



LONDON FIRE BRIGADE

Report title

Internal Audit – Quarter 3 Progress Report, 2021/22

Report to

**Commissioner's Board
Audit Committee**

Date

9 February 2022
3 March 2022

Report classification:

For Information

The subject matter of this report deals with the following LFB strategic priorities:

None

Report number – LFC-0661

For Publication

PART I - NON-CONFIDENTIAL

Executive 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 2021/22. It provides an assessment of the adequacy and effectiveness of the internal control framework within the London Fire Brigade (LFB).

Recommended decision(s)

That the Board:

1. Notes the work undertaken by Internal Audit during the third quarter of 2021/22 attached in Appendix 1.
2. Notes the work planned for quarter four of 2021/22.
3. Notes Internal Audit's current assessment of the adequacy and effectiveness of the internal control framework.

1. Introduction and background

- 1.1 MOPAC's Directorate of Audit, Risk and Assurance (DARA) have been providing the internal audit service to the London Fire Commissioner (LFC) since 2012 under a shared service agreement.
- 1.2 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/ April 2021.
- 1.3 The report at Appendix 1 provides an update on the work completed to quarter three, 2021/22, work planned for quarter four, and DARA's opinion of the current assurance level of the internal control framework.

2. Objectives and expected outcomes

- 2.1 The outcomes from Internal Audit reviews and counter fraud activity are for LFB management to assess the level of risk in specific areas and implement actions to mitigate these to an acceptable level.

3. Equality comments

- 3.1 The LFC and the Deputy Mayor for Fire and Resilience are required to have due regard to the Public Sector Equality Duty (section 149 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.
- 3.2 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.
- 3.3 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, and sexual orientation.
- 3.4 The Public Sector Equality Duty requires decision-takers in the exercise of all their functions, to have due regard to the need to:
 - eliminate discrimination, harassment and victimisation and other prohibited conduct
 - advance equality of opportunity between people who share a relevant protected characteristic and persons who do not share it
 - foster good relations between people who share a relevant protected characteristic and persons who do not share it.
- 3.5 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:
 - remove or minimise disadvantages suffered by persons who share a relevant protected characteristic where those disadvantages are connected to that characteristic
 - 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

- 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.

3.6 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.

3.7 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:

- tackle prejudice
- promote understanding.

3.8 No Equality Impact Assessment has been conducted as this is a report for information only.

4. Other Considerations

Workforce comments

4.1 This report is for information only and has no workforce implications.

Sustainability comments

4.2 This report is for information only and has no sustainability implications.

Procurement comments

4.3 This report is for information only and has no procurement implications.

5. Financial comments

5.1 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.

5.2 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.

5.3 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.

6. Legal comments

6.1 This report is presented for information only, and no direct legal implications arise.

6.2 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)).

- 6.3 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.
- 6.4 Under an agreement dated 26 November 2012, the Mayor's Office for Policing and Crime discharges internal audit functions on behalf of the Commissioner.
- 6.5 The attached quarterly report at Appendix 1 is provided in accordance with the aforementioned legislative and internal governance requirements 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.

List of Appendices

Appendix	Title	Open or confidential
1.	Internal Audit Progress Report Quarter 2, 2021/22	Open

Part 2 Confidentiality: Only the facts or advice considered to be exempt from disclosure under the FOI Act should be in the separate Part 2 form, together with the legal rationale for non-publication.

Is there a part 2 form – NO

ORIGINATING OFFICER DECLARATION:	Drafting officer to confirm the following (✓)
Drafting officer Karen Mason has drafted this report and confirms the following:	
Assistant Director/Head of Service This is an independent report from Internal Audit, who are not LFB staff.	x
Advice The Finance and Legal teams have commented on this proposal;	✓
Natasha Singh Legal Advisor, on behalf of General Counsel (Head of Law and Monitoring Officer)	
David O'Sullivan Financial Advisor, on behalf of the Chief Finance Officer	

Commissioner's Board

9 February 2022

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 2021/22. 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 23 November 2021.

2. Key Considerations for the Board

- One risk and assurance report entitled Thematic Review of Fuel Cards and Strategic Fuel Tanks has been issued, and this received a limited assurance rating. Management have agreed one high priority action to undertake a holistic review of the governance framework and supporting policies and procedures.
- Of the 40 outstanding agreed audit actions included in this report, 15 have been deferred this quarter. Four deferred actions (from three reports) were initially agreed in November and December 2020 and have each been deferred either three or four times. The remaining 11 deferred actions (from seven reports) were deferred for the first time this quarter, however, the initial reports were issued in July and August 2021 and were therefore only reported as issued in our quarter two progress report. Three of these recent actions were given a high priority rating.

3. Reviews Completed This Quarter

3.1 Since our last update Internal Audit have issued eight final reports; one risk and assurance, one advisory and six 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 rating has been included at Annex B of this report.

	Date of Issue	CB Reported	Review Title	Assurance Rating
1	12/10/21	09/02/22	Key Financial Systems – Cash and Bank (Follow Up)	Substantial
2	18/10/21	09/02/22	Key Financial Systems – Accounts Receivable (Follow Up)	Adequate
3	05/11/21	09/02/22	Control and Mobilising Improvement Plan (Follow Up)	Substantial
4	07/12/21	09/02/22	Digital Transformation (Follow Up)	Substantial
5	20/12/21	09/02/22	Key Financial Systems – Covid 19 Response (Follow Up)	Adequate
6	22/12/21	09/02/22	Digital Transformation – Corporate Issues (Follow Up of an Advisory Review)	N/A
7	22/12/21	09/02/22	Management of Home Office Grants (Assurance)	Adequate
8	22/12/21	09/02/22	Thematic Review of Fuel Cards and Strategic Fuel Tanks (Assurance)	Limited

3.2 Key Financial Systems – Cash and Bank (Follow Up)

The original report was issued in March 2020 and resulted in one medium priority action.

The action was in relation to the Standard Settlement Instructions, which allow drawdown from the Greater London Authority managed Group Investment Syndicate bank account, and our follow up work identified that this action had been fully implemented. The instructions were updated in April 2020 in accordance with the agreed deadline, however, at the time of our follow up in October 2021 they were again out of date. Therefore, one further action was raised to complete regular reviews of the instructions.

3.3 Key Financial Systems – Accounts Receivable (Follow Up)

The original report was issued in June 2020 and resulted in two medium priority actions.

One action in relation to ensuring that customer account data fields in the Finance system were accurate and consistent prior to transfer into the new system was not implemented, and a further action was raised around considering whether this was necessary in advance of the new Finance system being implemented.

The second action was around ensuring that data in Cognos reports was accurate. Work had commenced to convert these from Cognos into Sequel to reduce the risk of errors, but this work had not concluded, and a further action was raised to ensure that this work was completed.

3.4 Control and Mobilising Improvement Plan (Follow Up)

The original report was issued in March 2021 and concluded a limited assurance rating, with four medium priority agreed management actions.

Our follow up work identified that all four of the actions had been fully implemented, and the assurance rating was increased to substantial.

Actions completed included the introduction of a work programme model to monitor delivery of the actions from the implementation plan, which included the risks associated with the actions, and a clear allocation of responsibilities in relation to delivery. The use of non-approved online systems for maintaining data was referred to ICT, no significant risks to LFB data were identified and the account has been closed.

No further actions have been raised.

3.5 Digital Transformation (Follow Up)

The original report was issued in January 2021 and resulted in one medium priority action around the need to document changes to the ICT workplan agreed at the monthly Management team meetings.

Our follow up work identified that the action had been fully implemented and changes agreed at the meetings were now recorded in the minutes.

No further actions have been raised.

3.6 Key Financial Systems – Covid 19 Response (Follow Up)

The original report was issued in March 2021 and resulted in four medium priority actions.

Our follow up work found that two actions around the security of hard copy supplier invoices and compliance to data protection regulations in relation to scanned invoices received from the post room were both fully implemented, and no further actions were raised.

The remaining two actions were found to be not implemented. One was in relation to a return to checking payroll input to an automated report of transactions processed the preceding day, which was due to a non-return to office working due to the

pandemic, and the dip sampling of electronic retention records for payroll, accounts payable and accounts receivable to ensure that the new electronic storage options allowed for effective location of source documentation. Two further actions were raised.

3.7 Digital Transformation – Corporate Issues (Follow Up)

The original report was advisory in nature with the aim of supporting how work within ICT was prioritised. The follow up found that the remedial work was part of a larger piece of work to prioritise work across the LFB, and no further actions were raised.

3.8 Management of Home Office Grants (Risk and Assurance)

The objective of the review was to provide assurance over the robustness of existing controls and the processes in place to support the effective management and spend of grants in accordance with the relevant agreements, conditions and clauses.

Areas of effective control included the maintenance of a grants and contributions register for each financial year, appropriate separation of duties, grant income forecasting and reconciliations being completed.

Four actions were raised, but one risk around access to the grants and contributions register was accepted by management leaving three agreed actions which were all medium priority. These were around ensuring that the electronic filing system for grant documentation was appropriately populated to allow for retrieval of the correct documentation, ensuring that grant documentation is filed in the correct year's folder and including the need for returns to the Home Office for appropriate grants in the register to provide an element of resilience should staff be absent from the workplace.

3.9 Thematic Review of Fuel Cards and Strategic Fuel Tanks (Risk and Assurance)

The objective of the review was to provide assurance over the robustness of existing controls including the framework and processes in place to effectively manage the provision and use of fuel cards and fuel tank usage.

Areas of effective control included the availability of adequately detailed policy in relation to the management of the strategic fuel tanks, effective processes for monitoring the use of fuel cards for the wrong vehicle, accurate allocation of fuel charges to budgets and regular meetings between the supplier and the LFB to maintain working relationships. Work is also undertaken to ensure that the financial standing of suppliers is checked and to ensure that fuel disruptions do not have significant impact on the LFB.

Six medium priority actions were raised, however one risk around the journals to allocate charges was accepted by management as it will be considered as part of the replacement Finance system.

The remaining five actions were all medium priority and were in relation to documenting the procedures for fuel cards, maintaining a log of card issues to identify trends in lost cards, checks on the supporting information received with the supplier invoices to ensure accuracy of payments, reviewing the information requested on the strategic fuel tank record sheets completed on fire station and introducing dip sampling to check manual fuel issue records from the strategic tanks to the electronic records.

4. Other Activity for This Quarter

4.1 Three draft reports have been issued, and we are in the process of agreeing the findings with management:

- Respiratory Protective Equipment – Procurement
- Respiratory Protective Equipment – Control of Costs and Governance Arrangements
- Thematic Review of Fire Hydrants and Statutory Water Supply

The two Respiratory Protective Equipment reports have been issued in response to a request from the Deputy Mayor for Fire and Resilience in response to the legal challenge from Draeger following a procurement for respiratory protective equipment.

4.2 Fieldwork is underway against the following three risk and assurance reviews:

- Audit Trail for Procurements
- Data Management and General Data Protection Regulation (GDPR) Compliance
- NILO (National Inter-agency Liaison Officer) Governance Arrangements

4.3 Fieldwork has been temporarily suspended for the review of Incident Command. This was to allow staff sufficient time to support the Her Majesty's Inspectorate of Constabulary and Fire and Rescue Services (HMICFRS) Inspectors.

4.4 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 40 actions reported against this quarter:

Directorate Board	Current (Never Deferred)	Current (Previously Deferred Once)	Current (Previously Deferred Multiple)	Deferred (This Quarter)	No Response Provided
Communications	0	0	0	0	0
Corporate Services	8	0	0	7	0
Operational Delivery	2	2	1	4	0
People	5	6	1	4	0
Transformation	0	0	0	0	0
Totals	15	8	2	15	0

4.6 Of these 40 actions; six were high priority and related to the following reviews:

- Thematic Review of Management of Special Leave – A holistic review of special leave has been scheduled to commence in Spring 2022.
- Primary Authority Partnerships – An action to ensure that partner hours were agreed and billed appropriately was deferred this quarter from November 2021 and is now due for completion by February 2022.
- Thematic Review of Operational Equipment – Ownership of the policy note has transferred to Fleet and initial discussions have taken place to scope out the project requirements for a review of the governance framework and supporting policies and procedures.
- Follow up of Operational Assessment and Promotions – This report included two high risk actions; one around guidance for staff involved in the creation and running of promotion rounds and another around use of the plenary panel following promotion rounds. Both actions were due for completion in September 2021, and both were deferred this quarter to February 2022.
- Follow up of Academic Sponsorship – Records for delegates who have been provided with sponsorship are in the process of being updated, but this exercise has not yet concluded. The action was originally due for completion by September 2021 but was deferred to February 2022 this quarter.

5. Planned Quarter Four Work

5.1 Work will continue to bring the reviews outlined in section four to closure.

5.2 Terms of Reference have been agreed for three risk and assurance reviews that are due to commence in January 2022:

- Communications Strategy
- Control Improvement Plan Outcomes
- Risk Management

5.3 Scoping is also underway for a review around Training Assurance, where we will be seeking to assess whether we can place reliance on the work completed by an external consultant in this area. We are also in the process of drawing up a Terms of Reference for a review of Transformation Assurance.

6. Counter Fraud Activity

6.1 National Fraud Initiative (NFI) 2020/21 and additional June 2021 pensioner mortality check – These two exercises total 950 matches. Internal Audit have completed reviews of all high-risk matches and are continuing to review the remaining lower risk matches. 658 matches have been cleared and 34 are currently under investigation/awaiting further information from the LFB. Those under investigation include four pension overpayments. Recovery has commenced for two of the pension

overpayments totalling £4,118. Two previously reported overpayments have been referred by the pension provider to LFB for decisions on recovery. An overpayment of £930 dating from 2017 was identified in June 2021 where no date of birth was held for the pensioner which contributed to the late NFI identification. An overpayment of £36,600 was caused by a 24-year backdated Department for Work and Pensions injury benefit payment in 2019. The pensioner's repayment proposal of £100 per month will take 30 years to repay the amount due.

- 6.2 The remaining 258 lower risk matches will be reviewed during 2021/22.
- 6.3 No further progress has been made in relation to the decision to undertake a civil recovery of the £67,000 payments made to the contractor who was working full time for the LFB and additionally working for two other organisations.
- 6.4 Counter Fraud contributed to the procurement element of the Respiratory Protective Equipment review which has been issued as a draft report.

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 2021/22 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 2021/22 annual plan
- Annex B – Assurance criteria

Progress Against the 2021/22 Annual Plan

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

	Date of Issue	CB Reported	Review Title	Assurance Rating
1	08/07/21	11/08/21	Environmental Management Systems	Substantial
2	22/12/21	09/02/22	Management of Home Office Grants	Adequate
3	22/12/21	09/02/22	Thematic Review of Fuel Cards and Strategic Fuel Tanks	Limited

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

	Date of Issue	CB Reported	Review Title	Assurance Rating
1	12/08/21	23/11/21	Academic Sponsorship	Adequate
2	13/08/21	23/11/21	Key Financial Systems – Accounts Payable	Limited
3	17/08/21	23/11/21	Operational Policy – External Relations	Adequate
4	12/10/21	09/02/22	Key Financial Systems – Cash and Bank	Substantial
5	18/10/21	09/02/22	Key Financial Systems – Accounts Receivable	Adequate
6	05/11/21	09/02/22	Control and Mobilising Improvement Plan	Substantial
7	07/12/21	09/02/22	Digital Transformation	Substantial
8	20/12/21	09/02/22	Key Financial Systems – Covid 19 Response	Adequate
9	22/12/21	09/02/22	Digital Transformation – Corporate Issues	N/A

To date Internal Audit have issued the following advisory reports:

	Date of Issue	CB Reported	Review Title	Assurance Rating
1	27/09/21	23/11/21	Health, Safety and Wellbeing – Reasonable Adjustments	N/A



LONDON FIRE BRIGADE

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.