

Decision title

Internal Audit –Quarter 4 Progress Report, 2018/19

Recommendation by
Head of Internal Audit

Decision Number
LFC-0173-D

Protective marking: **NOT PROTECTIVELY MARKED**

Publication status: Published in full

Summary

Report LFC-0173 summarises the work carried out under the Internal Audit Shared Service Agreement by the Mayor's Office for Policing and Crime (MOPAC)'s Directorate of Audit, Risk and Assurance in the fourth quarter of 2018/19. It provides an assessment of the adequacy and effectiveness of the internal control framework within the Brigade.

Decision

The London Fire Commissioner:

1. Notes the work undertaken by Internal Audit during the fourth quarter of 2018/19;
2. Notes the work planned for quarter one of 2019/20; and
3. Notes Internal Audit's current assessment of the adequacy and effectiveness of the internal control framework.

Dany Cotton QFSM

London Fire Commissioner



Date 5-6-19

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Report title

Internal Audit – Quarter 4 Progress Report, 2018/19

Report to

Corporate Services DB
Operations DB
Safety & Assurance DB
Commissioner's Board

Date

16/04/19
17/04/19
23/04/19
08/05/19

Report by

Head of Internal Audit

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Summary

This report summarises the work carried out under the Internal Audit Shared Service Agreement by the Mayor's Office for Policing and Crime (MOPAC)'s Directorate of Audit, Risk and Assurance in the fourth quarter of 2018/19. It provides an assessment of the adequacy and effectiveness of the internal control framework within the Brigade.

Recommended decisions

That the London Fire Commissioner:

1. Notes the work undertaken by Internal Audit during the fourth quarter of 2018/19;
2. Notes the work planned for quarter one of 2019/20; and
3. Notes Internal Audit's current assessment of the adequacy and effectiveness of the internal control framework.

Background

1. MOPAC's Directorate of Audit, Risk and Assurance have been providing the internal audit service to the London Fire Brigade since 2012 under a shared service agreement.
2. Quarterly reports are provided to the Commissioner's Board on the progress of Internal Audit's work against the annual audit plan agreed by the Governance, Performance and Audit Committee in March 2018, for the financial year 2018/19.
3. This report provides an update on the work completed to quarter four, 2018/19, and our opinion of the current assurance level of the internal control framework.

Finance comments

4. 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 Brigade is effective; and
- Includes effective arrangements for the management of risk.

5. 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.
6. 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.

Workforce comments

7. This report has no impact on the workforce.

Legal comments

8. The General Counsel notes that in accordance with the Accounts and Audit Regulations 2015, the London Fire Commissioner must ensure it has a sound system of internal control. Therefore Part 5 – Financial Regulations of the London Fire Commissioner Scheme of Governance sets out detailed rules covering financial planning, monitoring, control, systems and procedures and insurance. This report fulfils the obligations of section 13 of Part 5 which stipulates the requirements in relation to internal audit and complies with the Public Sector Internal Audit Standards which sets the standards for internal audit across the public sector.

Sustainability implications

9. This report has no sustainability implications.

Equalities implications

10. This report has no equalities implications.

List of Appendices

| Appendix | Title | Protective Marking |
|----------|---|-------------------------|
| 1. | Internal Audit Progress Report Quarter 4, 2018/19 | Not protectively marked |

Commissioner's Board

8 May 2019

Directorate of Audit, Risk and Assurance Progress Report

Report by: The Director of Audit, Risk and Assurance

1. Report Summary

This report summarises the work carried out under the Internal Audit Shared Service Agreement by the Directorate of Audit, Risk and Assurance (DARA) in the fourth quarter of 2018/19. It also provides an assessment of the adequacy and effectiveness of the internal control framework for each of the Internal Audit final reports issued since the last report to the Commissioner's Board on 13 February 2019 (LFC-0130).

2. Recommendations

That the Commissioner:

1. Notes the work undertaken by Internal Audit in the fourth quarter of 2018/19.
2. Notes the work planned work for quarter one of 2019/20.
3. Notes Internal Audit's current assessment of the adequacy and effectiveness of the internal control framework.

3. Reviews Completed This Quarter

- 3.1 Since our last update we have finalised 13 reviews; four risk and assurance, eight follow ups and one advisory. These reviews and the resulting assurance ratings are listed in the table below, and a summary of the findings from the reports are included in the subsequent paragraphs in this section.

| | Date of Issue | CB Reported | Review Title | Assurance Rating |
|----|---------------|-------------|---|-------------------------|
| 1 | 18/01/19 | 08/05/19 | Follow Up of Environmental Controls at Merton Control Centre | Limited |
| 2 | 18/01/19 | 08/05/19 | Follow Up of Staff Engagement | Substantial |
| 3 | 22/01/19 | 08/05/19 | Follow Up of Physical Security | Limited |
| 4 | 30/01/19 | 08/05/19 | Collaboration Planning and Preparedness (Advisory) | N/A (Advisory) |
| 5 | 21/02/19 | 08/05/19 | Follow Up of Development and Maintenance of Operational Professionalism (DaMOP) | N/A (Interim Follow Up) |
| 6 | 26/02/19 | 08/05/19 | Follow Up of Environmental Management System | Adequate |
| 7 | 04/03/19 | 08/05/19 | Follow Up of ICT Project Governance | Adequate |
| 8 | 12/03/19 | 08/05/19 | Minor Capital Programme | Adequate |
| 9 | 27/03/19 | 08/05/19 | Follow Up of Vision Mobilising System – Realisation of the Operational Benefits | Adequate |
| 10 | 27/03/19 | 08/05/19 | ICT Skills Profile | Adequate |
| 11 | 01/04/19 | 08/05/19 | Operational Policy – External Relations | Adequate |
| 12 | 04/04/19 | 08/05/19 | Learning Support Provision | Adequate |
| 13 | 04/04/19 | 08/05/19 | Follow Up of Third Party Data Assurance | Adequate |

3.2 Follow Up of Environmental Controls at Merton Control Centre

The original report was issued in April 2018 and management agreed four actions to mitigate the risks identified, two of which received a high rating and the two a low rating. Three of the actions were found to have been fully implemented, and one partly implemented resulting in a further action being raised.

- 3.3 The partially completed action was one of the high risk actions and relates to the installation of a replacement switch gear which is responsible for switching the power source from the mains power to the emergency generator's power in the event of a power outage. A refurbished switch gear has been purchased but there have been delays in getting this installed due to the need to shut down Merton to facilitate this. The risk of loss of the mobilising system in the event of a power failure remains in place until the works are completed.

3.4 Follow Up of Staff Engagement

The original report was issued in May 2017 and management agreed three actions to mitigate the risks identified, two of which received a medium rating and one a low rating. Our follow work identified that all three of actions had been fully implemented resulting in a substantial assurance rating.

3.5 Follow Up of Physical Security

The original report was issued in August 2016 and management agreed five actions to mitigate the risks identified, each of which received a medium rating. We delayed the follow up review to accommodate a change in ownership of the

Physical Security policy, as revision of the policy formed a major part of the management responses.

- 3.6 We found that four of the actions had been partly implemented and one fully implemented. Primarily, these relate to issues identified in our original report not being addressed as part of the policy review, and that the revised policy had not been approved and published at the time of our fieldwork. Four further actions to fully implemented the outstanding issues were agreed as part of this review.

3.7 Collaboration Planning and Preparedness (Advisory Review)

The review looked at the development of drivers and overarching governance in place for blue light collaboration and how the business as usual collaboration activities undertaken within the response work stream feed into the overarching requirements of the collaboration commitment. The final report was issued to the Deputy Commissioner Safety and Assurance and the relevant Heads of Service within that directorate.

3.8 Follow Up of Development and Maintenance of Operational Professionalism (DaMOP)

The original report was issued in February 2018 and management agreed five medium rated actions to mitigate the risks identified. All of the findings were to be considered as part of a two-year project established to look into station based training. As the project deadline has yet to be reached we have completed an interim follow up to provide assurance on the implementation status of the review findings. A that considerable amount of work has been undertaken and the roll out of an interim solution is planned for July 2019, which will help to address a number of the risks identified. This report closes off the five original actions, however three new actions have been agreed to ensure that all risks are fully mitigated at the end of the project. The new actions related to updating PN427 promptly, ensuring that it included accountabilities for updating the completion of training in the Station Diary and for the project team to satisfy themselves that work being undertaken elsewhere in the Brigade around the quality of training is sufficient.

3.9 Follow Up of Environmental Management System

The original report was issued in February 2018 and management agreed two actions to mitigate the risks identified, both of which received a medium rating. Our follow up work identified that one action had been fully implemented and the other partly implemented. The partially completed action was around the collection of data to support air travel. While the policy had been updated as agreed our testing identified that the data was still not always available as some individuals had not used the new forms that were introduced to collect the data. A further action was agreed that incorrect or incomplete forms would be returned prior to authorisation.

3.10 Follow Up of ICT Project Governance

The original report was issued in October 2017 and management agreed three actions to mitigate the risks identified, each of which received a medium rating. We found that two of the actions were partly implemented and one fully implemented. One action was partially implemented as a Terms of Reference to govern the procedures for deciding when an ICT project should be defined as a corporate project had been drafted but not finalised. The second action was partially implemented as the governance framework for non-corporate projects had developed but no review of effectiveness of this process and the Work Package Allocation had been undertaken as originally agreed.

3.11 Minor Capital Programme

The objectives of the review were to provide assurance on the effectiveness of the framework in place to develop and deliver the minor capital programme (property related projects valued at less than £0.5m).

3.12 Areas of effective control included budget setting and approval of projects within delegated limits, recording of projects onto a dedicated spreadsheet which is used to profile expenditure and monitor progress at internal monthly meetings. Each project is assigned a Programme Manager who oversees the project delivery, while day-to-day project management is undertaken through consultants. Processes for approving payments and variations were found to be adequate.

3.13 The final report contained four medium priority actions. These related to undertaking a cost benefit exercise to establish whether in-house staff should be used instead of consultants for all or some projects, development of a more effective process for the scheduling of works, the introduction of quality assurance process and ensuring that regular meetings take place with each of the consultants used.

3.14 Follow Up Review of Vision Mobilising System – Realisation of the Operational Benefits

The original report was issued in May 2018 and received one medium priority finding and two high risk ones. The two high risk actions related to a lack of ability to track the realisation of benefits from both corporate and local projects and ensuring that end user benefits are identified in Project Initiation Documents. Our follow up work found that the framework to ensure that this happens going forward has been developed and was to be rolled out from April 2019. The medium risk action was the development of a suite of metrics to measure the end user benefits of Vision, which has not been possible due to the ongoing updates to the system since go-live. The existing contract is due to expire in 2022, and we have raised a further action end to ensure that end user benefits can be measured as part of the approved solution to the expiration.

3.15 ICT Skills Profile

The objectives of the review were to provide assurance that the skills profile within ICT is effectively managed to meet the needs of the LFB.

3.16 Areas of effective control include the availability of a three-year ICT Strategy (2019/22) detailing proposed future developments and facilitating a link to ICT operational plans. Resource requirements for projects are identified in the Project Initiation Document following discussion with ICT management and all system developments are prioritised taking account of service needs and staff resource requirements prior to being approved.

3.17 The final report contained five medium priority actions. These included the undertaking of an annual review of the three-year strategy to ensure it remained current, the development of a staff resource plan, consideration of how a more formalised skills matrix could be introduced to manage resources, what qualifications permanent staff may require for future recruitments and the discussion of staff resourcing on the management meeting agendas.

3.18 Operational Policy – External Relations

The objectives of the review were to provide assurance that Operational Policy teams are aware of the policies they hold and the internal and external requirements that impact on policy. Also that sufficient oversight and review processes are in place and there is demonstrable input into national and international policy.

3.19 Areas of effective control include policy review by subject matter experts (SME) within the appropriate team, and succession planning is undertaken to ensure the appropriate skills remain available. Following the SME update the policies are reviewed by the Group Manager prior to further peer reviews and consultations. All of the teams were aware of their external partners and how these relationships can impact upon policy. Many of the external relationships had governance arrangements in place. There were 26 localised external relations in place, with the two key being the London Ambulance Service and National Operational Guidance.

3.20 The final report contained two medium priority actions relating to maintaining a central database of policies and relationships as well as timely updating of the policy review process against the approved framework.

3.21 Learning Support Provision

The objective of the review was provide assurance on the effectiveness and operation of the referral and assessment process, provision of reasonable adjustments and also the monitor and review framework for the service provided.

- 3.22 Areas of effective control included a learning support policy which was adequately detailed and under review at the time of the audit to improve user readability. We also found that roles and responsibilities were clearly defined and that personal data is securely maintained within the Learning Support team. Details of training sessions and equipment provided to individuals with learning difficulties are tracked on a database and claims for reimbursements from Access to Work are made in a timely manner.
- 3.23 The learning support process is currently undergoing a period of review and change leading to the final report including five medium rated actions. These were around defining working relationships with Babcock for firefighter development training, developing procedures and local performance indicators for the Learning Support team, ensuring that all referrals are submitted through the mailbox rather than directly to individuals, identification and monitoring of risks to the achievement of service objectives and deleting data in excess of 10 years old to ensure compliance to GDPR requirements.
- 3.24 Follow Up Review of Third Party Data Assurance
The original report included five medium rated actions, and our follow up work found that three had been fully implemented and two had not been implemented due to the volume of security related IT work. Three further action have been raised; one against an implemented action to further improve the control environment by monitoring the review of third party accounts and two reiterating the original actions have not been implemented.
- 3.25 Four full reviews are currently at draft report stage (three risk and assurance and one advisory), and once these have been agreed with management will be issued as final reports. These are:
- Delegate Throughput for Babcock Training
 - Thematic Review of Driving on Brigade Business
 - Workforce Planning
 - Governance Arrangements (Advisory)
- 3.26 All of the planned full reviews for 2018/19 have commenced, and seven reviews are currently at fieldwork stage (six risk and assurance and one advisory), and we will work to complete these at the earliest opportunity. These are:
- Contract Management (Babcock Fleet Contract)
 - ICT Network Resilience/ Topography
 - Key Financial Systems
 - Management and Control of Counter Terrorism Funding
 - Risk Management Framework – Risk Maturity Assessment
 - Third Party Data Assurance
 - Blue Light Collaboration (Advisory)

- 3.27 All of the planned follow up work has been completed, with two reviews currently at draft report stage. Once these have been agreed with management these will be issued as final reports. The reviews are:
- CAMS and Station End Equipment
 - Inclusion Strategy

4. Planned Quarter One Work

- 4.1 As well as continuing the work in progress from quarter four, we will commence work against the 2019/20 annual audit plan that was submitted to the Commissioner's Board for approval on 27 March 2019.

5. Counter Fraud Activity

- 5.1 We previously report that investigation into case where an invoice for in excess of £4k was received for securing a saving on business rates payable established that another company was contracted to carry out this work for the LFB. The company submitting the questioned invoice purported to be engaged on a local basis, and the documentation provided by that company was not valid. LFB staff identified this could be a fraudulent invoice and there was no loss as the LFB did not make any payments. The matter has been referred to Action Fraud and our report was issued to management in November 2018. Subsequently the subject of the investigation has issued legal proceedings against the LFB and the matter has been referred to Legal.
- 5.2 In late 2018 a series of eight unconnected phishing emails were received across the Brigade. We have liaised with IT Security and our reviews established no identifiable connection between the phishing attacks. Genuine email accounts were copied or spoofed so that it appeared they came from genuine, often public sector, organisations. We have reported each case to Action Fraud online and IT Security have blocked email accounts and the ISPs they were sent from. No losses have been identified as a result of these emails.
- 5.3 Proactive counter fraud reviews of payee recipient bank change procedures for both payroll and accounts payable have commenced.
- 5.4 National Fraud Initiative matches have been received and the 154 payroll matches and 176 pensions matches distributed to the appropriate LFB staff and contracting bodies for review. A further 727 creditors matches have recently been received and are being quality reviewed prior to liaison with LFB staff.
- 5.5 The scheduled counter fraud presentation was delivered to FRS staff in February 2019 and covered the drivers and indicators of fraud.

6. Internal Control Framework

- 6.1 Our control environment opinion has remained adequate as a result of the work completed to date. A full list of the reviews completed against the 2018/19 audit plan can be found in Annex A.
- 6.2 Identified risks are rated either high, medium or low to provide management with a guide to the level of resource and urgency that they should apply to any mitigation activity. Although our plan is linked to the areas of highest risk to the Commissioner, we also undertake routine compliance work in areas of lower risk at the request of management, to provide assurance that systems, particularly at fire stations, are operating as intended. As each area we review has a different risk profile (financial or otherwise), it is necessary to consider this wider context when looking at individual risk ratings within each area. On this basis, a medium risk in any one system or area may not be comparable in materiality to those in other areas.

7. Equality and Diversity Impact

The MOPAC's commitments to equality and diversity are considered in all activities carried out by the Directorate of Audit, Risk and Assurance. All field auditors and investigators have received appropriate training in equality and diversity issues and their performance is monitored. The Internal Audit work plan is designed to provide as wide a range of coverage of staff and systems as is possible and practicable.

8. Risk Implications

Completion of the audit plan enables the Director of Audit, Risk and Assurance to provide assurance on the adequacy and effectiveness of the LFB internal risk and control framework.

9. Contact Details

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10. Appendices and Background Papers

- Annex A – Progress against the 2018/19 annual plan

Progress Against the 2018/19 Annual Plan

To date we have issued the following risk and assurance reports:

| | Date of Issue | CB Reported | Review Title | Assurance Rating |
|---|---------------|-------------|---|------------------|
| 1 | 09/08/18 | 10/10/18 | Environmental Management System | Adequate |
| 2 | 28/08/18 | 10/10/18 | FRS Standby Roster System | No Assurance |
| 3 | 24/10/18 | 19/12/18 | Use and Control of Credit Cards | Adequate |
| 4 | 15/11/18 | 13/02/19 | Assurance Framework | Limited |
| 5 | 19/12/18 | 13/02/19 | Processing the GLA Payroll | Adequate |
| 6 | 12/03/19 | 08/05/19 | Minor Capital Programme | Adequate |
| 7 | 27/03/19 | 08/05/19 | ICT Skills Profile | Adequate |
| 8 | 01/04/19 | 08/05/19 | Operational Policy – External Relations | Adequate |
| 9 | 04/04/19 | 08/05/19 | Learning Support Provision | Adequate |

To date we have issued the following follow up reports:

| | Date of Issue | CB Reported | Review Title | Assurance Rating |
|----|---------------|-------------|--|-------------------------|
| 1 | 17/04/18 | 18/07/18 | Budgetary Control | - |
| 2 | 20/04/18 | 18/07/18 | Protective Security | - |
| 3 | 21/05/18 | 18/07/18 | Capital Budgeting | - |
| 4 | 14/08/18 | 10/10/18 | Thematic Review of Absences and Partial Absences | Adequate |
| 5 | 19/09/18 | 19/12/18 | Consolidated Review of Personal Protective Equipment | Adequate |
| 6 | 09/10/18 | 19/12/18 | IR35 Compliance Framework | Adequate |
| 7 | 06/12/18 | 13/02/19 | Adult Safeguarding Framework | N/A (interim) |
| 8 | 21/12/18 | 13/02/19 | Station Security | Adequate |
| 9 | 18/01/19 | 08/05/19 | Environmental Controls at Merton Control Centre | Limited |
| 10 | 18/01/19 | 08/05/19 | Staff Engagement | Substantial |
| 11 | 22/01/19 | 08/05/19 | Physical Security | Limited |
| 12 | 21/02/19 | 08/05/19 | Development and Maintenance of Operational Professionalism (DaMOP) | N/A (Interim Follow Up) |
| 13 | 26/02/19 | 08/05/19 | Environmental Management System | Adequate |
| 14 | 04/03/19 | 08/05/19 | ICT Project Governance | Adequate |
| 15 | 27/03/19 | 08/05/19 | Vision Mobilising System – Realisation of the Operational Benefits | Adequate |
| 16 | 04/04/19 | 08/05/19 | Third Party Data Assurance | Adequate |

To date we have issued the following advisory reports:

| | Date of Issue | CB Reported | Review Title | Assurance Rating |
|---|---------------|-------------|---|------------------|
| 1 | 30/01/19 | 08/05/19 | Collaboration Planning and Preparedness | N/A |