Inclusion Strategy in March 2018 where we provided an adequate assurance rating. We followed up on the implementation of the five actions that arose from that report in April 2019 and concluded the control environment had improved with the full implementation of two of the original agreed actions, and the partial implementation of the remaining three. As a result, three further, medium priority, actions were agreed to improve the management of the key risks. This follow up of the three further actions found one had been fully implemented, while the two partly implemented actions concerned the development of a Talent Management Framework which forms part of the Recruitment Strategy and the updating of the Harassment Complaints Procedures which was under consultation with staff associations. No further actions were raised as the outstanding issues were subject to an established timetable for implementation.

3.10 Environmental Management Systems

We undertake an annual review of the Brigade's ability to demonstrate compliance to the ISO 14001:2015 certification for environmental management systems. This year's review focused on clause four (Context of the Organisation) and also the use of data in relation to buildings energy use. No issues were identified, and no actions were raised.

3.11 Operational Support Group – Financial Management (Advisory)

Staffing changes within the Operational Support Group resulted in a request for advice around financial management to support delivery of the service. The report incorporated corporate requirements and best practice frameworks in relation to budget management, procurement and contract management and provided practical advice around implementation within the department.

3.12 Digital Transformation / Digital Transformation Corporate Issues (Advisory)

The objectives of the Digital Transformation review were to provide assurance on the adequacy of the arrangements established to ensure that ICT project development and workstreams meet the needs of the Brigade.

Areas of effective control included the development of the strategy for the period 2020/23 including the vision and setting the direction of travel, and the development of a workplan to deliver work in accordance with an action in the Transformation Delivery Plan.

The report contained two medium priority actions; one around establishing a performance framework to measure delivery of the strategy, which was not agreed by management, but the other around introducing an action log of decisions at management meetings be introduced was accepted.

As part of this review we identified wider issues around corporate grip, co-ordination and oversight of strategy delivery that could impact on effective delivery of individual workstreams in accordance with Brigade needs. These issues are not within the remit of the ICT Department and we agreed with senior management that it would be better to report any corporate issues separately to the Director for Transformation. The resulting advisory report contains suggested actions that could help to inform the activity that is currently underway within the Transformation Directorate.

3.13 Key Financial Systems - Budgetary Control

The objective of the review was to provide assurance on the effectiveness of the control framework in place to support budgetary control in relation to revenue budgets.

Areas of effective control included; a defined budget setting process, the availability of Financial Management Guidance outlining the budget monitoring requirements to include monthly and quarterly forecasting and regular financial reporting to the Corporate Services Directorate Board and Commissioner's Board.

Two medium priority actions were raised; one around the need to ensure that the Financial Management Guidance is up to date with regard to staff details and that all budget holders and managers should be made aware of its availability. The other was the development of a training plan to ensure that staff had the appropriate knowledge and skills to effectively undertake budget monitoring.

3.14 Outreach Programmes – Safety Mobilisation Centre

The objective of this review was to ensure that the LFB has robust and transparent governance arrangements in place to support the achievement of the multi-agency project and London Safety Plan objectives.

Areas of effective control included; notification of the intent to start the project was provided to the Directorate Board, Commissioner's Board and Deputy Mayor for Fire and Resilience as a workstream directly supported the collaboration element of the London Safety Plan. Delivery of the project is monitored via an appropriate dedicated platform and regular meetings take place between the partner agencies to discuss progress.

Two actions were raised; one medium priority around liaising with Finance in relation to use of London Safety Plan funding in the longer term, and one high priority around the governance arrangements in relation to delivery of this programme. This includes use of funding, which was being provided by both the Metropolitan Police Service and the London Fire Brigade, the allocation of roles and responsibilities between the three partner agencies and need to ensure that there is a clearly defined risk management framework to support the delivery of objectives.

4. **Other Activity for This Quarter**

4.1 One draft risk and assurance report has been issued:

- Control and Mobilising Improvement Plan

4.2 Fieldwork is underway for a further four risk and assurance reviews:

- Key Financial Systems – Covid 19 Response
- Leadership Programme
- Thematic Review of Operational Equipment
- Thematic Review of Management of Special Leave

4.3 Fieldwork is also underway for two follow up reviews:

- Third Party Data Assurance

- Environmental Management Systems (2019/20 review)

4.4 Professional advice has also been provided to management to support the development of the following:

- Audit Committee – the Terms of Reference, reporting frameworks and meeting scheduling.
- Risk and Assurance Framework – revised risk management framework and ongoing development of the assurance framework, including assurance mapping.

4.5 We provide each Directorate Board with a quarterly report showing the current status of outstanding agreed actions from reviews that have previously been reported to the Commissioner’s Board. This provides management with opportunity to review their outstanding actions and assess any emerging risks. Detailed updates are provided to the boards and the following is an analysis of the 23 actions reported against this quarter:

Directorate Board	Current (Never Deferred)	Current (Previously Deferred Once)	Current (Previously Deferred Multiple)	Deferred (This Quarter)
Corporate Services	3	0	1	7
Operational Delivery	2	0	0	3
People	5	0	0	2
Transformation	0	0	0	0
Totals	10	0	1	12

4.6 Of these 23 actions; three were high priority. Two are current and have never been deferred and the other was originally due for implementation by 31 December 2020 but has been deferred to 31 March 2021 due to other priorities and staff absence. The deferred action related to a review of the systems in place within the procurement process which allowed orders to be placed without a full audit trail in relation to the purchase order requester and/ or the authoriser.

5. Planned Quarter Four Work

5.1 The reviews outlined in section four above will be progressed, and concluded where possible.

5.2 We have scheduled in two risk and assurance reviews to commence:

- Performance Framework – Roll Out and Embedding 360 Appraisals
- Cyber Security

5.3 Further follow up reviews will be allocated according to our follow up schedule. These are likely to include; Babcock Contract Management and Sponsorship.

6. Counter Fraud Activity

- 6.1 National Fraud Initiative 2018/19 (NFI) matches - the total number of referrals remains at 2,025, with 2,021 of these closed and four yet to be reviewed. At the start of this quarter 27 Creditors matches were outstanding, 23 have since been reviewed and the matches closed with no cases of previously undetected duplicate payments. Four Creditor matches still require review pending retrieval of manual creditor files.
- 6.2 NFI 2020/21 – Data was captured as at 30 September 2020 and uploaded to the NFI. The majority of matches to be reviewed, and where necessary investigated, are expected on 8 February 2021. The pensioner to DWP deceased matches were received early in mid-January. There were 40 matches to pensions in payment. LPPA report they had already been informed of the pensioners deaths for 39 of these matches and that the only unreported death occurred in December 2020, so any overpayment will be minimal. There was one deferred pension match that the Local Pensions Partnership Administration were also already aware of.
- 6.3 On 11 December 2020 a Special Operations Group officer's email account was compromised to send an email containing a malicious attachment to multiple recipients. A weakness in Outlook Web Access (OWA) authentication for on premise users had been exploited. Rapid action was taken by IT to stop the malicious activity and an emergency change was implemented to prevent any further compromise. The email was removed from internal recipients' mailboxes and the small number of users who had already opened the attachment were contacted and asked to change their password. External recipients, most of which show as quarantined in logs, were contacted. Logs show logons to the compromised account on 11 December from a Frankfurt IP address, and this was followed by a failed logon attempt from a Lagos IP address due to the LFB account already being disabled.
- 6.4 The ICT Security Manager reported the incident to Action Fraud and was subsequently contacted by National Crime Agency and Metropolitan Police Service. Logs were provided to Metropolitan Police and it is understood they followed up with EU law enforcement.
- 6.5 A counter fraud presentation is scheduled for Fire Rescue Service staff on 23 February covering the areas of cyber security and Covid 19 fraud risks.

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. Our overall opinion will also take account of assurance work provided by others where appropriate and will reflect any advisory work undertaken. 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

Report authors: Lindsey Heaphy and Karen Mason

Email: Lindsey.Heaphy@mopac.london.gov.uk Tel: 07917 557084
Karen.Mason@london-fire.gov.uk Tel: 07714 611468

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
1	28/10/20	24/02/20	Social Media	Substantial
2	04/12/20	24/02/20	Contract Management	Adequate
3	17/12/20	24/02/20	Environmental Management Systems	Substantial
4	13/01/21	24/02/20	Digital Transformation	Adequate
5	22/01/21	24/02/20	Key Financial Systems - Budgetary Control	Adequate
6	25/01/21	24/02/20	Outreach Programmes – Safety Mobilisation Centre	Limited

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
4	11/11/20	24/02/20	Delegate Throughput for Babcock Training	Limited
5	16/11/20	24/02/20	Workforce Planning	Adequate
6	30/11/20	24/02/20	Overtime at the Protective Equipment Group	Adequate
7	30/11/20	24/02/20	Road Safety Act 2016 – Section 19	Adequate
8	07/12/20	24/02/20	Thematic Review of Driving on Brigade Business	Adequate
9	16/12/20	24/02/20	Inclusion Strategy	Adequate

To date Internal Audit have issued the following advisory reports:

	Date of Issue	CB Reported	Review Title	Assurance Rating
1	04/01/21	24/02/20	Digital Transformation Corporate Issues	N/A
2	07/01/21	24/02/20	Operational Support Group – Financial Management	N/A

Advice has also been provided around:

- The Audit Committee establishment
- The Risk Management and Assurance Framework

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.