




LONDON FIRE BRIGADE

Report Title:	
Internal Audit – Draft Annual Plan for 2022/23	
Report to:	Date:
Commissioner's Board Audit Committee	06/04/2022 12/05/2022
Report author:	Name: Lindsey Heaphy Job Title: Head of Internal Audit
Report classification:	
For Decision	
The subject matter for this report does not relate to all LFB strategic priorities	
Report number – LFC-0686	
For Publication	
PART I - NON-CONFIDENTIAL	

I agree the recommended decision below.	
	
Andy Roe London Fire Commissioner	Date This decision was signed remotely on 19 April 2022

Executive Summary

The London Fire Commissioner's (LFC's) Financial Regulation at paragraph 13(m)) requires the draft annual audit plan to be approved by the Commissioner prior to approval by the relevant Committee, in this case the Audit Committee. This report contains the draft Internal Audit annual plan for 2022/23 and is submitted in compliance the aforementioned internal regulation. The Internal Audit Charter, setting out our purpose, authority and responsibilities is also attached for reference.

The Mayor's Office for Policing and Crime (MOPAC) is responsible for the provision of Internal Audit Services to LFC as part of a full shared service arrangement that was agreed by the respective bodies (MOPAC and LFC's predecessor LFEPA) in November 2012. These arrangements commenced on 1 November 2012 formalising the interim arrangements, for the management of the LFC Internal Audit Service that had been in place since September 2011.

The report proposes a risk-based approach, in line with the Public Sector Internal Audit Standards (PSIAS), using Internal Audit's and management's assessment of risk, focused on reviewing areas that are key to achieving LFC objectives and priorities. The content of the plan is designed to meet the statutory requirement for an annual opinion on the adequacy and effectiveness of the risk and internal control environment. The plan recognises this is a time of significant change for the LFC with an ongoing demand to improve efficiency and achieve better value for money, whilst responding to the challenges of transforming the way the LFC serves and protects Londoners. Internal Audit will therefore report on opportunities for improving efficiency and value for money in all aspects of its work and will look to provide assurance and advice on the developing transformation agenda in addition to business as usual activity.

Recommended decision(s)

That the London Fire Commissioner:

1. Approves the proposed Internal Audit Annual Plan for 2022/23 as set out in Appendix A.

1. Introduction and Background

- 1.1 The Head of Audit is required to submit a risk-based annual plan in line with the Public Sector Internal Audit Standards, detailing planned Internal Audit activities for the year ahead. This 2022/23 plan aims to provide sufficient coverage of the LFC's activities to enable the Head of Audit to give an annual opinion on the effectiveness of the Risk Management, Internal Control and Governance arrangements. This report is submitted for LFC approval in accordance with that requirement.
- 1.2 The use of a risk-based approach for the annual plan, in line with current best practice, reflects the current level of risk maturity within the LFC. This approach includes providing assurance on the management and reporting of key risk and control processes and also on the effectiveness of the risk management framework. This is supplemented by our own assessment of the challenges facing the LFC as described in the London Safety Plan and Transformation Delivery Plan. The draft Internal Audit Annual Plan for 2022/23 is attached as **Appendix A**.
- 1.3 The need for an Internal Audit service is laid down in the Accounts and Audit (England) Regulations 2015, and the requirement for securing proper financial administration is set out in Section 127 of the Greater London Authority Act 1999. Responsibility for agreeing and monitoring completion of this plan rests with the LFC as a Corporation Sole, who discharges this responsibility via the Commissioner's Board. Governance arrangements continue to develop as part of transformation delivery with an Audit Committee providing independent oversight and helping the LFC to discharge their responsibilities in line with recognised best practice.
- 1.4 Current best practice recommends the use of a 'Three Lines' model to help clarify roles and responsibilities for assurance provision. An Assurance Manager has been recruited and works

within the Transformation Directorate, and this will help to develop and embed this approach within the LFC. The first line is essentially the functions that own and manage risks. This includes the everyday supervisory activities exercised by line or operational managers. The second line oversees risk and typically comprises both risk management and compliance type functions that monitor the effectiveness of first line activity. Internal Audit have responsibility under this model for providing independent assurance as a key part of the third line. External Audit is also part of the third line. This independence assists Internal Audit to objectively examine, evaluate and report on the adequacy of management's arrangements for risk management, internal control and governance as a contribution to the proper, economic, efficient and effective use of resources. The work of Internal Audit is carried out in accordance with the PSIAS, which have been drawn up by the Chartered Institute of Internal Audit (IIA) and the Chartered Institute of Public Finance and Accountancy (CIPFA).

1.5 Regulation 4 of the Accounts and Audit Regulations 2015 requires that 'the relevant body (*i.e. the LFC*) is responsible for ensuring that the body has a sound system of internal control which includes effective arrangements for the management of risk.' The LFC is also required to review the internal control systems at least once a year and make a formal disclosure statement on the adequacy of internal controls.

1.6 Under the Greater London Authority Act 1999 Act the LFC must make arrangements for the proper administration of its financial affairs and its Chief Finance Officer (the Director of Corporate Services) has responsibility for the administration of those affairs. Further, it must make arrangements to secure continuous improvement in carrying out these responsibilities, having regard to a combination of economy, efficiency and effectiveness.

1.7 Internal Audit therefore has a key role to play in assisting the Director of Corporate Services to fulfil the statutory roles required by legislation. Assurance will be provided to senior management on the control mechanisms that are in place to manage key risks to delivering LFC's agreed plans and objectives. The review activity is supported by management's evaluation of LFC's current risks. Completion of the plan will enable the Head of Internal Audit to provide an opinion on the effectiveness of the control environment, which in turn will inform the Annual Governance Statement published with the Annual Accounts.

Progress on the 2021/22 Plan

1.8 The annual plan for 2021/22 had 728 allocated days which provides sufficient coverage for Internal Audit to be able to give an opinion at the end of the year. The 728 days includes work to complete the reviews that commenced in quarter 4 of the 2020/21 financial year. It is anticipated that with the exception of audits deferred by request (which have been replaced by other work) 90% of all audits within the plan will have been completed or will be at draft report stage by year end, which for this year is extended until May 2022 to accommodate COVID delivery challenges in the early part of the year. Specific progress is reported separately in our quarterly updates.

Annual Plan for 2022/23

1.9 The following sets out the key elements of the proposed approach to the Internal Audit work programme for next year. The 2022/23 plan proposes to maintain coverage at 728 days and takes account of continued efficiencies in service delivery. The fee for delivery of the 2022/23 plan is £297,200, which is unchanged. Increased use of technology with the continued efficiencies in service delivery allows us to maintain an adequate level of audit coverage although the effect of these proposals will be kept under review during the year as part of the usual monitoring regime.

1.10 The discrete areas included in the plan have been identified through the audit planning framework that includes consideration of the key risks facing the LFC and discussion with senior managers, Directorate Board leads and Heads of Service. Internal Audit have also liaised with the LFC Assurance and Risk leads when developing the plan to ensure that there is a joint focus on, and understanding of, the assurance needs of the organisation. It is also our intention to place reliance on the work of other assurance providers where appropriate. While the plan is aligned to the four pillars in the LFC transformation plan and corporate and departmental risk registers, we have also taken the opportunity to align them to the seven Principle Risk Themes in the refreshed risk management framework. Each of the audits included in the plan are aligned to one of the Principle Risk Themes, except for those that are linked to reputational risks and which have yet to be captured within the framework.

1.11 To support the ongoing transformation agenda the audit plan is designed to be dynamic in nature to meet the fast-changing needs of the organisation. This provides flexibility during a time of fundamental change allowing us to be more responsive to emerging risks or the assurance needs of senior management. The level of assurance will not change but the precise nature and scope of individual reviews will be determined on a quarterly basis. Although this plan is aligned to the transformation delivery plan, we have also included business as usual activity to ensure the necessary level of assurance over all areas of strategic importance is provided. This approach is in line with best practice and reflects the current level of risk maturity within the organisation.

1.12 Our approach includes:

- Risk-based audits which will provide much of the evidence to support the annual opinion. These will report on the effectiveness of the controls in place to manage key risks to achieving objectives, providing assurance and identifying areas for improvement. The risk-based areas for 2022/23 have been selected following extensive consultation with senior management as detailed above.
- Follow-up reviews – ensuring agreed audit actions from the audit reviews completed in 2021/22 are implemented effectively. This independent verification helps to confirm improvement in the risk and control environment and is in line with the PSIAS
- An annual review of LFC risk management to comply with best practice. The outcome from this work helps to inform Internal Audit's view of the effectiveness of the risk management framework and their subsequent approach to planning audit work.
- ICT reviews utilising specialist skills (procured via the GLA framework), where appropriate, to evaluate the risks and identify any areas for improvement.
- Compliance type work where we look to provide assurance on the levels of compliance with LFC policies and procedures, or on the accuracy and/or completeness of recorded data. This work is usually performed in response to a specific management request.
- Station reviews which will combine compliance and risk based thematic activity. Although the work will focus on local delivery, corporate issues and recurring trends will be collated and reported separately.

- Material systems – reviewing key financial systems and testing key controls on an annual basis. This work will be driven by risk analysis and liaison with the External Auditor to ensure the appropriate level of coverage is achieved.
- Analytical analysis – the MOPAC's analytical team will interrogate and analyse key financial systems identifying potential areas of concern and providing assurance on the management of high risk/ cost and sensitive areas. They will also manage the National Fraud Initiative exercise in liaison with the Cabinet Office who have responsibility for oversight.
- Fraud prevention work – risk awareness training/workshops will continue to be delivered to various departments and operational staff, as appropriate.
- Advising on change programmes and projects – during this time of significant change Internal Audit will provide advice to senior management on key change programmes and projects. Advice on the high risk and control issues for new and developing systems should be provided at an early stage in the process.
- Placing increased reliance on the work of other assurance providers, where their work is of an appropriate quality and can be used for assurance purposes, to reduce the need for detailed Internal Audit analysis in that particular control environment.
- Counter fraud activity – MOPAC's accredited counter fraud specialists who conduct investigations into fraud and abuse will be used should the need arise. In addition, analysis of the underlying risk and compliance issues that could lead to internal fraud will be undertaken to inform preventative action.

1.13 Appendix A provides LFC with the proposed plan for 2022/23. It sets out how the plan is designed to deliver the Internal Audit provision for the forthcoming year. This is an indicative plan which, in line with best practice, will be flexed during the year following discussion with management, to reflect emerging risks or changing risk profiles and/or business priorities. To facilitate this, some reviews are shown within the plan as 'scope to be determined' and it is our intention to agree the timing, nature and objectives of these reviews with the respective business leads prior to the commencement of each quarter. This allows us to adapt to the anticipated pace of change and to ensure we are able to provide appropriate assurance over the areas of strategic importance. It is also likely that some of these reviews will become more advisory in nature whilst others will be merged or removed from the plan.

1.14 The first section, which is aligned to the four pillars, corporate and departmental risk register and principle risks themes and sets out the risk-based audit areas that will be reviewed including first time and follow up assurance activity. This approach, drawing on IIA and CIPFA best practice, includes generic areas such as training and governance and individual reviews within or across business areas. Although the focus remains on governance and transformation activity as the LFC continues to deliver its transformation agenda, our plan also includes key business as usual activities to provide holistic assurance across areas of strategic importance to the LFC. This section also sets out our provision for internal audit follow up reviews.

- 1.15 The second section sets out the audit provision within specialist areas. This includes counter fraud work using our internal team of counter fraud professionals, data analytical and advisory work. The fraud analysis and awareness work will continue to build on work undertaken in previous years highlighting fraud prevention and detection. To maintain audit independence and objectivity, in line with best practice, Internal Auditors providing risk and control advice in advisory areas will not undertake future assurance reviews in the same areas.
- 1.16 Links to LFC corporate risks are shown where appropriate to inform areas of potential audit scope. Our proposed audit plan for 2022/23 includes coverage of both corporate and departmental risks, and there is a brief explanation alongside each proposed risk-based assurance review setting out why this area has been chosen. Assurance will continue to be provided over key material systems which will supplement the work undertaken by External Audit. Terms of Reference will be agreed with senior managers and the Head of Service for each area under review before the review commences and clearly defining the full scope. Once an audit review has been completed, the draft report containing our conclusions on the control framework will be produced and discussed with all relevant parties, with dates for implementation of agreed actions.
- 1.17 All final internal audit reports will be distributed to the Commissioner, Director(s) and Head(s) of Service (as appropriate) and External Audit, and also to the Transformation Directorate to provide independent assurance over the strategic risk mitigations covered by the review.
- 1.18 The Internal Audit service continues to be delivered using the collective knowledge, skills and experience available under the shared service arrangement. This has raised awareness of the Internal Audit function throughout the LFC and has led to the greater involvement of senior managers in the audit process. It has also led to more in-depth discussion about both the focus of the audits and the agreed actions required. The risk-based approach provides assurance on the areas, functions and activities that are working well within the LFC, but also highlights some issues that require management action to mitigate the risks identified. This allows prompt action to be taken to address the risk and control issues that are highlighted and is a key component of an effective governance framework. The Internal Audit Charter setting out how we deliver our services and comply with the PSIAS is attached at **Appendix B**.
- 1.19 The plan covers a broad range of operational and specialist areas and whilst Internal Auditors do not have the detailed knowledge of someone working in these areas, they are able to apply their professional knowledge of risk and control to any process or framework. They look for assurance that the controls established by management are appropriate and proportionate to manage the risks. It is not in their remit to question operational decision making but they look to provide assurance that suitably skilled and experienced managers make those decisions using accurate and up to date information.

2. Objectives and Expected Outcomes

- 2.1 This report presents Internal Audit's plan for 2022/23 and discharges the requirement under the Financial Regulations, paragraph 13, to report this to the LFC before the commencement of the new financial year. In addition, the audits set out in the plan are intended to help the LFC to

achieve its strategic aims and objectives by evaluating and improving the effectiveness of risk management, internal control and governance processes.

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 An Equality Impact Assessment (EIA) has not been undertaken.
- 3.9 An EIA was not required because this is the presentation of the draft annual plan for work to be undertaken by Internal Audit during 2020/21 which does not directly impact staff.

4. Other Considerations

Workforce comments

- 4.1 There are no workforce implications associated with this report.

Sustainability comments

- 4.2 There are no sustainability implications associated with this report.

Procurement comments

- 4.3 There are no procurement implications associated with this report.

5. Financial comments

- 5.1 This report sets out the draft 2021/22 annual audit plan for the LFC. The plan proposes a total coverage of 728 days at a total cost of £297,200 which will be contained within approved 2022/23 budget for this service.

- 5.2 Under the Accounts and Audit Regulations 2015, a local authority must ensure it has a sound system of internal control which:

- facilitates the effective exercise of its functions and the achievement of its aims and objectives;
- ensures that the financial and operational management of the LFC is effective; and includes effective arrangements for the management of risk.

- 5.3 In carrying out their duties Internal Audit plays a key role against regulation 5 in helping management to discharge their responsibilities by evaluating the effectiveness of internal control, risk management and governance processes.

- 5.4 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 The report seeks approval of the Internal Audit Annual Plan 2022/23 attached at Appendix A.

- 6.2 Section 5 of the Audit and Accounts Regulations 2015 sets out the London Fire Commissioner's obligations (as a 'relevant authority') to undertake 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.

- 6.3 Under an agreement dated 26 November 2012 the Mayor's Office for Policing and Crime discharges of functions in respect of Internal audit functions by on behalf of the Commissioner.

6.4 The Financial Regulations under part 6 of the Scheme of Governance sets out the functions to be performed by the internal audit team. In particular, paragraph 13(m) of the Financial Regulations requires the Director of Corporate Services agrees the draft audit plan prior to the approval by the Commissioner.

6.5 This report attaching the draft annual internal audit plan is provided in accordance with the aforementioned legislative and governance requirements and falls within the Commissioner's powers.

List of Appendices

Appendix	Title	Open or confidential
A.	Draft Annual Plan for 2022/23	Open
B.	Internal Audit Charter	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 nonpublication.

Is there a part 2 form – NO

<p>ORIGINATING OFFICER DECLARATION:</p> <p>Drafting officer Karen Mason has drafted this report and confirms the following:</p> <p>Advice The Finance and Legal teams have commented on this proposal;</p> <p>Natasha Singh Legal Advisor, on behalf of General Counsel (Head of Law and Monitoring Officer)</p> <p>David O'Sullivan Financial Advisor, on behalf of the Chief Finance Officer</p>	<p>Drafting officer to confirm the following (ü)</p>
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Section 1						
Risk-Based Assurance Reviews						
Pillar 1 - The best people and the best place to work						
Audit Title	Summary Explanation for Area of Review	Recommended By	Planned Quarter	Risk Ref	PRT	Total Days
FRS Recruitment and Retention	Review of the framework in place to recruit and retain appropriately skilled FRS staff	Corporate Services Directorate	Q1	ICT 2/ FN 3	PRT6	20
Workforce Planning, Recruitment and Promotions	Looking at the framework in place to ensure appropriate operational staffing levels	Fire Stations and People Services	Q1	PS 13	PRT6	20
Togetherness Strategy	Providing assurance around delivery of the strategy and action plans	People Services and People Directorate	Q3	PS 2	PRT6	20
Implementation and Embedding of the Jaden Review	Reviewing the control framework supporting the implementation of the actions from the review, firefighter development and the safety of firefighter apprentices	Operational Delivery Directorate and People Services	Q2	Corp: People 1	PRT6	20
Staff Pre-Employment Validation Checks including Vetting	Review of new starter preemployment checks including references, qualifications and vetting	Risk and Assurance	Q3		PRT4	20
Business Interests	Assurance around the effectiveness of the framework for overseeing staff with secondary employment	Risk and Assurance	Q4		Rep	20
Pillar 1 Total						120

Section 1						
Risk-Based Assurance Reviews						
Pillar 2 - Seizing the Future						
Audit Title	Summary Explanation for Area of Review	Recommended By	Planned Quarter	Risk Ref	PRT	Total Days
Training Reviews x 2	Reviews of the training frameworks across Fire Stations and Brigade Control, with scopes to be agreed during the year	Operational Delivery Directorate and Operational Resilience & Control	Q2		PRT 6	40
Blue Light Collaboration	Review of the framework in place to identify and progress areas of collaboration	Operational Resilience and Control	Q2		PRT 5	20
Governance Framework	Scope to be confirmed, but could include design and implementation of policies and procedures and/ or, effectiveness of decision making	General Counsel's Department	Q3		Rep	20
Health and Safety	Assessment of the effectiveness of the systems in place for fire wardens and first aiders within LFB properties	Property Services	Q1		PRT 1	15
Pillar 2 Total						95
Total CF						215

Section 1						
Risk-Based Assurance Reviews						
Pillar 3 - Delivering Excellence						
Audit Title	Summary Explanation for Area of Review	Recommended By	Planned Quarter	Risk Ref	PRT	Total Days

ICT	Scope to be agreed during the year, but could include Cyber Security	Annual review	Q2	ICT 1 is Cyber	PRT2	20
Key Financial Systems	Scope to be agreed during the year	Annual review	Q4		PRT3	42
Pre-arranged Overtime	Review of the processes and systems in place to authorise and monitor the overtime with a view to improving resource utilisation	Operational Delivery Directorate	Q4		PRT3	20
Procurement Framework	Scope to be agreed during the year	Procurement	Q3		PRT2	20
Pillar 3 Total						102
Total CF						317

Section 1						
Risk-Based Assurance Reviews						
Pillar 4 - Outward facing						
Audit Title	Summary Explanation for Area of Review	Recommended By	Planned Quarter	Risk Ref	PRT	Total Days
Risk Management	Scope to be agreed during the year, but could include a deep dive of one corporate risk or a review of an aspect of the framework	Annual review	Q4		PRT7	20
Environmental Management Systems	Rolling programme of work to support ISO compliance	Annual review	Q1		Rep	10
Community Engagement	Assurance around proposals following the conclusion of the pilot within Communications	Communications	Q3		PRT7	20
Fire Safety Visits	Review of the framework for visits undertaken by fire fighters	Fire Safety & Operational Delivery Directorate	Q2	FS 12	PRT4	20

Reporting Wrongdoing	Review of the effectiveness of the framework in place for reporting areas of concern		Q4		Rep	20
Pillar 4 Total						90
Total CF						407

Section 1	
Follow Up Reviews	Total Days
<p>Follow up of the previous reviews to verify the status of agreed actions. To include, but not limited to:</p> <ul style="list-style-type: none"> • Leadership Programme • Thematic Review of Special Leave • Follow Up of Operational Assessment and Promotions • Thematic Review of Operational Equipment • Follow Up of Third Party Data Assurance • Cyber Security • Follow Up of Fire Safe and Well Pilot • Follow Up of Disciplinary Framework • Primary Authority Partnerships • Follow Up of Fire Safety Enforcement Framework • Follow Up of Management and Control of Counter Terrorism Funding • Follow Up of Recruitment Strategy for Operational Staff • Follow Up of Data Protection Compliance Framework • Thematic Review of Fuel Cards and Strategic Fuel Tanks • Follow Up of Network Resilience/ Topography • Follow Up of Babcock Fleet Contract Management • Follow Up of Use and Control of Credit Cards • Follow Up of Academic Sponsorship • Follow Up of Key Financial Systems (Accounts Receivable) • Follow Up of Key Financial Systems (Covid-19 Response) • Management of Home Office Grants 	100
Follow Up Total	100
Section 1 Total	507

Section 2			
Specialist Work Programme, including: Counter Fraud Activity, Data Analytics, Advisory Work, Compliance, Thematic and Cyclical Reviews			
Activity Type	Outline Description of Activity	Proposed Quarter	Total Days
Advisory Work Programme	<p>Internal Audit will provide advice and assistance on change programmes and projects. By its very nature, this is a dynamic environment and the scope of this work will be determined during the year but could include:</p> <ul style="list-style-type: none"> • Payroll Finance System Implementation • Enterprise Assurance Framework • Local Authority Service Level Agreements • Grenfell Tower Inquiry Phase 2 Trends • Performance Metrics and Data Quality • Portfolio and Project Management 	N/A	65
Counter Fraud Activity	<p>A range of work including prevention, awareness, detection and investigation activity. This could include:</p> <ul style="list-style-type: none"> • A scheduled programme of fraud awareness workshops. • National Fraud Initiative (NFI) programme • A data analytical programme using specialist software to interrogate and match large volumes of data. • Counter Fraud Investigations 	N/A	50
Audit Planning, Reporting and Client Liaison	N/A	N/A	60
Liaison with other Assurance Providers including Health and Safety and Sustainable Development Teams	<p>Assessing the methodology of other assurance providers to determine the degree of reliance that can be placed on their work. This reduces possible duplication and improves the co-ordination of activity.</p>	N/A	16
Contingency	<p>This contingency is used where necessary to supplement planned audit work if circumstances arise that require further audit coverage or assurance in high risk areas including within the key material systems.</p>	N/A	30
Section 2 total			221
Cumulative Total			728



INTERNAL AUDIT CHARTER

Introduction

The Directorate of Audit, Risk and Assurance (DARA), as part of the Mayor's Office for Policing and Crime (MOPAC) provides the internal audit service for the London Fire Brigade (LFB) under a shared service agreement which has been effective since 2012.

This Charter defines Internal Audit's mission, purpose, authority, responsibility and scope of activity, and sets out DARA's position within the LFB. It explains the nature of the Director of Audit, Risk and Assurance's reporting relationship with those charged with governance i.e. the London Fire Commissioner (LFC). It also covers engagement with the Commissioner's Board which has replaced the Governance, Performance and Audit Committee (GPAC) and the Director's Boards.

DARA follow the International Professional Practices Framework (IPPF) which helps to influence and direct its role within the LFB. It is a globally recognised framework providing authoritative guidance for the professional practice of internal auditing. This guidance forms the basis of the Public Sector Internal Audit Standards (PSIAS).



Mission Statement

Internal Audit aims to enhance and protect organisation value by providing risk based and objective assurance, advice and insight.

DARA Core Principles

- Demonstrating integrity, competence, and due professional care
- Being objective and free from undue influence
- Aligning audit work with the strategies, policies and risks of the organisations we audit
- Being appropriately positioned and adequately resourced
- Demonstrating quality and continuous improvement
- Communicating effectively
- Providing risk-based assurance to all our clients.

Definition and Purpose of Internal Audit

'Internal audit is an independent and objective assurance and consulting activity designed to add value and improve activities and operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, internal control and governance processes'.¹

¹ C Chartered Institute of Internal Auditors

DARA as the internal auditor is an independent source of assurance to the LFB. It has an importance role in helping the LFB to demonstrate the highest standards of corporate governance, public accountability and transparency in the conduct of their business.

The work of DARA adds value to the LFB and its stakeholders in providing objective and relevant assurance, contributing to the effectiveness and efficiency of governance, risk management and control process in accordance with the Public Sector Internal Audit Standards.

Responsibility of Internal Audit

The Director of Audit, Risk and Assurance, as Head of Internal Audit, has a statutory responsibility to give an annual opinion on the effectiveness of the LFB risk management, internal control and governance framework. The Head of Audit for LFB acts under delegated authority from the Director to provide that opinion. The audit approach is based on supporting the delivery of the London Safety Plan, giving assurance that key risks to the achievement of strategic priorities and outcomes are properly identified and effectively managed, and that resources are appropriately utilised.

Statutory Authority

Regulation 3 of the 2015 Accounts and Audit Regulations requires the Fire Commissioner to ensure there is a sound system of internal control, which facilitates the effective exercise of their functions and the achievement of their aims and objectives, ensures that the financial and operational management is effective, and includes effective arrangements for the management of risk. The LFB are required to review, at least once a year, the effectiveness of their internal control systems for inclusion in their annual governance statement, which are informed by the work of DARA and the annual opinion of the Head of Audit acting on behalf of the Director of Audit Risk and Assurance.

Regulation 5 of the 2015 Accounts and Audit Regulations requires the London Fire Commissioner, as a corporation sole, to undertake an effective internal audit to evaluate the effectiveness of the risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.

The work of Internal Audit supports the statutory role of the LFB Director of Corporate Services and Monitoring Officer in the discharge of their statutory responsibilities.

DARA has access to records, assets, personnel and premises and the authority to obtain such information and/or explanations that it considers necessary to fulfil its statutory responsibility (access also extends to partner bodies or external contractors). This is recognised and endorsed within the LFB Financial Regulations, which give DARA the necessary authority.

Professional Standards and Codes of Ethics

DARA's internal auditors follow professional standards. These include the International Standards from the Global Institute of Internal Auditors (IIA), which form part of the IPPF, and the Public Sector Internal Audit Standards (PSIAS).

The IPPF consists of mandatory guidance and recommended best practice. The mandatory elements, which form the basis of the PSIAS, include:

- Core Principles for the Professional Practice of Internal Auditing
- Definition of Internal Auditing
- Code of Ethics
- International Standards for the Professional Practice of Internal Auditing (Standards)

The Code of Ethics based on the core principles of integrity, objectivity, confidentiality and competence are supported by rules of conduct to direct the behaviour of internal auditors. The Head of Audit reports any areas of non-compliance with these standards within her annual report.

Independence and Objectivity

The requirement for the independence of internal audit is specified in the CIIA Standards, IPPF and PSIAS. Internal audit activity must be independent i.e. is objective and free from undue influence. Internal Auditors must exhibit the highest level of objectivity and make balanced assessments ensuring they are not unduly influenced by their own interests or by others in forming judgements. In meeting these standards;

The Head of Audit on behalf of the Director of Audit, Risk and Assurance:

- Has direct and unrestricted access to the London Fire Commissioner (LFC) as the corporation sole and fire and rescue authority for London.
- Reports at a senior level within LFB allowing DARA to fulfil its responsibilities. Communicates and interacts directly with the Commissioner's Board and Directors' Boards.
- Is responsible for producing the DARA annual work programme based on an assessment of risks to the achievement of LFB objectives. The plan must take into account the requirement to produce an annual internal audit opinion.
- Is free to determine the scope of internal auditing, perform audit activity and communicate results.
- Discloses to an appropriate party any conflict of interest that could impair their objectivity.
- Ensures assignments for audit responsibilities are rotated periodically within the DARA team.
- Confirms annually the organisational independence of DARA.

DARA staff:

- Provide an annual declaration of any actual or potential conflicts of interest that might compromise their objectivity in the conduct of particular audits.
- Make a declaration if such a conflict of interest is identified in the course of any piece of audit or consultancy work.
- Provide advice but cannot assume management responsibility for decision making.
- Provide consultancy services but cannot give assurance on areas where they have previously undertaken consultancy work.

- Cannot provide assurance or services to areas they were previously responsible for.
 Do not conduct work in an area if a personal conflict of interest is identified.

Reporting Arrangements

The Head of Audit reports to both senior management and the LFC under her own name, although the Director of Audit Risk and Assurance has ultimate authority for the content and conclusions of audit reports which are issued. The Head of Audit reports periodically on DARA's purpose, authority and responsibility and regularly reports on:

- Significant risk exposures and control issues, including fraud risks and governance issues and any emerging themes or trends.
- The adequacy and effectiveness of the control framework.
- Progress against the annual internal audit plan, which is subject to change, is approved GPAC.
- DARA service improvement activity.

The frequency and content of reporting is determined in discussion with senior management and LFC and depends upon the importance of the information and the urgency of related actions to be taken.

The distribution, retention and disclosure of reports and other information is discussed and agreed with the client and any disclosures required by law will be made where necessary.

Scope of Work

Internal Audit is a valuable asset in assisting the LFB in meeting its corporate responsibilities. An appropriate response to Internal Audit activity leads to the strengthening of the control environment, contributing to the achievement of strategic objectives, service improvement and changes. Key activity includes:

Governance

Assessing and agreeing appropriate actions for improving governance, including the arrangements for promoting appropriate ethics and values, ensuring effective performance management, communicating appropriate risk and control information and ensuring governance arrangements support LFB priorities and objectives.

Risk Management

Evaluating the effectiveness of and contributing to the improvement of risk management activities. This includes an assessment of whether significant risks to the achievement of agreed strategic priorities and objectives are identified, appropriate risk responses are selected that align to LFB risk appetite and whether there are suitable arrangements for monitoring, reporting and escalating risks.

Internal Control Framework

Reviewing the efficiency and effectiveness of the internal control framework and providing an assessment of the extent to which they manage the risks that may impact on the achievement

of strategic objectives. In making this assessment DARA consider whether the controls established by management provide assurance on the:

- Reliability and integrity of financial and operational information.
- Effectiveness and efficiency of operations and programmes.
- Safeguarding of assets, resources, staff and information.
- Compliance with applicable laws, regulations, policies and procedures.

Fraud Related Work

Accountability for the prevention and detection of fraud and corruption rests with management and is a matter for all London Fire Brigade employees. The LFB also has responsibility for establishing appropriate counter fraud arrangements, which are subject to DARA review. DARA also provide assurance work on the management of relevant fraud risks within the corporate risk management framework.

A confidential reporting mechanism is available for employees and for members of the public. The Director of Corporate Services must be kept informed of any instances of suspected fraud or corruption. DARA counter fraud specialists investigate matters of internal fraud/irregularities relating to staff and contractors.

Consulting and Advisory Services

DARA, as the internal auditors, provide independent and objective advice to help management improve their risk management, control and governance arrangements in key areas of the business that are subject to significant change. Change management and control advice assists LFB in delivering value for money resulting in the more economic, effective and efficient use of resources.

Such advice and consultation work forms an important part of the audit plan and is achieved primarily through contact with portfolio/business leads as well as professional knowledge.

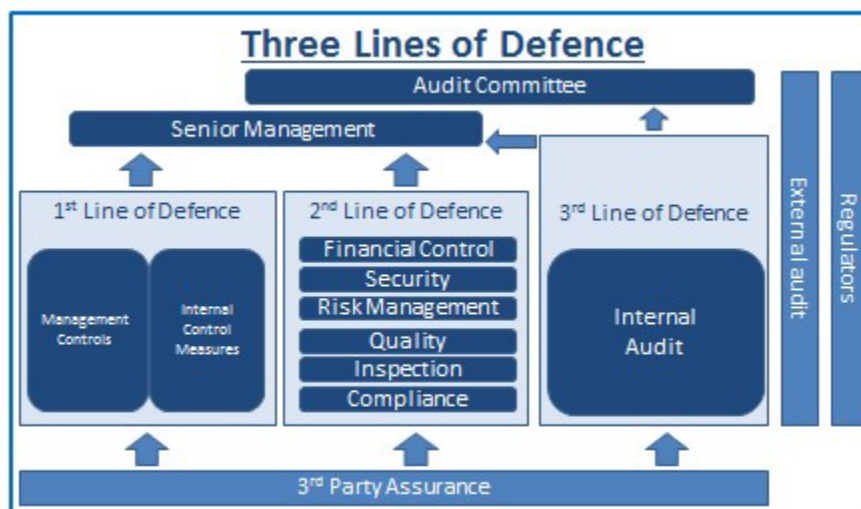
Resourcing

The Head of Audit on behalf of the Director of Audit Risk and Assurance informs the Fire Commissioner and her senior management team of DARA plans and resource requirements. The internal audit plan includes the impact of any resource limitations and significant actual or planned changes. It is developed based on a risk-based methodology, including input from senior management. The Director ensures resources are appropriate, sufficient and effectively deployed to achieve the approved plan. Any material deviations from the plan are communicated to the Fire Commissioner and Directors through periodic activity reports.

High standards of competency and qualification are specified for all members of DARA. Professional competence is maintained through an appropriate on-going learning and professional development programme that incorporates Continuing Professional Development to meet professional standards.

LFB Assurance Framework

The Fire Commissioner and Directors can take assurance from a number of sources. The ‘three lines of defence’ model helps to understand where and how assurance is achieved:



First Line

The first line broadly covers management assurance which is day to day risk management activity, monitoring and performance management to establish that agreed targets and priorities are being met.

Second Line

This work is associated with oversight of management review activity. It is separate from those who have responsibility for delivery, but not independent of the internal management chain of command. This includes compliance assessments or reviews carried out to determine policy and key processes are being met in line with specific areas of risk.

Third Line

This relates to independent and more objective assurance and focuses of the role of MOPAC’s DARA, which through an agreed programme of work is able to provide an objective opinion on governance, risk management and internal control.

Integrated Assurance

DARA can take assurance, where appropriate, from internal review activity and other independent assurance providers such as External Audit, HMICFRS and internal assurance functions. It is also responsible for reporting on the effectiveness of the assurance framework to senior management and the LFC.

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