



LONDON FIRE BRIGADE

Decision title

Internal Audit – Review of 2019/20

Recommendation by
Head of Internal Audit

Decision Number
LFC-0405-D

Protective marking: **NOT PROTECTIVELY MARKED**

Publication status: Published in full

Summary

Report LFC-0405 provides the London Fire Commissioner, responsible for the London Fire Brigade (LFB), with the Head of Internal Audit's annual opinion on the effectiveness of the LFB's internal control framework and details of progress on work undertaken during the year 2019/20.

Decision

That the London Fire Commissioner notes the report.

Andy Roe
London Fire Commissioner

Date **This decision was remotely signed on Thursday 15 October 2020**

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LONDON FIRE BRIGADE

Report title

Internal Audit – Review of 2019/20

Report to	Date
Corporate Services Directorate Board	18/08/20
Commissioner's Board	26/08/20

Report by	Report number
Head of Internal Audit	LFC-0405

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Summary

This report provides the London Fire Commissioner, responsible for the London Fire Brigade (LFB), with the Head of Internal Audit's annual opinion on the effectiveness of the LFB's internal control framework and details of progress on work undertaken during the year 2019/20.

Recommended decision

The report be noted.

Background

1. This report contains the Head of Internal Audit's annual opinion on the effectiveness of the LFB's internal control environment. It also summarises the activities and performance of Internal Audit during the financial year 2019/20. The Mayor's Office for Policing and Crime (MOPAC) provides the LFB internal audit service under a shared service arrangement that has been in place since November 2012.
2. The Head of Internal Audit is required to give an opinion at least annually, and this is based on an assessment of the systems of governance, including risk management and the adequacy of the internal control framework. The evaluation of the internal control framework is taken from risk and assurance audits, advisory work and the results of any investigations.
3. The new LFB governance framework introduced in April 2018 continues to mature and was established to meet the new statutory requirements following the enactment of the Policing and Crime Act 2017. The risk management framework was refreshed in 2018 and continued to develop during 2019/20. A Transformation Delivery Plan aimed at addressing the issues identified by the Grenfell Tower and the HMICFRS reviews was launched in January 2020, and restructure of the directorates to support the plan has been completed. The internal control framework has been assessed as adequate from the work conducted during the year. The Head of Internal Audit's overall opinion for 2019/20 is that the LFB has an adequate internal control environment and controls to mitigate risks are generally operating effectively albeit with improvement required in some areas.
4. The Internal Audit Annual Report for 2019/20 is attached as **Appendix 1**.

Finance comments

5. Under the Accounts and Audit Regulations 2015 ('Regulations'), 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.
6. In carrying out their duties Internal Audit plays a key role against regulation 5 of the Regulations in helping management to discharge their responsibilities by evaluating the effectiveness of internal control, risk management and governance processes.
7. 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

8. No consolations were undertaken in relation to this report.

Legal comments

9. This report is presented for information only, and no direct legal implications arise.
10. The Local Audit and Accountability Act 2014 defines the London Fire Commissioner ('Commissioner') as a 'relevant authority' for the purposes of that Act and the subsidiary legislation, the Accounts and Audit Regulations 2015 (the 2015 Regulations). The 2015 Regulations require that the Commissioner undertakes, "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" (regulation 5(1)).
11. The Commissioner's Scheme of Governance sets out, in Part 6 – Financial Regulations, detailed rules covering financial planning, monitoring, control, systems and procedures and insurance. Paragraph 13 of the Financial Regulations stipulate the requirements in relation to internal audit.
12. Under an agreement dated 26 November 2012 the Mayor's Office for Policing and Crime discharges of functions in respect of internal audit functions by on behalf of the Commissioner.
13. The attached report at Appendix 1 is provided in accordance with the legislative and internal governance requirements set out above, and the report author confirms it complies with the Public Sector Internal Audit Standards, which sets the standards for internal audit across the public sector.

Sustainability implications

14. The report is a review of the work undertaken by Internal Audit during the year and does not include any sustainability implications.

Equalities implications

15. The London Fire Commissioner and decision takers are required to have due regard to the Public Sector Equality Duty (s149 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.

16. 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.
17. 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, Sexual orientation.
18. The Public Sector Equality Duty requires us, in the exercise of all our functions (i.e. everything we do), to have due regard to the need to:
 - (a) eliminate discrimination, harassment and victimisation and other prohibited conduct.
 - (b) advance equality of opportunity between people who share a relevant protected characteristic and persons who do not share it.
 - (c) foster good relations between people who share a relevant protected characteristic and persons who do not share it.
19. 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:
 - (a) remove or minimise disadvantages suffered by persons who share a relevant protected characteristic where those disadvantages are connected to that characteristic;
 - (b) 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;
 - (c) 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.
20. 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.
21. 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
 - (a) tackle prejudice, and
 - (b) promote understanding.
22. An Equality Impact Assessment (EIA) has not been undertaken.
23. An EIA was not required because this is a performance report on the work undertaken by Internal Audit which does not directly impact staff.

List of Appendices

Appendix	Title	Protective Marking
1.	Annual Report 2019/20	Not protectively marked
2.	Assurance Criteria	Not protectively marked

M O P A C

MAYOR OF LONDON

OFFICE FOR POLICING AND CRIME

DIRECTORATE OF AUDIT, RISK AND ASSURANCE
Internal Audit Service to the London Fire Brigade

Annual Report
2019/20

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Governance Framework

Introduction

1. This report contains the Head of Internal Audit's annual opinion on the effectiveness of the London Fire Brigade's (LFB) risk and internal control environment. It also summarises the activities and performance of Internal Audit during the financial year 2019/20. The Mayor's Office for Policing and Crime (MOPAC) provides the LFB internal audit service under a shared service arrangement that has been in place since November 2012.
2. The Head of Internal Audit is required to give an opinion, at least annually, on the effectiveness of the risk and control environment. This is based on an assessment of the systems of governance; including risk management and the adequacy of the internal control framework. The evaluation of the adequacy of control is obtained primarily from risk and assurance reviews. Advisory and compliance work together with the results of any investigations also help inform that opinion. This continues to be a time of significant change for the LFB with an ongoing need to increase efficiency and achieve better value for money whilst maintaining an effective fire service. Internal Audit has, therefore, reported on opportunities for improving efficiency and value for money in all aspects of its work during the year.
3. The Policing and Crime Act 2017 abolished the London Fire and Emergency Planning Authority (LFEPA) and amended the Greater London Authority Act 1999, to create the London Fire Commissioner (LFC) on 1 April 2018 and a Deputy Mayor for Fire and Resilience was also appointed. The Directorate of Audit, Risk and Assurance (DARA) audit plan for the year had a continued focus on governance and assurance frameworks, in recognition of the potential impact of these changes to provide an independent opinion on their effectiveness. The development of an LFB Transformation Delivery Plan in January 2020 to address the issues identified by the Grenfell Tower and HMICFRS reviews will be a key focus for Internal Audit in 2020/21 with a significant proportion of our plan aimed at providing assurance on its effective delivery, together with the post COVID challenges.
4. The internal audit programme evaluates and concludes on the effectiveness of the control environment including the internal control mechanisms that are in place to mitigate risks that could impact upon the achievement of the LFB's strategic aims and objectives.

Annual Assurance

5. The revised governance structure introduced in April 2018 continues to mature with ongoing reviews undertaken during the year. As these governance arrangements continue to develop, as part of transformation delivery, there are plans to establish an Audit Committee with independent oversight responsibilities which will help the LFB to discharge their responsibilities in line with recognised best practice. This was a key finding from the separate Internal Audit review of the governance framework. The new risk management framework, which was rolled out in April 2018 continued to develop during the year although there is a

Governance Framework

need to ensure there is increased alignment with the aims and objectives of the Transformation Delivery Plan which has a strategic focus on cultural change and innovation. Risk management is a key component of an effective governance framework and Internal Audit undertake reviews of different aspects each year. Our review during 2019/20 focussed on the need for strategic alignment to ensure risks to the achievement of the refreshed objectives were being assessed.

6. This will provide the LFB with a sound platform for achieving a fully effective control framework designed to maximise efficiency and effectiveness with evidenced and consistent monitoring of activities providing first and second line assurance on the management of risk and the achievement of objectives. The benefits of achieving a fully effective control framework should always be balanced against the costs involved and reflect both current and future risk exposure and appetite. An assessment of this nature will help to inform the LFB's approach going forward and is an integral part of effective risk management.
7. The need to rationalise and clarify the content of existing policies and procedures has continued as a recurring theme throughout the year, together with the need for more evidenced monitoring and review of activities, to ensure that controls are working as intended. We recognise, however, that ongoing improvement in this area has to be underpinned by cultural change and more effective leadership to help strengthen the control environment. This will also assist management with the challenges of maintaining operational services against a backdrop of ongoing financial pressures, COVID risks and aftermath of the Grenfell Tower and HMICFRS reviews.
8. When concluding upon the effectiveness of the control framework, Internal Audit also considers the work of other assurance providers, the outcome of investigations and advisory work and the results of our follow up programme. Our opinion takes account audit work undertaken during the year but excludes an assessment of the effectiveness COVID response and recovery activity or of its impact on transformation delivery, which is planned for 2020/21.

The Head of Internal Audit's overall opinion for 2019/20 is that:

The LFB has an **adequate** internal control environment. Governance and risk management arrangements continue to mature and this, together with a continued focus on the quality of internal control and assurance activity, will help to secure planned improvements and a fully effective control environment going forward.

Commissioner's Board

9. The Commissioner, as a corporation sole, is responsible for the LFB's governance arrangements. To help discharge this responsibility a Commissioner's Board was established and meets fortnightly throughout the

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year. The Commissioner's Board has an agreed Terms of Reference defining the purpose of the Board and how it works together to achieve its objectives. The Commissioner chairs the Board which is also attended by Directors and Assistant Commissioners each with executive responsibility for their respective Departments. General Counsel are also represented. There are no independent members of the Board although the creation of a separate Audit Committee will negate the need for this independent oversight.

10. The Commissioner's Board received assurance reports from management and other key assurance providers including Internal and External Audit and the Risk Management function. These reports, including the Annual Governance Statement (AGS) and the External Auditors' Annual Report, provide assurance to the London Fire Commissioner and key stakeholders about the integrity of the financial information contained within the annual accounts and the mechanisms in place for managing the key risks facing the organisation. The information reviewed by the Board sets out how the LFB ensures value for money, complies with the regulatory framework, protects its people and assets and demonstrates appropriate business ethics.

Internal and External Audit Arrangements

11. The need for an internal audit service is laid down in the Accounts and Audit Regulations 2015. Regulation 5 requires the LFB to undertake effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account Public Sector Internal Audit Standards (PSIAS). This includes a review of the effectiveness of the internal audit function at least once every five years by a qualified external assessment team and is supplemented by an ongoing internal quality assurance process. This forms part of the system of internal control referred to in Regulation 3 below.

12. DARA were found to be fully compliant with the PSIAS following an external quality assessment (EQA) by the Chartered Institute of Public Finance and Accountancy (CIPFA) in March 2019. Our work during 2019/20 has been undertaken in line with these standards to maintain compliance. The assessor found that DARA conformed to all ten elements of the core principles within the standards and with the requirements of the Local Government Application Note.' The report went on to say;

- 'DARA is recognised throughout the policing sector (and indeed elsewhere in the public sector) as being one of the leading in-house public sector internal audit services.'
- 'It is evident that the Core Principles (of Professional Practice) are embedded in DARA's procedures and that DARA is a highly competent, motivated, and professional internal audit agency that conforms to all ten elements of the Core Principles.'
- 'It is evident from this EQA that DARA has a highly professional, experienced and motivated workforce and they perform their duties with due professional care.'

Governance Framework

An improvement plan was developed to ensure that the findings identified during the assessment were addressed and we have worked during the year to make better use of data analytics and to provide more meaningful insight when reporting to Boards. An explicit statement of conformance to standards is now part of this report.

13. Regulation 3 of the Accounts and Audit Regulations 2015 requires that the relevant body is responsible for ensuring that it has a sound system of internal control, which facilitates the effective exercise of that body's functions and which includes the arrangements for the management of risk. Under Regulation 6, there is a requirement to review, at least once a year, the effectiveness of its internal control systems for inclusion in the AGS. The work of Internal Audit informs that process and has a key role to play in assisting the Director of Corporate Services to fulfil the statutory roles required by this legislation.
14. DARA provided an internal audit service to the LFB during 2019/20 under a shared service arrangement effective since 1 November 2012, and prior to that on an interim basis commencing in September 2011. There have not been any impairments on the independence or objectivity of DARA during the financial year 2019/20.
15. Following a tender exercise by Public Sector Audit Appointments Limited (PSAA) and subsequent consultation with key stakeholders during 2017, arrangements were finalised with the appointment of named audit firms to each individual authority or its successor body. Appointments were made for the duration of five years to commence in 2018/19, with Ernst and Young continuing to provide the External Audit service to the LFB since that time.

Corporate Governance Framework

16. LFB has defined corporate governance, strategic planning and performance management frameworks which were regularly reviewed to ensure they were in line with best practice and meet statutory requirements. The AGS for 2019/20 also sets out how the LFB followed the principles of good governance as described in the CIPFA/SOLACE 'Delivering Good Governance in Local Governance Framework'. A London Safety Plan (LSP), which provides the strategic direction for the LFB, covers the four-year period 2017 to 2021. However, in response to the challenges and issues highlighted in the Grenfell Tower and HMICFRS reviews, the LFB published a Transformation Delivery Plan with a new strategic framework consisting of four broad pillars: 'the best people and the best place to work, seizing the future, delivering excellence and outward facing'. This plan emphasises the need for fundamental reform around culture, leadership, innovation and learning. This increases the need for effective governance and assurance to ensure that strategic priorities are clear, resources are properly allocated in support of delivery and there is timely assurance over programme deliverables.
17. Internal Audit recognised that transitioning into the new and evolving governance arrangements has been a significant area of risk for the LFB and as such the 2019/20 annual plan continued to focus on governance, risk management and

Governance Framework

assurance. Assurance, in particular, is an area that requires strengthening with our follow up review of the current framework remaining limited. The outcomes from these reviews were taken into consideration when determining the audit opinion for the year and are also reflected in the AGS which has transformation governance and delivery as an improvement area for 2020/21.

18. Whilst Governance Arrangements are in place to support the delivery of LFB priorities, it is important to clarify the relationship between the priorities in the LSP with those in the Transformation Delivery Plan to ensure effective delivery. A recent review looking at strategic alignment found a lack of clarity in this area. Changes to board structures consisting of a Commissioner's Board supported by three Directorate Boards (now four), and to the Scheme of Governance continued to embed during the year. Decisions are also published on the LFB website to aid transparency. To increase governance maturity, we recommended the creation of an Audit Committee with independent oversight responsibilities to help the LFC discharge their statutory responsibilities in line with best practice. Discussions took place during the year and there are now plans in place to establish an LFB Audit Committee. The criteria for determining whether decisions are novel, contentious or repercussive in nature could also be more clearly defined to aid consistency and enhance accountability.
19. The Internal Audit review of the Assurance Framework highlighted the need for management to articulate their assurance needs and to ensure that the framework supports the provision of first and second line assurance activity across the LFB, utilising risk and performance reporting where appropriate. Our follow up review, during the year, reported only limited improvement although the recent appointment of a Director for Transformation with responsibility for assurance provision is a key development.

Performance Management Framework

20. At the outset of 2019/20, the performance management framework was monitored through three Directorate Boards; Operations, Safety & Assurance and Corporate Services. The directorate structure has changed throughout the year and in April 2020 there was a move to four directorates, with the fourth supporting transformation delivery. Each of the boards have a published framework of meeting dates and escalated areas of strategic concern to the Commissioner's Board.
21. The Commissioner's Board received regular performance reports on its LSP commitments, performance against performance indicators, and key projects through its Directorate Boards. Performance reports covering corporate performance indicators, corporate risks, key projects, as well as departmental performance were considered regularly by the Commissioner's Board with an escalation route outside of the LFC to the Fire and Resilience Emergency Planning Committee (FREPP), which is chaired by the Deputy Mayor for Fire and Resilience. Changes to the performance management framework will form a key part of transformation delivery and this area features heavily in our plan for 2020/21.

Governance Framework

Risk Management Framework

22. In March 2018, the Strategy Committee approved a new risk management strategy (2018/21) together with the roll out of a new risk management framework. Our 2018/19 review against the Alarm risk maturity assessment and found that the LFB were at a level 3 (working) moving towards a level 4 (embedded) although we found that risk management was not routinely informing decision making or sufficiently integrated with the wider governance framework. The Transformation Delivery Plan recognised the need for improved risk metrics and integration with the performance framework to support strategic planning and our annual risk review for 2019/20 focused on the strategic alignment piece. Our review highlighted a lack of alignment between key strategic priorities and also between the priorities and the corporate risks. The results of this review helped to inform the opinion for 2019/20.
23. Risk management is one of several disciplines used to guide strategy, implement Mayoral objectives and make the best use of resources while acting properly and transparently. It is therefore important that it is properly aligned and focussed on the risks that affect, or are created by, the LFB's strategy and priorities. Internal Audit work alongside staff to provide independent assurance on the effectiveness of the control mechanisms that are in place to mitigate identified risks. Our final audit reports are copied to the Assistant Director Strategy and Risk and any risk issues identified are considered and included within the risk management process. This has improved synergy between the two functions and facilitates an integrated approach to risk management.

Audit and Other Assurance Providers

24. Current best practice recommends the use of a 'Three Lines of Defence' model to help clarify roles and responsibilities for assurance provision. Internal Audit, along with External Audit, are responsible for providing independent assurance as a key part of the third line and are part of the LFB's internal assurance framework. Each assurance provider has a distinct role within the process and Internal Audit liaises regularly with the second line groups, to discuss their respective plans, approach and scope of work. Collaboration between the respective assurance providers is essential to ensure that:
- All work is properly co-ordinated
 - Any assurance gaps are identified
 - Work is not duplicated
 - Assurance provision is mapped to key risks
25. This process also provides a mechanism to ensure that resources are used efficiently and effectively and are directed to areas of highest risk and strategic importance to the LFB. Internal Audit will continue to help raise awareness of this approach, and in particular, the benefits of an effective first line.

Governance Framework

Material Systems Work – Key Financial Controls

26. The key financial systems that are material to External Audit's opinion on the financial statements are reviewed by Internal Audit using a risk-based and cyclical approach, and for 2019/20 included accounts payable, accounts receivable, cash & bank and payroll & pensions. Whilst both sets of auditors have separate responsibilities in respect of key financial systems work, we both take assurance, where appropriate, from each other's work when forming our respective opinions. Internal Audit has concluded that overall the control framework for these systems is adequate, with controls generally operating effectively. However, the accounts payable review received a limited assurance rating during our 2018/19 review and has received another limited assurance this year. This is partly due to delays in implementing the actions raised in the first review due to capacity issues within the Finance team. This includes addressing the risks associated with the interface between Purchase Order Management System (POMS) and Masterpiece. During the year, Internal Audit used data analytical software which allowed us to undertake 100% population sampling providing increased insight and evidence to support the impact of not implementing the agreed actions.
27. A significant amount of work, however, has been undertaken across the various teams in Finance team to ensure that procedures are documented and up to date which helps to provide a level of resilience.

Counter Fraud Work and National Fraud Initiative

28. The Counter Fraud and Corruption Policy and Response Plan are contained within policy documents and are published on the LFB's website.
29. The Audit Commission's powers to conduct National Fraud Initiative (NFI) work transferred to the Cabinet Office on 1 April 2015 although data matching arrangements continued as before. The pension, creditor and payroll datasets were submitted for the NFI 2018/19 exercise, with the matches received in quarter four.
30. In quarter four of 2018/19 and quarter one of 2019/20 there were 2,024 matches over 21 reports which were due to be reviewed during the year. 1,997 of these matches have been reviewed and cleared and 27 remain open as the manual files cannot be reviewed due to COVID restrictions. The NFI have, however, extended the normal closure date for all participants to accommodate any delays.

The matches were as follows:

- 188 Payroll – all cleared with no issues.
- 115 Pensions – all cleared with one overpayment of £7,947 due to a pensioner working for another fire authority. Now in recovery.
- 996 Pensions to invalidity benefits all cleared with no affect upon their pensions.
- 725 Creditors – 698 cleared by Audit due to limited resources within the Finance team. Within the 698 cleared creditors there were two recoveries:

Governance Framework

- £2,143 classified as fraud - recovered two of three payments for the same item. The NFI match was due to an internal error as the creditor was initially paid for both an invoice and a reminder. Audit reviewed another payment to this creditor and found that the same already invoiced item had been included in a later larger invoice.
 - £159 classified as error. One payment to the wrong creditor. Had been caused by staff entering details of another creditor bank account into the payments system record for the correct supplier.
31. The MOPAC Counter Fraud team were also involved with investigation and the provision of advice and guidance in response to:
- The continuing number of phishing emails targeting the LFB with investigations currently underway. We have liaised with IT security and our reviews established no identifiable connection between the phishing attacks. Genuine email accounts were copied or spoofed to that it appeared they came from genuine, often public sector, organisations. No losses have been identified as a result of these emails.
 - The need for increasing staff awareness of fraud through delivery of a fraud awareness session to FRS staff groups. The presentation highlighted real life examples of frauds that have been identified and investigated to illustrate the cause and impact with an organisation. This also provided attendees with insight as to where and how ineffective controls contributed to frauds being committed. Staff actively participated and a discussion was held at the end of the presentation. Although the delivery of future presentations has been impacted by COVID we will explore other options including remote sessions via Microsoft Teams if the technology supports this.
32. In accordance with the government's Transparency Code, the LFB must publish information annually on its counter fraud work. This includes the total number of employees undertaking investigations and prosecutions of fraud, and the total number of fraud cases investigated. The information is published on the LFB website.
33. The 2019/20 outturn was: LFB has not used power under the Prevention of Social Housing Fraud (Power to Require Information) (England) Regulations 2014, or similar powers. A total of 80 days was allocated to the Counter Fraud team, with an additional 27 days spent undertaking NFI investigative work on behalf of the Finance team who were experiencing resourcing issues. The Counter Fraud team consisted of professionally accredited counter fraud specialists and ex-police officers who are qualified by experience. The allocated days were split between the provision of counter fraud awareness as well as the review and investigation of fraud referrals as shown above and NFI work.

Internal Control Framework

Annual Assurance

34. Overall, Internal Audit work this year has concluded that the LFB internal control framework was adequate. We have issued 29 final audit reports this year consisting of 12 risk and assurance, 15 follow ups and two advisory reports. A breakdown of the reports reported to the Commissioner's Board for 2019/20 is shown below and includes the meeting dates to which the final reports were submitted:

Report Date	CB Date	Review Title	Assurance Rating
27/06/19	14/08/19	FRS Staff Standby Roster Systems (Follow Up)	Adequate
30/07/19	06/11/19	Environmental Management Systems	Adequate
05/08/19	06/11/19	Risk Management (Follow Up)	Substantial
07/08/19	06/11/19	Thematic Review of Completion of Babcock Training (Follow Up)	Adequate
20/08/19	06/11/19	Assurance Framework (Follow Up)	Limited
27/08/19	06/11/19	Thematic Review of Health and Safety (Follow Up)	Adequate
04/11/19	26/02/20	Overtime and Protective Equipment Group (Advisory)	Limited
26/11/19	26/02/20	Cyber Security Controls (Follow Up)	Adequate
03/12/19	26/02/20	Processing the GLA Payroll (Follow Up)	Adequate
04/12/19	26/02/20	Fire Safe and Well Pilot	Adequate
11/12/19	26/02/20	Disciplinary Framework (Follow Up)	Substantial
20/12/19	26/02/20	Use and Control of Credit Cards (Follow Up)	Adequate
03/01/20	26/02/20	Data Protection Compliance Framework	Adequate
10/01/20	26/02/20	Fire Safety Enforcement Framework	Adequate
15/01/20	26/02/20	Environmental Management Systems (Follow Up)	Substantial
16/01/20	26/02/20	Development and Maintenance of Operational Professionalism (DaMOP) (Follow Up)	Substantial
22/01/20	26/02/20	Identification and Management of High-Risk Legal Cases	Adequate
28/01/20	26/02/20	Sponsorship	Limited
27/03/20	03/06/20	Thematic Review of Discipline at Fire Stations	Limited
07/04/20	03/06/20	Key Financial Systems – Cash and Bank	Substantial
07/04/20	03/06/20	ICT Skills Profile (Follow Up)	Substantial
17/04/20	03/06/20	Academic Sponsorship	Limited
21/04/20	03/06/20	Adult Safeguarding Framework (Follow Up)	Adequate
25/06/20	12/08/20	Learning Support Provision (Follow Up)	Adequate
30/06/20	12/08/20	Key Financial Systems – Accounts Receivable	Adequate
30/06/20	12/08/20	Key Financial Systems – Payroll and Pensions	Adequate

Internal Control Framework

Report Date	CB Date	Review Title	Assurance Rating
08/07/20	12/08/20	Key Financial Systems – Accounts Payable	Limited
08/07/20	12/08/20	Risk Management Framework – Alignment to Strategic Objectives (Advisory)	N/A
20/07/20	12/08/20	Operational Policy – External Relations (Follow Up)	Adequate

Risk and Assurance Reviews

35. The table below provides detail of the assurance ratings provided in relation to the 12 full risk and assurance reviews, along with a comparison to the full reviews issued in 2018/19:

Overall Assurance Rating	2018/19		2019/20	
Substantial	0	0%	1	8%
Adequate	9	75%	7	59%
Limited	2	17%	4	33%
No	1	8%	0	0%
Total	12	100%	12	100%

36. The number of risk and assurance reviews fully completed has remained the same as last year. In addition, there is one review where the fieldwork has not yet fully completed, a further two reports are at draft stage and we are in the process of agreeing the findings with management. These findings are reflected in our overall audit opinion but are not included in the table above. Indicative assurance ratings, if included above, would have a minimal impact on the percentages shown. The reviews, with indicative assurance ratings where available are as follows:

- Thematic Review of Operational Assessment and Promotion (Limited)
- Social Media (Adequate)
- Recruitment Strategy for Operational Staff (N/A at fieldwork stage)

37. **Appendix 2** contains the definition of assurance levels. The four limited assurance reports were as follows:

- Sponsorship – Corporate policy required clarification in some areas, and there is a need to ensure that there is a single, validated sponsorship register.
- Thematic Review of Discipline at Fire Stations – The key findings were around the quality of information (in policy and on Hotwire) and training available to managers to support effective delivery at local level.
- Academic Sponsorship – There is a need to ensure that there is sufficient review and monitoring of the scheme to provide assurance that it is meeting its objectives, and that the prescribed policy and actual practice are aligned.
- Key Financial Systems Accounts Payable – Delays in implementation of the 2018/19 actions including managing the risks associated with the

Internal Control Framework

interface between procurement and finance systems resulted in no change to the overall assurance rating.

38. When we conclude on a limited assurance rating it is usually a result of the control framework requiring improvement with key controls either missing or not working as intended. In the cases shown above, key aspects of the framework, and policies and procedures, were in need of review to ensure they provided an appropriate foundation for the delivery of activity. The need to rationalise and improve policy and procedures continued as a recurring theme across the LFB during the year, although we recognise that management respond positively to the issues identified and take prompt action to strengthen the control environment.

Follow Up Reviews

39. We liaise on an ongoing basis with the departments concerned to establish the status of the agreed actions arising from these reviews. The outcome is included in updates reported quarterly to the Directorate Boards which enables them to monitor the progress of implementation.

40. To evidence that agreed actions have been fully implemented we perform follow up reviews within six months of the issue of the final report for high risk areas and within 12 months for those that present less risk.

41. To further support the annual audit opinion during 2019/20 we now provide an updated assurance rating for our follow up reviews. The three reviews in the table below where it states "none provided" were issued prior to this change in reporting:

Overall Assurance Rating	2018/19		2019/20	
None provided	3	17%	0	0%
N/A Interim	2	11%	0	0%
Substantial	1	5%	5	33%
Adequate	10	56%	9	60%
Limited	2	11%	1	7%
No	0	0%	0	0%
Total	18	100%	15	100%

42. There has been an improvement in the outturn for this year with more reviews receiving either a substantial or adequate assurance rating at follow up. In some instances, the receipt of an assurance rating less than substantial will be due to the raising of further actions against an original action that had been fully implemented. This occurs where upon testing the effectiveness of the amended system we found there to be a new risk. This is an indication that there could be insufficient review of any changes of process to ensure that the internal controls are in place and operating effectively. These further actions are agreed with management and monitored through the Directorate Boards.

Internal Control Framework

Systems Development and Control Advice

43. Internal Audit provide advice and assistance to departments as part of our annual plan. This can be in response to a specific request for assistance or as part of an ongoing arrangement with the department concerned. This year has seen a continued change of focus with more emphasis on advisory work to assist the LFB during this time of significant change. Areas of advice provided during the year included:

- Governance Arrangements – ongoing advice and assistance as required.
- HR Service Centre Project – attendance at the project board for the purpose of providing control advice in the developing system.
- Ongoing advice provided to a Group Commander in relation to compliance with the Standby policy
- Examples of issues identified with policy over recent years has been collated and provided to the Head of Information Management for consideration of where improvements might be made
- Provided risk and control advice on the arrangements in place to support the receipt of income from the insurance sector under the Metropolitan Fire Brigade Act. This included reviewing the existing guidance and templates that are used to facilitate the process.

Acceptance and Implementation of Recommendations

44. The Directorate Boards were provided with a detailed quarterly update on the status of reported recommendations and/or agreed actions that are outstanding. The figures shown below demonstrate how the control framework continues to improve following the implementation of agreed actions. This approach also provides more transparency and independent scrutiny which are key components of an effective governance framework.

45. From the 12 risk and assurance audits finalised during the year 2019/20, there were a total of 47 agreed actions which was consistent with 2018/19. The status of these actions is monitored throughout the year by the Directorate Boards and published under the LFB's transparency agenda.

46. We continue to liaise with the departments concerned to determine the current status of the remaining outstanding recommendations and an update will be reported to the Directorate Boards in our quarter 1 update for 2019/20.

Internal Audit Performance

Strategic Approach

47. We continued to use a risk-based approach to our annual planning cycle linked, where possible, to the LFB's corporate and departmental risks. As part of this process we discussed and agreed with Commissioner's Board members and Heads of Service the areas upon which they required objective assurance. We used this approach during our assignment planning and delivery, making sure that our work focussed primarily upon reviewing key risks and areas that were identified as material to achieving business objectives. In addition, we continued to provide assurance on the management of ICT risks. This approach is designed to meet the statutory requirement for an annual opinion on the adequacy and effectiveness of the internal control environment, whilst recognising this is a time of significant change with a demand for improving efficiency and achieving better value for money.
48. Completion of the 2019/20 annual plan has enabled the Head of Internal Audit to provide an opinion on the effectiveness of the control environment, which in turn informs the AGS published with the Annual Accounts. The 2019/20 plan has maintained coverage at 773 days with the approved plan for 2020/21 aiming to provide the same level of coverage. The latter part of the plan has been impacted by COVID 19 with the dual challenges of both audit and LFB staff working remotely since March of this year. However, our timeframe for delivery of the plan has been from June 2019 to May 2020, and by fully utilising the available technology, we have been able to reduce the disruption and provide an annual audit opinion on the adequacy and effectiveness of the risk and control environment. Our opinion is based upon the work undertaken during the year and does not consider the impact of COVID on LFB activities or provide any assurance over the effectiveness of the subsequent response or recovery activity or its impact on transformation delivery. These areas will form part of the 2020/21 workplan. We have worked in consultation with management, striking the appropriate balance between providing assurance, challenge and advice. We also look to report on opportunities for improving efficiency and value for money in all aspects of our work.

Planning and Delivery

49. Internal Audit have a range of Key Performance Indicators (KPIs) to monitor performance and identify any areas for improvement. These are both qualitative and quantitative measures.
50. We completed 100% of the agreed 2019/20 audit plan to report stage with 84% at final report and 16% at draft report stage. This exceeds our target of 90%. Our aim is to complete 90% of our reports to draft report stage, and we have achieved this target with 91% at final, 6% at draft and 3% (1 review) still at fieldwork.
51. Of the 29 reviews finalised this year, 26 were completed within the approved initial budget and one within approved authorised revised budget due to complexity of the fieldwork. This represents an outturn of 93% and an

Internal Audit Performance

improvement on the 87.5% reported for 2018/19. Work will continue during 2020/21 to ensure this figure remains in accordance of our 90% target.

52. Internal Audit issue post audit questionnaires to the recipients of full audit reports at the conclusion of each review to monitor the effectiveness of our current programme of work and to identify any areas where we could be of assistance in the future. The responses received this year indicate a high level of satisfaction. On a scale of 1 to 5 with 5 being the highest, all responses were 4 or above.

53. We also monitor timeliness at key stages of each review. For the 29 final reports issued the following outturn was reported:

KPI	Target	Result
DARA issue draft report to the client within 15 working days of fieldwork completing for full reviews and 10 days for follow up reviews	90%	90%
LFB management respond to draft report within 15 working days of issue of draft report	90%	76%
DARA issue final report to client within 5 working days of management response	90%	100%

54. The target to issue the draft reports within a set number of days has not been achieved, and primarily as a result of our internal review framework which will be reviewed during 2020/21. The target for management responses to our draft report has improved as we now send the drafts out with a deadline for responses. These cannot always be met by the client lead, and therefore delays are still occurring.

55. The internal audit plan is indicative and is flexed during the year to ensure we anticipate and are responsive to changing priorities and risks. This can result in changes to the timing, scope or nature of work or to certain reviews being cancelled or deferred at the request of management. Several reviews were impacted in this way; including three assurance reviews that were deferred or cancelled due to recent or pending organisational changes. These were Attendance Management which was at an early stage of implementation, Wellbeing and Contract Management. Work on the Local Pensions Partnership and Station Repairs commenced but could not be completed due to COVID access restrictions. The budgeted days for these reviews were used for two additional reviews requested by management: Overtime and Protective Equipment and Academic Sponsorship and three additional follow ups in the governance, wellbeing and ICT space. We also undertook additional, unplanned NFI investigations work to assist the Finance team and more in-depth testing of the financial systems using our data analytical capability to provide greater insight into the impacts of identified control weaknesses.

Internal Audit Performance

Working in Partnership

External Review Agencies

56. Internal Audit has an effective working relationship with the External Auditors, and we work in liaison with them to optimise the use of resources and avoid duplication.

Audit Forums

57. The MOPAC Director of Audit, Risk and Assurance is a panel member of the CIPFA Better Governance Forum. We also contribute to the London Audit Group and sub-groups set up to exchange best practice on auditing procurement, major contracts and ICT. Our involvement ensures we keep at the forefront of professional developments and provide a responsive audit service.

Counter Fraud Groups

58. MOPAC DARA work with other public sector bodies to combat fraud and to develop an effective counter fraud response. We are represented on the steering group of the London Public Sector Counter Fraud Partnership, which brings together over 120 local authority, central government and NHS bodies to promote counter fraud activity and share good practice. We will use our knowledge and experience in this area to assist our work in the LFB where appropriate in the coming year.

Shared Internal Audit Services

59. DARA is the lead internal audit provider to the GLA group, delivering services to the GLA, LFB, London Legacy Development Corporation, Old Oak and Park Royal Development Corporation and also provides a service to the National Police Chiefs Council. This has resulted in monetary savings as well as synergy across the GLA group and provides the opportunity to optimise the use of all available professional and specialist audit skills. We continue to work in partnership with the private sector drawing from a GLA wide framework agreement to meet our specialist ICT audit resource requirements.

Professional Standards

60. All MOPAC DARA work is conducted in line with professional standards and recognised best practice. The Public Sector Internal Audit Standards (PSIAS) provide the benchmark for the delivery of our service, including the requirement for all of the audit team to be professionally qualified.

Equalities and Diversity

61. Auditors and investigators receive appropriate training in equality and diversity issues and their performance within the LFB is monitored as part of our internal quality assurance process. All staff are required to attend unconscious bias training and have done so during the year. Our work is designed to provide as wide a range of coverage of the LFB as is possible and practicable

Assurance Criteria

ASSURANCE RATING	ASSURANCE CRITERIA	BUSINESS IMPACT	CONTROL	
			Design	Application
Substantial Assurance	The control framework is sound and operating effectively to mitigate key system risks.	Risks are managed effectively to provide assurance that business objectives will be achieved.		
Adequate Assurance	The control framework is adequately designed although some controls are not operating effectively to mitigate key system risks.	Risks are generally managed effectively although some improvement in the application of controls is required.		
Limited Assurance	The control framework is not designed adequately and a number of key controls are absent or are not operating effectively to mitigate key system risks.	Risks are not being managed adequately with improvement in the design and application of controls required to achieve business objectives.		
No Assurance	The control framework is not in place and existing controls are not operating effectively to mitigate key system risks.	Risks are not being managed, and significant improvement to the overall control environment is essential to achieve business objectives		