



LONDON FIRE BRIGADE

MINUTES

AUDIT COMMITTEE

DATE	Thursday, 20 October 2022	TIME	2.00 pm
VENUE	Microsoft Teams - Virtual		

Minutes of the proceedings of the meeting of Audit Committee held Microsoft Teams - Virtual on Thursday, 20 October 2022

Present:

Marta Phillips OBE, Independent Member (Chair)
Kay Boycott, Independent Member
Seyi Obakin OBE, Independent Member

In Attendance:

Mostaque Ahmed, Director for Corporate Services
Fiona Dolman, Director for Transformation
Adrian Bloomfield, Assistant Director, Finance
Andrew Beesley, Head of Governance
Anna Flatley, Governance Manager
Lindsey Heaphy, Head of Assurance and Audit MOPAC
Daniel Ingram, Head of Risk and Assurance
Kevin Lendor, Assurance Manager
Julian Martin, Chief Information Officer
Karen Mason, Group Internal Audit Lead
David O'Sullivan, Head of Strategic Finance
Senita Robinson, Head of Performance Management

1. Apologies

Apologies were received from Martin Spencer.

2. Declarations of Interest

Seyi Obakin notified the Board that he had been appointed as Chair of the Youth Futures Foundation but did not envisage any conflict of interest as a result.

There were no further declarations of interests.

3. Minutes of the Previous Meeting

The minutes of the meeting held on 14 July 2022 were agreed as a correct record and progress on the actions noted.

4. LFC Executive Summary of Current Events

The Director for Corporate Services provided a verbal summary of the current key events namely the continuing challenging economic and financial climate; negotiations around

firefighter pay, current political turbulence, the HMICFRS inspection; Accounts and Audit 2021/22, the Finance Department restructure, the Cultural Review and the Community Risk Management Plan.

The Committee then discussed these issues and specific points raised included the following:-

- The danger that pressure on staff caused by the cost of living crisis may provoke a rise in low level fraud. It was confirmed that standard controls were in place, including separation between purchase and pay procedures, and that officers worked with Internal Audit to monitor this; noting that they had recently carried out an internal audit of procurement. It was noted that the impact of Covid and a move to more working from home were also factors to be considered.
- The financial consequences if the national pay offer of 5% was rejected; noting that the LFC had budgeted for 3% with the additional 2% planned to be found from existing budgets. It was also noted that there would be additional financial pressures caused by strike action as there was a statutory requirement to provide certain services and this would be provided through a contingency contract, at a substantial daily cost.
- The Committee recognised the enormity of tackling cultural change issues and queried whether the lack of resources and other conflicting pressures on workloads would allow progression of actions arising from the Culture Review. Directors acknowledged that there was a lot of activity in progress and commented that the conclusions of the Culture Review may in fact help to prioritise these. It was recognised that the review could also flag additional issues which would require additional work. It was noted that both the People and the Performance Risk and Assurance Boards would monitor actions arising from the Cultural Review.
- The Committee asked if and how staff wellbeing was being monitored. It was noted that sickness and the specific reasons for it was the subject of continuous scrutiny. It was noted that a deep dive on sickness was planned for People Board which would consider wide ranging implications.

5. Corporate Risk Register

The Interim Head of Risk and Assurance introduced the Corporate Risk Register, noting the changes which had occurred since previously reported as set out in the report. He specifically drew the Board's attention to the new formal risk on market forces (CS2), the failure to embed transformation (TF4), and the barriers to staff understanding about corporate change (CM8). It was noted that risks relating to completion of the Transformation Delivery Plan (TF1), and lack of internal communications resources (CM7) have been reduced in their rating and de-escalated from the corporate red risk register.

The Committee noted the challenges facing the Brigade, which had been referred to under the previous item. It was noted that if the FBU did decide to ballot for industrial action over the pay offer the current amber rating on the industrial relations risk (ORC14) was likely to be increased to red.

The Committee then discussed the risk register, and made the following specific points.

- That the reference to Brexit in many of the risk descriptions was not necessarily still relevant and suggested this be reviewed.
- Whether messaging to external bodies e.g. the GLA and the Home Office; indicated clearly enough that the current pressures meant the service was stretched and not everything could be achieved quickly. Directors noted that the LFC had meetings with a range of stakeholders where this was communicated but acknowledged the need to make this clear in written communications.
- The Committee welcomed the dynamism of the risk register and articulation of the specific transformation risks. However it voiced some concern as to how risk scores could be managed and reduced with the current pressures. It was acknowledged that this was a challenge, especially as priority for Communications at the moment was the risk of industrial action. However it was noted that steps were being taken to communicate with the workforce to explain the connection between specific positive actions and the transformation agenda.
- The Committee queried why climate change was not a red risk, especially in light of the extreme summer heat and the pressures on the service which resulted in the busiest day for the LFB. It was acknowledged that more work was needed on the risk to the service from climate change and this would be addressed. It was noted that there was a major incident review underway on that day in the summer.

The Audit Committee then noted the Risk Register.

6. Statement of Assurance 2021/22

The Interim Head of Risk and Assurance and the Assurance Manager introduced the report, noting that the LFC is required to prepare an annual Statement of Assurance in accordance with the Fire and Rescue National Framework for England. In accordance with the Fire and Rescue Services Act 2004 the Secretary of State reports on this to Parliament every two years. In summary the data was largely operating at a similar level to pre covid times with no significant trends.

The Committee welcomed the report which it found well written, very helpful and easy to read. It further acknowledged the challenges of producing the report in the current climate. It was noted that a more neutral approach had been adopted than in previous years. In addition, it was noted that the assurance arrangements meant that next year's report would have a different format.

The Committee then asked a number of questions and raised a number of specific points which included the following.

- The reduction in the number of mutual aid incidents. It was noted that this was not unusual as there was no consistent trend with such incidents as they were dependent on location. The Board asked that this be made clearer in the statement.
- How the LFC ensures the resilience of assets and whether this should be addressed.
- Assurance that the work of the independent Operational Assurance Advisor would be addressed and included in LFC action plans.

- That the role of the Audit Committee be included in the section on the effectiveness of governance arrangements (paragraph 84).
- That some sections focused more on description rather than impacts. It was noted that with greater use of metrics this would be strengthened in the future.
- That the language in the cultural change section was too narrowly focused and did not adequately reflect the challenges which existed in this area and where LFB was on that journey. The Directors acknowledged this and undertook to consider this section further.
- Further explanatory information be included on special services and what they consisted of.
- Greater explanation of the reasons for the increase in the number of fire deaths as a result of faulty appliances be included.
- The results of the gap analysis about capability as referenced in the appendix to the main report be included.
- For future years consideration be given as to whether a more balanced report could be produced to highlight more starkly the risks faced by the LFC.

The Audit Committee then noted the report.

7. Budget Update

The Director of Corporate Services introduced the report by stating that the draft Budget had to be submitted to the Mayor by 25 November so at this stage it was still a work in progress. The Head of Strategic Finance then summarised the key points within the report and highlighted the recent updates in light of inflation, and noted that this was under constant review.

The Committee noted that there had been a detailed scrutiny process on all aspects of the budget and the savings and growth proposals had been shared with the GLA. It was noted that the Directors had not approved all the growth proposals that had been initially put forward by departments. It was also noted that the cross departmental efficiency review had identified genuine savings and was ongoing. A balanced budget was planned for 2023/24 and in part this was achieved by maintaining an operational vacancy margin (albeit at a lower level than the current year), as set out in the report. It was noted that this may be affected further by the impact of possible additional pay increases.

The Committee welcomed the report which was clear but noted that there were a number of uncertainties which could impact the budget adversely. Specific points raised included the following.

- Concern around the impact of possible pay increases. It was noted that the impact of percentage increases were being carefully scrutinised.
- The risk to budget flexibility reserves and what the implications would be in the longer term if these were depleted.

- Whether the savings proposed would risk operational service and safety. Officers provided assurance that they would not. It was noted that certain services were statutory requirements and any proposals were made within this framework. Key response time deadlines would be met and there would be no reductions in appliances or stations. The Board welcomed this but warned against indirect risks and the need to carefully prioritise.
- The Committee endorsed the proposal that the Investment and Finance Board would be carrying out a series of deep dives in the future to look at specific areas in their totality and to guard against false economies. This should include capital as well as revenue spend.
- It was noted that the report once finalised would include more context at the beginning to make it a more external facing document.
- The Committee noted that in future years greater responsibility and accountability would be given to budget holders. This would involve a cultural change and a move away from the expectation that finance department would resolve large overspends or meet new pressures.
- The Committee noted the need to ensure that with more devolved budget management sufficient controls were in place to mitigate against risks such as fraud.
- The impact of the Mayor's priority on net zero and whether the cost implications were known and whether these were achievable. Directors noted that a carbon net zero strategy had been drafted and there were massive cost implications of delivering net zero. Further information would be reported to the Board at a future meeting.

The Audit Committee then noted the report.

8. Internal Audit Review of 2021/22

The Head of Internal Audit introduced the Internal Audit Review by highlighting the key outcomes and conclusions under the governance framework and internal controls. It was recognised that there was a significant amount of work being undertaken and the Head of Internal Audit noted that it may be helpful for Internal Audit to be involved in projects at an earlier stage. She noted that whilst the opinion remained adequate it was recognised that the LFB was on a transformation journey.

The Committee then discussed the report and made the following points.

- That whilst the amount of work undertaken by Internal Audit was good, it was necessary to guard against the executive assuming that Internal Audit will do all the necessary checking. There was also concern that the resources available could not support the amount of work and high risk actions would not be able to be dealt with swiftly enough. It was noted that the Performance Board was monitoring these and prioritising risks accordingly, as well as updating them where relevant. It was also noted that the actions were agreed with the relevant departments.
- The progress made on follow ups and closing actions down was welcomed. The Committee acknowledged that assurance work was in a transition but there were clear improvements towards assurance by design.

- The involvement of Internal Audit at an earlier stage to utilise their expertise more efficiently was supported.
- Concern was noted that one action from the follow Up of Recruitment Strategy for Operational Staff (as set out in the Q1 report on the next item) was delayed by 18 months and there was no update on the thematic review of operational equipment. Officers assured the Board that considerable work was being undertaken on recruitment and sometimes the issue was ensuring up to date information was provided.

The Audit Committee then noted the report.

9. Internal Audit Quarter 1 Progress Report

The Group Internal Audit Lead introduced the report by summarising the key points as set out in the report. She noted that of the 14 deferred actions 3 were of high priority and they had been referred to the Director for Transformation to assist with prioritisation; and noted the improvements in follow up reports. She then gave an update to the report by noting that since this report had been finalised 3 final reports had been issued, 1 report was at draft stage, 1 report was at field work stage, 8 were under review, 3 were at scoping stage and 4 were being commenced. Details would be included in the Quarter 2 report.

The Committee welcomed the report and commented that the high number of deferrals may be a result of pressure on resources. It was acknowledged that it may also reflect that some priorities may have shifted to other work. This would be clearer once monitoring work had been undertaken.

The Committee was assured that the limited assurance rating with reference to the Audit Trail for Procurements (Risk & Assurance) (as set out in paragraph 3.4) did not reflect a failure to comply with procurement rules, it was a problem with demonstrating the necessary audit trail which had now been resolved.

The Audit Committee then noted the report, welcomed the report and asked that the Directors feed that back to the organisation.

10. Annual Cyber Security Report

The Chief Information Officer introduced the report which was a high level update to a range of risk controls that was set out in the previous paper and also provided information on other cyber related work in progress. He added that the LFB had a good understanding of the considerable work required to achieve Cyber Essentials (CE) certification as detailed in paragraph 2.2. It was of some concern that the CE standard has itself changed which had caused additional work.

The Committee then discussed the report and the following points were made.

- Queried why cyber threat was not a corporate red risk and asked that the LFC consider this.
- The Chief Information Officer answered some specific queries regarding cloud based systems, noting that the LFB was moving towards a cloud based system with all new

applications defaulted to it. However there remained some historic applications which could not be moved across. He assured the Committee that other systems were in place to mitigate risk such as Dark Trace.

- Whether the LFC had a view as to how it would respond if there was a ransomware attack.
- An update on the output of desk top cyber exercise with the Metropolitan Police be provided to the Committee.
- The Committee welcomed the reassurance provided verbally which was not included in the update report but previously reported but still expressed some concerns that there was not sufficient assurance around the cyber security risk and asked that a further discussion on this at a future meeting of the Committee. Directors confirmed that this would be the subject of a deep dive at the Performance, Risk and Assurance Board and the results of this would be reported back to the Committee.

The Audit Committee then noted the report.

11. Finance and Performance Quarter 1

The Head of Strategic Finance introduced the report which was a new style report reflecting the requirements of the GLA. The main change was the inclusion of the performance element and the presentation of the figures on a strategic level.

The Head of Strategic Finance and the Head of Performance Management then introduced the finance and performance elements of the report respectively as set out in the report.

The Committee then discussed the report and welcomed the new presentation which was clear and easy to read and made the following points.

- That sickness levels remained an issue, as referred to earlier in the meeting.
- Welcomed the fact that female firefighter recruitment was improving.
- That further investigation be undertaken on capital underspends as there appeared significant variation. It was confirmed that this would be considered further during the budget setting process.
- The improvement in diversity was welcomed and the Committee asked what lessons could be drawn from that in terms of the reasons for it. The Head of Performance Management agreed to provide further details of work undertaken. However, she warned that a downturn was expected because a lot of the outreach work had to be cancelled due to the pandemic. It was acknowledged that the outreach work and how it was presented was critical in the success of this work.

The Audit Committee then noted the report.

12. Workplan

The workplan was noted, with the proviso that space would be made for reporting back on cyber security.

It was noted that the Independent Operational Assurance Adviser report update originally scheduled for this meeting would now be presented to the January meeting of the Committee.

13. Any Other Business

There was no other business.

14. Dates of Future Meetings

The next meeting of the Audit Committee is scheduled for 17 January at 2.00pm.

The meeting ended at 5.10 pm

Teresa Young, Senior Governance Manager
Clerk to Audit Committee
X 30080