

Internal Audit – Draft Annual Plan for 2025/26

Report to:

Risk and Assurance Board
Commissioner's Board
Audit Committee
London Fire Commissioner

Date:

31 January 2025
12 February 2025
3 March 2025

Report by:

David Esling – Head of Internal Audit

Report classification:

For decision

For publication

Values met

Service
Integrity
Teamwork
Equity
Courage
Learning

I agree the recommended decision below.



Andy Roe
London Fire Commissioner

Date **This decision was remotely
signed on 20 February 2025**

PART ONE

Executive Summary

The London Fire Commissioner's (LFC's) Financial Regulations at paragraph 13(m) requires the Director for Corporate Services in conjunction with the Commissioner, to agree the draft audit plan with the Head of Internal Audit prior to approval by the relevant committee.

DECISION OPTIONS

Recommended decision

The London Fire Commissioner:

1. Approves the Internal Audit Draft Annual Plan 2025/26.
2. Notes the Audit Charter.

1 Introduction and background

- 1.1** The requirement for the London Fire Brigade (LFB) to have an internal audit function is specified within the Accounts and Audit Regulations 2015 (Regulation 5). Internal auditing is defined by the Global Institute of Internal Audit (IIA) as "An independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes."
- 1.2** The Relevant Internal Audit Standard Setters, which includes the Chartered Institute of Public Finance and Accountancy (CIPFA) in respect of local government across the UK, have adopted the Public Sector Internal Audit Standards (PSIAS). The PSIAS encompass the mandatory elements of the IIA International Professional Practices Framework and apply to all internal audit service providers.
- 1.3** The Directorate of Audit Risk and Assurance (DARA) from the Mayor's Office for Policing and Crime (MOPAC) provide the internal audit function for the LFB. DARA's services are provided under a shared service agreement that has been in place since 2012. DARA are an internal resource for the LFB and provide independent assurance to those charged with governance, risk, and oversight of the internal control environment.
- 1.4** The IIA promote a Three Lines Model to help organisations identify structures and processes that best assist the achievement of objectives and facilitate strong governance and risk management. Internal Audit sit within the third line, providing independent assurance alongside External Audit and His Majesty's Inspectorate of Constabulary and Fire & Rescue Services, and other relevant organisations.
- 1.5** Each provider of third line assurance comes at their work through a different lens, and the subtleties of these needs to be considered when determining whether second line or which type

of third line assurance should be sought. The development of an assurance map would help support understanding of what assurance is in place, and where there may be gaps or duplication.

2 Objectives and expected outcomes

- 2.1 DARA's annual plan provides the approach that will be taken to develop the quarterly audit plans which contain the specific audits and their scope. The quarterly plans are approved at the Risk and Assurance Board prior to the commencement of activity.
- 2.2 Development of quarterly plans helps to ensure that internal audit's work is focused on the LFB's strategic objectives and significant areas of risk.

3 Annual plan delivery and costs

- 3.1 The proposed number of days for 2025/26 has been reduced from 728 to 530. The reduction has been possible following positive developments within the Business Resilience department, which includes the risk management and business assurance teams. In accordance with our professional standards Internal Audit will continue to perform first follow ups. Any further actions agreed with management from that work will be monitored for implementation by the Business Assurance team, reducing the time spent on follow up work by Internal Audit.
- 3.2 The number of days allocated to counter fraud work has also been reduced following the establishment of the Professional Standards Unit (PSU). The framework for the allocation of work between the PSU and Internal Audit is yet to be established, but as a minimum DARA's Counter Fraud team will be continuing the National Fraud Initiative work during 2025/26.
- 3.3 The revised number of days is considered sufficient by the Head of Internal Audit to support development of their annual audit opinion. However, there will need to be more effective engagement around development of the quarterly audit plans and scope of engagements to ensure that adequate work can be completed during the year to support that opinion.
- 3.4 The split of audit days will be:

Activity	Days
First time reviews (risk and assurance and advisory)	340
Follow up reviews	60
Counter fraud activity	30
Audit planning, reporting, and client liaison	70
Contingency	30
Total	530

- 3.5 The charge for the DARA's internal audit services has been at the same rate per day for the last four years. To accommodate its increase in operating costs, the daily rate for 2025/26 will be increased to £492 per day. This will take the total charge for the 2025/26 annual plan to £260,760, a reduction of £36,440 on the previous year.
- 3.6 The Audit Charter sets the framework for internal audit work and a copy of the current charter is attached at Annex 1. New Global Internal Audit Standards are coming into effect with effect from 9 January 2025, and Internal Audit are in the process of revising the Audit Charter to reflect the new standards. The revised Audit Charter will be provided once the revisions have been completed and reviewed.

4 Quarterly planning and audit coverage

- 4.1 A risk-based audit approach will be taken to development of the quarterly audit plans. This will be achieved through review of the corporate risk register. Internal Audit will also liaise with the Risk Management team to understand the wider risk landscape. These meetings will also be attended by the Business Assurance team to provide insight from their second line assurance work.
- 4.2 Quarterly meetings are then held with each Director to discuss potential reviews for inclusion in the upcoming quarter's plan. The discussions will include items for consideration put forward by the Director on behalf of their Heads of Service or recommended by Internal Audit following liaison with the risk management and business assurance teams.
- 4.3 Through this framework potential reviews for quarter one 2025/26 include:

- NFCC (National Fire Chiefs Council) Cyber Security Framework: Assurance on base line data to be used for reporting to the Home Office.
- Enterprise Assurance Framework Review in Finance: Advisory review to support development of controls identified within the Enterprise Assurance Framework that are not aligned to the new SAP Finance and Purchasing System.
- Risk Management – Assessment of Red Risk on Training Assurance: Advisory review to provide guidance on why the risk remains static on the risk register.

Actual reviews for inclusion in the draft quarter one plan have not yet been agreed, and the final plan will be subject to approval at the Risk and Assurance Board in April 2025.

- 4.4 There are two distinct types of work that Internal Audit can provide, and the most appropriate approach will be agreed with the stakeholders. These are:
- 4.5 **Risk and Assurance Reviews:** The starting point is to establish the objectives of the area under review. The auditor will then identify the risks that may prevent those objectives being achieved and assess the control framework. This is achieved by determining whether a control is in place, and if in place whether it effectively mitigates the risk. Outcomes are based on assessment of whether the controls are well designed, and their application. The scope of these reviews is determined by the Internal Audit, in consultation with the client lead.
- 4.6 **Advisory Reviews:** The scope of these reviews can vary significantly in nature as it is determined by the client lead. The objectives of advisory work can include the provision of advice in revising or developing a governance framework (policies, procedures) and systems of operation (processes, systems). Internal Audit are also able to support the implementation of new IT systems where the focus is to provide professional opinion on the controls, or control weaknesses, within the design of the new system.

5 Values Comments

- 5.1 The LFC notes the Fire Standards Board requirements around adopting and embedding the Core Code of Ethics at an individual and corporate level. Following extensive engagement, the LFC has introduced Brigade values which build on and do not detract from the Code of Ethics.
- 5.2 DARA's annual internal audit plan, and the quarterly plans will cover all aspects of the Brigade's values which are:
- Service: we put the public first

- Integrity: we act with honesty
- Teamwork: we work together and include everyone
- Equity: we treat everyone fairly according to their needs
- Courage: we step up to the challenge
- Learning: we listen so that we can improve

6 Equality Comments

- 6.1** The LFC and the Deputy Mayor for Planning, Regeneration and the Fire Service 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.
- 6.2** 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.
- 6.3** 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.
- 6.4** 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.
- 6.5** 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.
- 6.6** 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.
- 6.7** 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.

6.8 This report has no equality implications.

7 Financial comments

7.1 This report sets out the draft 2025/26 annual audit plan for the LFC. The plan proposes a total coverage of 530 days at a total revenue cost of £260,70 which will be contained within the approved 2025/26 budget for this service with the Finance department.

7.2 Under the Accounts and Audit Regulations 2015, a local authority must ensure it has a sound system of 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.

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

7.4 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.

8 Legal Comments

8.1 The report seeks approval of the Internal Audit Annual Plan 2025/26.

8.2 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.

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

8.4 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 Commissioner agrees the draft audit plan prior to the approval by the Audit Committee.

List of appendices

Appendix	Title	Open or confidential*
1	Audit Charter	Open

Part two confidentiality

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

Is there a Part Two form: NO

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 relevant Boards, including the Commissioner's Board, as well as the Audit Committee.

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).



International Professional
Practices Framework



Mission Statement

Internal Audit aims to enhance and protect organisational 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

DARA as the internal auditor is an independent source of assurance to the LFB. It has an important 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 processes in accordance with the PSIAS.

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 Community Risk Management 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 LFC 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.

¹ Chartered Institute of Internal Auditors

Regulation 5 of the 2015 Accounts and Audit Regulations requires the LFC, 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 for 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 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 their 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 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 other relevant 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 by the relevant Board, Commissioner's Board and Audit Committee.
- 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 for 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

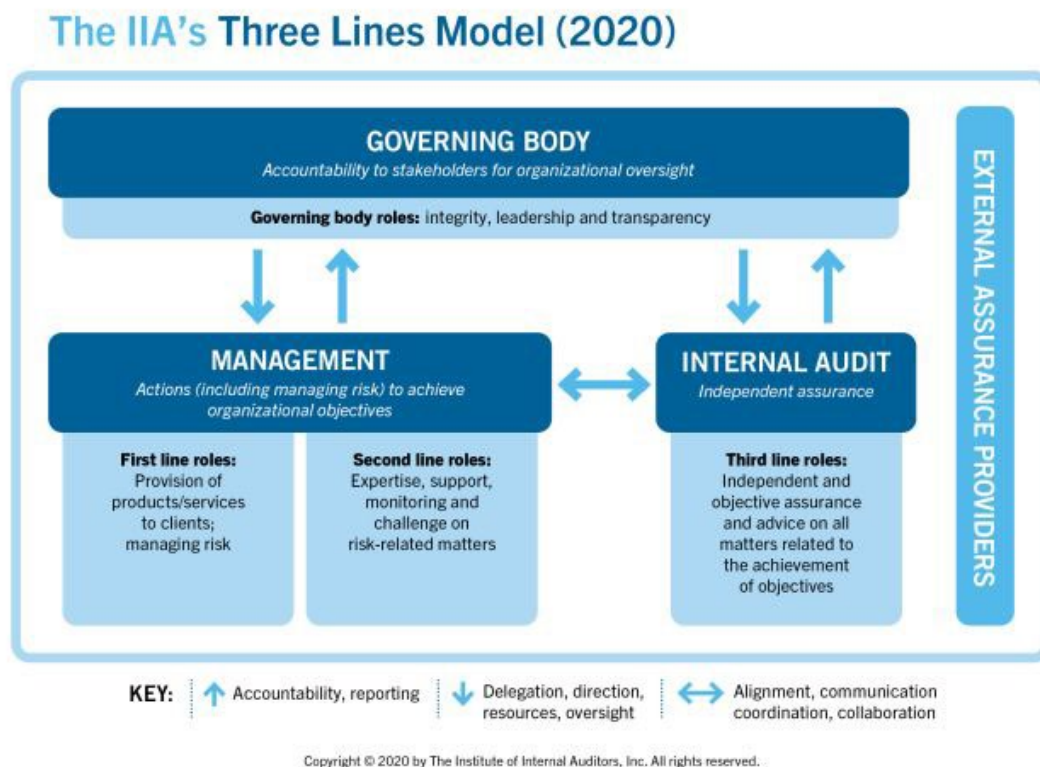
The Head of Audit on behalf of the Director of Audit Risk and Assurance informs the LFC and their senior management team of DARA plans and resource requirements. The internal audit plan includes the impact of any resource limitations and significant actual or planned changes. It is developed based on 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 LFC 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 LFC and Directors can take assurance from a number of sources. The 'three lines' model helps to understand where and how assurance is achieved:



First Line

First-line roles are defined as those most directly focused on providing products and/or services and include the roles of support functions such as HR, admin, IT and building services.

Second Line

Second-line roles centre on specific aspects of risk management, including compliance; procedures and controls; quality assurance; IT security; sustainability; and broader responsibilities such as enterprise risk management. Those in second-line roles often challenge those in the first line roles, although it is those in first-line roles who are responsible for managing risk. Some senior individuals in second-line roles, may report directly to the Commissioner's Board and Audit Committee to ensure a degree of independence in their functions.

Third Line

Third-line roles, such as Internal Audit, are unique in being independent of management and its responsibilities. This independence enables Internal Audit to provide objective assurance and advice. It is impossible to be both independent of management and to assume management responsibilities (i.e., first- and second-line roles). Where internal audit has first- or second-line roles, independent assurance of these activities must be drawn from other

sources.

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.