

Decision title

Internal Audit – Quarter 3 Progress Report, 2018/19

Recommendation by

Head of internal Audit

Decision Number

LFC-0130-D

Protective marking: **NOT PROTECTIVELY MARKED**

Publication status: Published in full

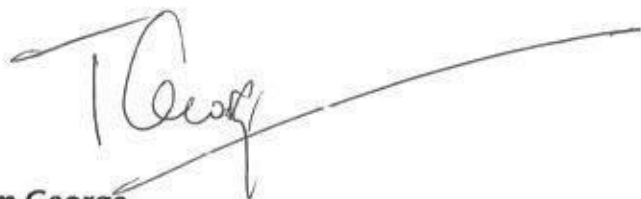
Summary

Report LFC-0130 summarised 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 third quarter of 2018/19. It provides an assessment of the adequacy and effectiveness of the internal control framework within the Brigade.

Decision

That the London Fire Commissioner:

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



Tom George
Deputy London Fire Commissioner

Date 27/3/2019

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LONDON FIRE BRIGADE

Report title

Internal Audit – Quarter 3 Progress Report, 2018/19

Report to

Commissioner's Board

Date

13 February 2019

Report by

Head of Internal Audit

Report number

LFC-0130

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Summary

This report summarised 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 third quarter of 2018/19. It provides an assessment of the adequacy and effectiveness of the internal control framework within the Brigade.

Recommended decision

That the London Fire Commissioner:

1. Notes the work undertaken by Internal Audit during the third quarter of 2018/19;
2. Notes the work planned for quarter four of 2018/19; 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 three, 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.

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

5. 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

6. This report has no impact on the workforce.

Legal comments

7. 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

8. This report has no sustainability implications.

Equalities implications

9. This report has no equalities implications.

List of Appendices

Appendix	Title	Protective Marking
1.	Internal Audit Progress Report Quarter 3, 2018/19	Not protectively marked

Commissioner's Board

13 February 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 third 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 19 December 2018 (LFC-0109-D).

2. Recommendations

That the Commissioner:

1. Notes the work undertaken by Internal Audit in the third quarter of 2018/19.
2. Notes the work planned work for quarter four of 2018/19.
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 two risk and assurance reports and two follow up reports. 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	15/11/18	13/02/19	Assurance Framework	Limited
2	06/12/18	13/02/19	Follow Up of Adult Safeguarding Framework	N/A (interim)
3	19/12/18	13/02/19	Processing the GLA Payroll	Adequate
4	21/12/18	13/02/19	Follow Up of Station Security	Adequate

3.2 Assurance Framework

The overall aim of the review was to ensure that an effective framework was in place to provide the Commissioner with assurance on the on the achievement of LFB objectives and priorities. This included ensuring that assurance requirements for the Brigade were understood, defined and communicated and that sources of assurance and/ or activities were properly identified, planned and integrated with other governance processes.

3.3 Areas of effective control included the understanding that risk management and performance reporting were key areas of assurance, and that there were levels of review and scrutiny of these in place. These included the submission of a risk register report to the three Directorate Boards (DB) and the Commissioner's Board (CB) as well as the quarterly of reports that go through the internal governance structure an on to the Fire, Resilience and Emergency Planning Committee. Additional assurance reports are also presented to the various DBs and the CB.

3.4 Independent assurance is received from Internal Audit through the delivery of the annual audit plan, and from External Audit who present the Annual Statement of Accounts which includes the Annual Governance Statement.

3.5 The final report contained four actions. One high risk action was agreed due the lack of a documented approach to managing the provision of assurance which could lead to duplication or gaps. Two medium risk actions were agreed around the need to clearly define accountabilities, roles and responsibilities for those charged with providing assurance and responding to outcomes, and to ensure that these are clearly defined in job descriptions. A further medium risk action was agreed to streamline the reporting of assurance related activity to the Commissioner's Board through a combined periodic report.

3.6 Follow Up of Adult Safeguarding Framework

The original report was issued in April 2018 and management agreed four actions to mitigate the risks identified, three of which received a high rating and one a low rating. Due to the nature of the findings we performed a follow up review within six months of issue to provide management with assurance that the implementation of

the agreed actions has progressed significantly. This was therefore an interim review, and we have not provided an updated assurance rating as the original actions were not due for full implementation at the time of the follow up fieldwork.

3.7 We identified that a significant amount of work had been undertaken, and that each of the agreed actions had been partly implemented. A working group was established to define the required working practices, a revised policy was in the process of being redrafted and training was being reconsidered. We raised four further actions aimed at bringing the original actions to a conclusion, and when we follow up these actions we will be in a position to provide the revised assurance rating.

3.8 Processing the GLA Payroll

The objectives of the review was to provide assurance that the framework for processing for GLA payroll under the shared service agreement were effective, and controls were operating as intended.

3.9 Areas of effective control included that pay instructions were transferred via a secure system and entries by LFB staff into the GLA payroll were checked by a third party. There is an agreed annual timetable the provision of documentation which is adhered to by both parties, and includes the authority to run the payroll and make payments to the GLA staff.

3.10 The report resulted in three medium risk actions, all of which were reported as fully implemented prior to the issue of our report. These included updating the authorised email list, changing the data received for new starters to comply with the General Data Protection Regulations and ensuring that hard copy documentation was appropriately secure.

3.11 Follow Up of Station Security

The original report was issued in May 2018 and management agreed eight actions to mitigate the risks identified, all of which received a medium rating. Seven of the actions were found to have been fully implemented, and one partly implemented resulting in one further action to identify the most appropriate process for determining and monitoring local security arrangements.

3.12 We also raised additional actions aimed at further improving the control environment. These included ensuring that both external and internal security arrangements are included in the security risk assessment framework that will be rolled out in 2019, and reviewing and confirming the storage arrangements for appliance keys whilst at the fire stations and ensuring that this is included in policy.

3.13 Five reviews are currently at draft report stage (three risk and assurance and two advisory), and once these have been agreed with management will be issued as final reports. These are:

- Delegate Throughput for Babcock Training
- ICT Skills Profile
- Learning Support Provision
- Collaboration, Planning and Preparedness (Advisory)
- Governance Arrangements (Advisory)

3.14 Five risk and assurance reviews are currently at fieldwork stage, and we will work to complete these at the earliest opportunity. These are:

- ICT Network Resilience/ Topography
- Minor Capital Programme
- Operational Policy – External Relations
- Thematic Review of Driving on Brigade Business
- Workforce Planning

3.15 Five follow up reviews are currently a draft report stage, and once these have been agreed with management will be issued as final reports. These are:

- CAMS and Station End Equipment
- ICT Project Governance
- ICT Review of Environmental Controls at Merton Control Centre
- Physical Security
- Staff Engagement

4. Planned Quarter Four Work

4.1 As well as continuing the work in progress from quarter three, we have Terms of Reference approved for a Thematic Review of Station Repairs and fieldwork will commence once a start date has been agreed with management.

4.2 The Terms of Reference for this years Key Financial Systems review is currently under development, and a further five reviews are due to commence. These are:

- Blue Light Driver Training (Advisory)
- Contract Management
- Management and Control of CT Funding
- Risk Management Framework – Risk Maturity Assessment
- Third Party Data Assurance

4.3 Further follow up work will be undertaken as appropriate.

5 Counter Fraud Activity

5.1 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.

5.2 A phishing email targeting the LFB payroll has been reported and a Terms of Reference has been drafted to support the investigation and the matter has also been referred to Action Fraud. Since this original referral a further three similar

phishing emails have been identified and referred for investigation. The outcomes of this work will be reported when the investigations have concluded.

5.3 The preparatory work for the National Fraud Initiative (NFI) has completed and the data uploaded onto the NFI website. It is anticipated that matches will be available in quarter 4 of 2018/19.

5.4 The counter fraud presentation was delivered at the Borough Commander's Communication Day in December 2018, and the presentation for FRS staff has been agreed for February 2019.

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

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