LONDON FIRE BRIGADE

Report title

Internal Audit – Quarter 4 Progress Report, 2020/21

Report to	Date
Corporate Service Directorate Board	27 April 2021
Commissioner's Board	05 May 2021
Audit Committee	24 May 2021
London Fire Commissioner	

Report by	Report number
Head of Internal Audit	LFC-0522

Protective marking: **NOT PROTECTIVELY MARKED**
Publication status: Published in full

I agree the recommended decision below.

Andy Roe
London Fire Commissioner

This decision was
remotely signed on
Date 17 May 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 fourth quarter of 2020/21. It provides an assessment of the adequacy and effectiveness of the internal control framework within the Brigade.

Recommended decision
That the London Fire Commissioner:

1. Notes the work undertaken by Internal Audit during the fourth quarter of 2020/21 attached in Appendix 1.
2. Notes the work planned for quarter one of 2021/22.
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 four, 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 4, 2020/21	Not protectively marked

Commissioner's Board
05 May 2021

Directorate of Audit, Risk and Assurance
Progress Report

Report by: The Director of Audit, Risk and Assurance

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1.   Report Summary

This report summarises the work carried out under the Internal Audit Shared Service Agreement by the Directorate of Audit, Risk and Assurance (DARA) in the fourth 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 24 February 2021.

2.   Key Considerations for the Board

- Of the three risk and assurance reports issued; two received an adequate assurance rating meaning that the 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.

- One limited assurance review has been issued this quarter; Control and Mobilising Improvement Plan. The findings of this review relate to programme and project management which were highlighted to the Board as part of our quarter three report, and which continues to be an ongoing issue. A further review around the Leadership Programme that has not yet been issued as a draft report has also identified issues with programme implementation. We recognise, however, that work is underway to improve programme/ project governance and oversight within key change projects, and will continue to liaise with the Transformation Directorate in relation to these issues.

- Two follow up reviews received a substantial assurance rating, indicating improved areas of control were identified.

- All full reviews against the 2020/21 annual audit plan have commenced, with a majority of those being at end of fieldwork or draft report stage. Four follow up reviews will commence in April 2021.

3.   Reviews Completed This Quarter

3.1   Since our last update Internal Audit have issued six final reports; three 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	11/03/21	05/05/21	Key Financial Systems – Covid 19 Response	Adequate
2	24/03/21	05/05/21	Processing the GLA Payroll (Follow Up)	Substantial
3	25/03/21	05/05/21	Control and Mobilising Improvement Plan	Limited
4	25/03/21	05/05/21	Sponsorship (Follow Up)	Substantial
5	31/03/21	05/05/21	Performance Framework – Roll Out and Embedding 360 Appraisals	Adequate
6	08/04/21	05/05/21	Environmental Management Systems (Follow Up)	Adequate

3.2   <u>Key Financial Systems – Covid 19 Response</u>

This review sought to provide assurance that following the need to work from home due to the Coronavirus pandemic, changes implemented within the Finance department to move from paper based systems to electronic were appropriately considered and that effective controls remain in place to prevent and/ or detect error or fraud.

Areas of effective control included all paper-based systems being promptly identified, reviewed and amended to electronic systems, with this overseen by senior staff from within the department. A full audit trail of processing is available through the documentation retained across all areas reviewed, appropriate equipment has been made available to staff to enable them to work from home effectively and action has been taken to assess where home working may not be beneficial for some staff.

The report resulted in four medium priority actions; the need to process and store accounts payable invoices electronically and to dip sample retrieval against all new electronic filing systems to ensure that they are robust, and documents can be located upon request. Another action was to ensure that payroll documentation scanned in by the Post Room is emailed to the Payroll team and no other teams within Finance to maintain compliance with the requirements of the General Data Protection Regulation. Also, checking payroll input to reports of processing rather than supporting documentation to increase the likelihood that fraud and error would be detected.

3.3   Processing the GLA Payroll (Follow Up)
We first reviewed Processing of the GLA Payroll in December 2018 and concluded with an adequate assurance rating, and three actions were agreed in order to improve the management of the key risks identified. A follow up review was undertaken in December 2019 where two further actions were raised. This review focused on the implementation of these two further actions and found that both had been fully implemented.

Areas of improved control include; review of the approved signatory list has taken place to ensure that it remains up to date, and the GLA no longer provide details of next of kin with their new starter forms supporting compliance with the General Data Protection Regulation.

3.4   Control and Mobilising Improvement Plan
The review focussed on the framework that has been put in place to monitor the progress made against achievement of the objectives of the improvement plan.

Areas of effective control included; approval of the improvement plan at Commissioner's Board and its inclusion in the Transformation Delivery Plan. The vision and outcomes to be delivered are clearly documented, and responsibility for implementation is with the Head of Service. Progress against actions in the plan that relate to the Grenfell Tower Inquiry (GTI) or the HMIC FRS report is reported to the Brigade Portfolio Board allowing for appropriate scrutiny to take place.

The report resulted in four medium priority actions; the need to ensure that risks associated with non-GTI or HMIC FRS actions are appropriately documented and monitored, and that progress against delivery of the plan is appropriately and regularly monitored within Brigade Control, and regular updates against progress of the plan in its entirety are provided to managers outside of the department to allow for appropriate oversight. It was also identified that there had been limited use of a non-approved online application for project management, and we have recommended that Control work with ICT to ensure that there are no risks associated with this activity.

3.5   Sponsorship (Follow Up)
The original report was issued in January 2020 and resulted in four medium priority actions. The follow up identified that three of those actions had been fully implemented resulting in improved controls around the clarity of information in the policy note and code of practice, agreement with the General Counsel's department regarding a new standard sponsorship agreement which had been utilised for the new agreement entered into, and the development of a system to ensure that income from those agreements is appropriately received.

An action around location and maintenance of the sponsorship register was implemented, but this has resulted in a further action to update the policy note to include donations.

3.6 <u>Performance Framework – Roll Out and Embedding 360 Appraisals</u>
The purpose of this review was to provide assurance that the framework established by management to ensure that the 360 appraisal process is effective in delivering its objectives is effective.

Areas of effective control included; the objectives for the 360 Appraisal process have been defined and documented in a paper taken to the Commissioner's Board. These objectives are clearly linked to the LFB's strategic pillars as outlined in the Transformation Delivery Plan, and in turn, the LFB's documented behaviours. The processes for undertaking the appraisal and setting and the timetables for these have been clearly documented and communicated.

The review resulted in two medium priority actions; guidance for the Middle Manager round required finalisation and dissemination, and a need to develop plans for a post implementation review against the achievement of the original stated objectives in the report to the Commissioner's Board.

3.7 <u>Environmental Management Systems (Follow Up)</u>
The original report was issued in July 2019 and resulted in three medium priority actions. Our follow up work identified that all three actions had been fully implemented resulting in an improvement in the control environment in relation to the timeliness of the receipt of data from the contractor, the validation of that data and the availability of environmental documentation, including meeting minutes.

4. **Other Activity for This Quarter**

4.1 Two draft reports are currently with management and are in the process of being agreed:
   • Cyber Security
   • Third Party Data Assurance (Follow Up)

4.2 Four reviews have concluded fieldwork and the draft reports are undergoing our internal review prior to issue to management:
   • Leadership Programme
   • Primary Authority Partnerships
   • Thematic Review of Management of Special Leave
   • Recruitment Strategy for Operational Staff (Follow Up)

4.3   Fieldwork is underway for a further two reviews:
- Thematic Review of Operational Equipment
- Counter Fraud and Corruption (Advisory)

4.4   Fieldwork is also underway for seven follow up reviews:
- Babcock Contract Management
- Disciplinary Framework
- Fire Safe and Well Pilot
- ICT Network Resilience/ Topography
- Management and Control of Counter Terrorism Funding
- Thematic Review of Operational Promotion and Assessment
- Use and Control of Credit Cards

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 34 actions reported against this quarter:

Directorate Board	Current (Never Deferred)	Current (Previously Deferred Once)	Current (Previously Deferred Multiple)	Deferred (This Quarter)	No Response Provided
Corporate Services	3	1	1	6	4
Operational Delivery	2	0	0	5	5
People	2	1	0	4	0
Transformation	0	0	0	0	0
Totals	7	2	1	15	9

4.6   Of these 34 actions; five were high priority and related to the following reviews:

- Two actions from our review of Operational Assessment and Promotions have both been deferred this quarter as they are dependent of the outcomes of Deputy Assistant Commissioner process which is due to conclude on 30/04/21.
- One relates to our follow up review of Delegate Throughput for Babcock Training and has been deferred this quarter to August 2021 to support submission of the Operational Licence report the Commissioner's Board.
- One relates to our follow up review of Road Safety Act 2016 – Section 19 and no response was received in relation to this action which is due for implementation by April 2021. The action relates to ensuring that all Babcock driving trainers have the appropriate accreditations.
- One action from our review of Outreach Programmes - Safety Mobilisation Centre around ensuring there are clearly defined governance arrangements for the tri-agency programme is due for implementation in May 2021 and has never been deferred.

5. **Planned Quarter One Work**

5.1 There are four follow up reviews in the 2020/21 annual audit plan that will commence in April 2021, and the incomplete reviews outlined in section four above will be progressed and concluded at the earliest opportunity.

5.2 Internal Audit's draft annual plan for the 2021/22 financial year is due for presentation to the Commissioner's Board on 05/05/21 and the Audit Committee on 24/05/21. Work against this plan will commence in accordance with agreed outcomes from those meetings. Commencement of this plan has been delayed to May/ June 2021 to accommodate delays in completing the current plan due to the Coronavirus pandemic.

6. **Counter Fraud Activity**

6.1 National Fraud Initiative 2018/19 (NFI) – the total number of referrals remains at 2,025, with all 2,025 of these now closed.

6.2 National Fraud Initiative 2020/21 (NFI) – A total of 922 Matches were received in February, and Internal Audit have prioritised the highest risk matches first. Of these, 221 have been cleared with no issue and 133 are currently under review. One overpayment of £3,884 was identified for an unnotified deceased pensioner, and this is being recovered from the surviving spouse's pension entitlement. The remaining 567 matches will be reviewed during 2021/22. Further matches can be received from NFI during the biennial NFI period.

6.3 The scheduled counter fraud presentation for Fire Rescue Service staff was delivered on 23rd 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**

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11. **Appendices and Background Papers**
- Annex A – Progress against the 2020/21 annual plan
- Annex B – Assurance criteria

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
7	11/03/21	05/05/21	Key Financial Systems – Covid 19 Response	Adequate
8	25/03/21	05/05/21	Control and Mobilising Improvement Plan	Limited
9	31/03/21	05/05/21	Performance Framework – Roll Out and Embedding 360 Appraisals	Adequate

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
10	24/03/21	05/05/21	Processing the GLA Payroll	Substantial
11	25/03/21	05/05/21	Sponsorship	Substantial
12	08/04/21	05/05/21	Environmental Management Systems	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.