

Decision title

Internal Audit – Draft Audit Plan 2019/20 and Audit Charter

Recommendation by

Head of Audit and Assurance

Decision Number

LFC-0147x-D

Protective marking: **NOT PROTECTIVELY MARKED**

Publication status: Published in full

Summary

Financial Regulation 13(m) (Internal Audit) requires the draft annual plan to be approved by the Commissioner. This report contains the draft Internal Audit annual plan for 2019/20 and is submitted in compliance the Financial Regulation 13(m) for approval.

This plan is produced by the Internal Audit Service which is being delivered by the Mayor's Office for Policing and Crime (MOPAC) under the shared service arrangements that were formalised in November 2012. 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 LFB 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, whilst recognising this is a time of significant change for the Brigade with an ongoing demand to improve efficiency and achieve better value for money. Internal Audit will therefore report on opportunities for improving efficiency and value for money in all aspects of its work.

As part of our continuous improvement plan, we have undertaken a review of the Audit Charter which sets out the relationship between MOPAC and the LFB, and a revised copy is provided along with our draft plan.

Decision

The London Fire Commissioner:

1. Approves the proposed Internal Audit Annual Plan for 2019/20 as set out in Appendix A
2. Notes the revised Audit Charter setting out the level of service between MOPAC and the LFB for the provision of Internal Audit services as set out in Appendix B.

Dany Cotton QFSM

London Fire Commissioner



Date 18-09-19

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Report title

Internal Audit – Draft Annual Plan for 2019/20 and Audit Charter

Report to	Date
Safety and Assurance DB	13/03/19
Corporate Services DB	19/03/19
Operations DB	20/03/19
Commissioner's Board	27/03/19

Report by	Report number
Head of Audit and Assurance	LFC-0147x

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Financial Regulation 13(m) (Internal Audit) requires the draft annual plan to be approved by the Commissioner. This report contains the draft Internal Audit annual plan for 2019/20, and is submitted in compliance with the Financial Regulation 13(m) for approval.

This plan is produced by the Internal Audit Service which is being delivered by the Mayor's Office for Policing and Crime (MOPAC) under the shared service arrangements that were formalised in November 2012. 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 LFB 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, whilst recognising this is a time of significant change for the Brigade with an ongoing demand to improve efficiency and achieve better value for money. Internal Audit will therefore report on opportunities for improving efficiency and value for money in all aspects of its work.

As part of our continuous improvement plan, we have undertaken a review of the Audit Charter which sets out the relationship between MOPAC and the LFB, and a revised copy is provided along with our draft plan.

Recommended decision(s)

That the London Fire Commissioner:

1. Approves the proposed Internal Audit Annual Plan for 2019/20 as set out in Appendix A, and
2. Notes the revised Audit Charter setting out the level of service between MOPAC and the LFB for the provision of Internal Audit services as set out in Appendix B.

Introduction

1. Under Financial Regulation 13 (m) the statutory finance officer is required to submit a report (a) before the commencement of each financial year detailing planned Internal Audit activities for the year ahead and (b) within six months of the close of the previous year reviewing that year's activities. This report is submitted in accordance with the first part of this requirement in that it provides the LFC with planned Internal Audit activities for 2019/20.
2. MOPAC are responsible for the provision of Internal Audit Services to LFB (previously LFEPA) as part of a full shared service arrangement that was agreed by the respective authorities (MOPAC and LFEPA) in November 2012. The new arrangements commenced on 1 November 2012 formalising the interim arrangements, for the management of the LFB Internal Audit Service that had been in place since September 2011.
3. The use of a more risk-based approach for the annual plan is in line with current best practice and reflects the current level of risk maturity within the LFB. 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 Brigade as described in the corporate London Safety Plan. The draft Internal Audit Annual Plan for 2019/20 is attached as **Appendix A**.

Background

4. 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. New governance arrangements were introduced in April 2018 including the creation of a London Fire Commissioner (LFC) as a Corporation Sole and a Deputy Mayor for Fire and Resilience. Responsibility for agreeing and monitoring completion of this plan now rests with the LFC who discharges this responsibility via the Commissioner's Board. As these governance arrangements continue to develop, there may be opportunities to establish an Audit Committee with independent oversight responsibilities, which would help the LFC to discharge their responsibilities in line with recognised best practice
5. Current best practice recommends the use of a 'Three Lines of Defence' model to help clarify roles and responsibilities for assurance provision. 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 Public Sector Internal Audit Standards, which have been drawn up by the Chartered Institute of Internal Audit (IIA) and the Chartered Institute of Public Finance and Accountancy (CIPFA). In line with these standards, Internal Audit are currently the subject of an External Quality Assessment with results due to be reported to the Commissioner's Board following receipt from the assessor.
6. 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.' The LFC is also required to review at least once a year the internal control systems and make a formal disclosure statement on the adequacy of internal control.

7. 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.
8. Internal Audit therefore has a key role to play in assisting the Director of Corporate Services to fulfil the statutory roles required by this legislation. Assurance will be provided to senior management on the control mechanisms that are in place to manage key risks to delivering the Brigade's agreed plans and objectives. The review activity is supported by management's evaluation of LFB's current risks. Completion of the plan will enable the Head of Audit and Assurance 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 2018/19 Plan

9. The current 2018/19 risk-based plan was developed using Internal Audit and managements' assessment of risk and focused upon reviewing areas that are key to achieving LFB objectives and priorities. This plan proposed a reduction of days to 773 and 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. Specific progress is reported separately in our quarterly updates. Internal Audit have continued to realise efficiencies in service delivery during the year and although the actual out turn figure will not be known until year end it is likely to support the reduction to 773 days which could be made permanent going forward.

Annual Plan for 2019/20

10. The following sets out the key elements of the proposed approach to the Internal Audit work programme for next year. The 2019/20 plan proposes to maintain coverage at 773 days. This takes account of the continued efficiencies in service delivery that we have achieved whilst at the same time maintaining an adequate level of audit coverage. We have also reviewed our day rates across our shared service client base which for LFB are unchanged. The effect of these proposals would be kept under review during the year as part of the usual monitoring regime.
11. The discrete areas included in the plan have been identified through the audit planning framework that includes analysis of risk registers and discussion with Directorate Boards and Heads of Service. This approach is in line with best practice and reflects the current level of risk maturity within the Authority.
12. Our approach includes:
 - a. 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 reviews for 2019/20 have been selected following a review of the corporate and departmental risks, the inclusion of the high-risk reviews derived from Internal Audit's planning process and discussion with senior management within LFB.
 - b. Follow-up reviews – ensuring agreed audit actions from the audit reviews completed in 2018/19 are implemented effectively. This independent verification helps to confirm

improvement in the risk and control environment and is in line with the Public Sector Internal Auditing Standards.

- c. An annual review of LFB 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.
 - d. Specialist reviews – focusing on specialist areas of the business including ICT. Where appropriate, we will utilise specialist skills (procured via the GLA framework) to evaluate the risks and identify any areas for improvement. This area also includes compliance type work where we look to provide assurance on the levels of compliance with LFB 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.
 - e. 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.
 - f. 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.
 - g. 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.
 - h. Fraud prevention work – risk awareness training/workshops will continue to be delivered to various departments and operational staff.
 - i. Advising on change programmes and projects – during this time of significant change Internal Audit can provide advice to senior management on key change programmes and projects. Advice on the high risk and control issues for new and developing systems will be provided at an early stage in the process.
 - j. 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.
 - k. 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.
13. Appendix A, Table 1, provides LFC with the proposed plan for 2019/20. It is set out in three sections detailing 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, and may be subject to change during the year following discussion with management, to reflect emerging risks or changing risk profiles and/or business priorities.

14. The first section sets out the risk-based audit areas that will be reviewed including first time and follow up assurance activity. This approach, drawing on CIPFA and IIA best practice, includes individual reviews within or across business areas, a review of the risk management process and key financial systems. For this year there remains an emphasis on governance type reviews as the LFB continues to refine and embed a new governance and oversight framework during the year. Unless denoted otherwise, the reviews in this section have been suggested by the respective lead department.
15. Appendix A, Table 2, details LFB's corporate risks. Links to LFB corporate risks are shown where appropriate to inform areas of potential audit scope. Our proposed audit plan for 2019/20 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.
16. The second section sets out the audit provision over the specialist areas. This includes and Counter Fraud work using our internal team of counter fraud professionals. The fraud analysis and awareness work will continue to build on work undertaken in previous years highlighting fraud prevention and detection. This section also sets out the station audit work and compliance reviews that are planned with a re-focus of fire station activity towards thematic reviews of operational areas.
17. The third section sets out the provision for internal audit advisory work. The allocation will be used primarily to advise management as they develop systems and activities to support the new governance model and increased collaboration. Both are key themes within the London Safety Plan. It also includes work around strategy development and HR change projects. To maintain audit independence and objectivity, in line with best practice, Internal Auditors providing risk and control advice in these areas will not undertake future assurance reviews in the same areas.
18. All final internal audit reports will be distributed to the Commissioner, Deputy Commissioner Operations, Director of Corporate Services, Head(s) of Service (as appropriate) and External Audit, and also to the Assistant Director Strategy and Risk to provide independent assurance over the strategic risk mitigations covered by the review.
19. 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 Brigade 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 authority 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.
20. 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. 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.

LFB's Strategic Objectives

21. This report presents Internal Audit's plan for 2019/20 and discharges the requirement under Financial Regulation 13 to report this to the LFC before the commencement of the financial year. In addition, the audits set out in the plan are intended to help the LFB to achieve its strategic aims and objectives by evaluating and improving the effectiveness of risk management, internal control and governance processes.

Internal Audit Charter

22. The Internal Audit Charter formalises the level of service provided to the LFB under the shared services arrangement, and during 2018/19 we took the opportunity to review and update this document.
23. Attached at **Appendix B** is the revised document which will be used to govern the relationship with effect from the commencement of the 2019/20 annual plan.

Finance comments

24. The 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 authority is effective; and
- includes effective arrangements for the management of risk.

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.

25. 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.
26. This report notes that efficiencies in service delivery mean that the number of audit days has reduced to 773. The resulting saving for this was included in the 2018/19 Budget Report (FEP2825).

Workforce comments

27. There are no workforce related issues associated with this report.

Legal comments

28. Part 2 of the Audit and Accounts Regulations 2015 sets out the London Fire Commissioners' obligations for ensuring it has a sound system of internal control which facilitates the effective exercise of its functions and the achievement of its aims and objectives; ensure that the financial and operational management of the authority is effective; and includes effective arrangements for management of risk.

29. The Financial Regulations under Part 6 of the Scheme of Governance sets outs the functions to be performed by the internal audit team. In particular, regulation 13 (m) of the Financial Regulations requires the Director of Corporate Services agree the draft audit plan with the Head of Internal Audit prior to approval by the Commissioner.
30. The report together with attached Internal Audit Annual Plan 2019/2020 provides an overview of the activities planned by the internal audit team that will enable the London Fire Commissioner discharge the statutory duties set out in the legislation referred above.

Sustainability implications

31. There are no sustainability implications associated with this report.

Equalities implications

32. There are no equalities implications associated with this report.

List of Appendices

Appendix	Title	Protective Marking
A.	Draft Annual Plan for 2019/20	Not protectively marked
B.	Internal Audit Charter	Not protectively marked

Section 1				
Risk-Based Assurance Reviews and Follow Ups				
Audit Title	Summary Explanation for Area of Review	Lead Department and/or Suggested by	Link to Corporate/ Departmental Risk/s	Total Days
Attendance Management Framework	Reviewing the arrangement for the reporting, recording and managing sickness absences.	People Services	CRR30	20
Contract Management	Ongoing reviews of contract management arrangements within the Brigade selecting a key contractual relationship during the year.	Operational Resilience Internal Audit	CRR7	20
Fire Safety Enforcement Framework	Looking at the case management process including interaction with key stakeholders.	Fire Safety	CRR21 CRR29	20
Governance Arrangements	Post implementation review of the new Governance Arrangements.	Internal Audit	All	20
Identification and Management of High Risk Legal Cases	Reviewing the framework for resourcing and prioritising potential high risk cases to ensure appropriate case management.	General Counsel's Department	All	15
Key Financial Systems	Providing assurance on the effectiveness of key financial controls that preserve the integrity and operation of the core financial systems. Ongoing liaison with External Audit takes place to co-ordinate activity: <ul style="list-style-type: none"> • Payroll • Pensions • Main accounting system • Accounts Payable • Accounts Receivable/ debt recovery • Non-current assets 	Finance	CRR10	60
Local Pensions Partnership	Providing assurance on the framework supporting the provision of external pension services.	Internal Audit	-	15

Recruitment Strategy for Operational Staff	Reviewing the recruitment framework including the assessment criteria for determining the required values and behaviours and inclusion of cadets, BAME and women.	People Services and AC Fire Stations	CRR31	20
Risk Management Framework	An assessment of the management of a corporate risk CRR18 – Major incident response in relation to International Terrorism.	Strategy and Risk Internal Audit	All CRR18	20
Social Media	Review of the framework developed to support the LSP in relation to social media.	Comms	-	15
Sponsorship	Looking at the framework for sponsorship focussing on assessment and approval of new agreements.	Comms	-	15
Wellbeing Strategy	Reviewing the arrangements for ensuring the provision of appropriate and timely support to individuals and peer support network.	Internal Audit	CRR20 CRR23	20
Follow up programme	<p>Follow up of the 2018/19 risk and assurance reviews to verify the status of agreed actions. To include at least:</p> <ul style="list-style-type: none"> • FRS Standby Roster System • Thematic Review of Completion of Babcock Training • Thematic Review of Health and Safety • Assurance Framework • Risk Management • Follow Up of Adult Safeguarding • Cyber Security Controls • Disciplinary Framework • Environmental Management Systems • Use and Control of Credit Cards • Processing the GLA Payroll • Follow Up of DaMOP 	NA	All	100
Section 1 Total				360

Section 2				
Specialist Reviews, Compliance Work and Station Audits				
Audit Title	Summary Explanation for Area of Review	Lead Dept.	Link to Key Corp/ Dept Risk/s	Total Days
Station Thematic Reviews	Cross cutting reviews across stations to identify common themes and issues arising. The scope to be agreed with AC/DACs during the year. Also, to complete the review around Station Repairs deferred from 2018/19.	Central Operations	All	60
GDPR Compliance Framework	Reviewing the arrangements for ensuring that data is dealt with in accordance with the legislation. Focussing on awareness and risk management.	ICT	All	20
ICT Reviews	Programme of specialist reviews to include: <ul style="list-style-type: none"> • Cyber Security • File Share Review 	ICT	All ICT risks	40
Counter Fraud Services	A range of work including prevention, awareness, detection and investigation activity. This will include: <ul style="list-style-type: none"> • A scheduled programme of fraud awareness workshops. • A data analytical programme using specialist software to interrogate and match large volumes of data. 	Finance and People Services		80
Environmental Management Systems	Annual review of compliance with the ISO regulatory framework.	Technical and Service Support		10
Fire Safe and Well Pilot	Assessment against the evaluation framework to support decision making for the end of the pilot.	Community Safety		10
Section 2 total				220
Cumulative total				580

Section 3			
Advisory reviews, Change Programmes and Control Advice			
Activity Type	Outline Description of Activity	Link to Key Corporate/ Departmental Risks (where appropriate)	Total Days
Estates Strategy	Input into the framework for development of the estates strategy.	All	20
HR Service Centre Project	Attendance on Project Board to provide risk and control advice as required.		10
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"> • Inspection Programmes • External review preparedness • Business processes • Strategy development including the Fire and Community Safety Strategy as set out in LSP 	All	60
Audit Planning, Reporting and Client Liaison	N/A	N/A	60
Liaison with other Assurance Providers including Health and Safety and Sustainable Development Teams	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.	All	20
Contingency	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.		23
Section 3 total			193
Cumulative Total			773

Ref	Risk Description
CRR1	A death or serious injury occurs as a result of our staff not operating a safe system of work
CRR7	Failure of a significant contractual relationship impacts on the delivery of services
CRR8	The actions arising from the inclusion strategy fail to deliver a more diverse workplace
CRR10	The current environment doesn't support effective planning to meet the budget gap forecast in 2022/23
CRR13	A breakdown in industrial relations affects our ability to deliver the service
CRR15	The national programme to replace Airwave with the Emergency Services Network (ESN) does not deliver a solution for the provision of radio and data communications which is both affordable in the long term and which delivers the complete functionality required by LFB
CRR18	The current threat from international terrorism facing the UK and London provides challenges for providing a safe, robust and effective initial response, without endangering crew safety
CRR19	Complete failure of the Brigade's mobilising system
CRR20	The Grenfell inquiry process impacts on staff/officer wellbeing resulting in an increase in officers unavailable for key roles and reducing the resilience of the service
CRR21	The Brigade's Adult Safeguarding Framework does not support effective and efficient referrals to appropriate agencies to adequately support the needs of vulnerable people
CRR22	Brigade ICT services are affected by a cyber attack
CRR23	Staff do not get support their mental health problems which negatively affects individual wellbeing and organisational effectiveness
CRR24	Our capacity to deliver change is exceeded meaning that benefits are not fully delivered
CRR25	Brigade services are vulnerable to a pandemic outbreak
CRR26	HM Inspection results in areas of the service receiving a poor or inadequate rating which reduces public confidence in LFB
CRR27	The resilience of the Brigade is impacted by a series of large scale major incidents, potentially terror related
CRR29	The Grenfell Tower Fire Public Inquiry results in conclusions about Brigade policies or actions which reduce staff/public confidence and/ or public safety
CRR30	High sickness levels result in a reduction in operational resilience

CRR31	Operational vacancies at the Firefighter grade impacts on operational resilience
CRR32	Newly commissioned training requirements are not accurately planned, specified, or evaluated
CRR33	The training provider is unable to provide effective and efficient training to deliver the Brigade's needs
CRR34	Non contracted training provision does not effectively and efficiently secure maintenance of skills



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

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

¹ Chartered Institute of Internal Auditors

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 noncompliance 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.