

Decision title

Internal Audit – Quarter 1 Progress Report, 2020/21

Recommendation by
Head of Internal Audit

Decision Number
LFC-0400-D

Protective marking: **NOT PROTECTIVELY MARKED**

Publication status: Published in full

Summary

Report LFC-0400 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 first quarter of 2020/21. 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 first quarter of 2020/21 attached in Appendix 1.
2. Notes the work planned for quarter two of 2020/21.
3. Notes Internal Audit's current assessment of the adequacy and effectiveness of the internal i) control framework.



Andy Roe
London Fire Commissioner

This decision was remotely
Date signed on Tuesday 03 November 2020

Access to Information – Contact Officer

Name	Steven Adams
Telephone	020 8555 1200
Email	governance@london-fire.gov.uk

Report title

Internal Audit – Quarter 1 Progress Report, 2020/21

Report to

Transformation Board
Operational Delivery Board
Corporate Services Board
Commissioner's Board
People Directorate Board

Date

28/07/2020
29/07/2020
04/08/2020
12/08/2020
17/08/2020

Report by

Head of Internal Audit

Report number

LFC-0400

Protective marking: **NOT PROTECTIVELY MARKED**

Publication status: Published in full

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 first quarter of 2020/21. 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 first quarter of 2020/21 attached in Appendix 1.
2. Notes the work planned for quarter two of 2020/21.
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 in March 2019 for the financial year 2019/20 and March 2020 for the financial year 2020/21.
3. The report at Appendix 1 provides an update on the work completed to quarter one, 2020/21, and our opinion of the current assurance level of the internal control framework.

Finance comments

4. 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.
5. 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.
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. This report is presented for information only, and no direct legal implications arise.
10. The Local Audit and Accountability Act 2014 defines the 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 LFC'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 quarterly 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. This report has no sustainability implications.

Equalities implications

15. This report has 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.	Internal Audit Progress Report Quarter 1, 2020/21	Not protectively marked

Commissioner's Board

12 August 2020

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 first quarter of 2020/21. 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 3 June 2020.

2. Recommendations

That the Commissioner:

1. Notes the work undertaken by Internal Audit in the first quarter of 2020/21.
2. Notes the work planned work for quarter two of 2020/21.
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 Internal Audit have issued six final reports; three risk and assurance, one advisory and two follow ups. 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. For reference, the criteria attached to each of the assurance ratings has been included at Annex B of this report.

	Date of Issue	CB Reported	Review Title	Assurance Rating
1	25/06/20	12/08/20	Learning Support Provision (Follow Up)	Adequate
2	30/06/20	12/08/20	Key Financial Systems – Accounts Receivable	Adequate
3	30/06/20	12/08/20	Key Financial Systems – Payroll and Pensions	Adequate
4	08/07/20	12/08/20	Key Financial Systems – Accounts Payable	Limited
5	08/07/20	12/08/20	Risk Management Alignment to Strategic Objectives (Advisory)	N/A
6	20/07/20	12/08/20	Operational Policy – External Relations (Follow Up)	Adequate

3.2 Learning Support Provision (Follow Up)

The original report was issued in April 2019 and contained six medium priority actions. Five of these have been fully implemented and one partly implemented. The partly implemented action was around the recruitment of a Learning Support Advisor; the post was filled for a short time but had become vacant. A new recruitment commenced at the time of our review and no further actions were raised.

3.3 Key Financial Systems – Accounts Receivable

The objective of the review was to provide assurance on the effectiveness of the control framework around management of the Brigade's accounts receivable processes, and also to follow up on the implementation of the four medium priority actions from our 2018/19 review.

Areas of effective control included access levels within the Masterpiece finance system and the separation of duties within the process for requesting and issuing invoices, and allocating the income once received. There were some areas of testing that could not be fully completed due to the outbreak of Covid-19. One was testing around the batch reconciliation process, however, no issues were identified during last years review of this area. Also, a finding identified through the additional data analytical work that Internal Audit performed this year found gaps in invoice and credit note numbers due to them being cancelled prior to issue. Internal Audit were advised that there would be evidence of the cancellation, but were unable to access this as it was a paper based process.

Two medium priority risks were identified; one around housekeeping in relation to the customers' data in preparation of possible migration to a new finance system, and another around the undertaking of a risk assessment in relation to data quality due to errors in reports from the Cognos system.

Our 2018/19 review resulted in four medium priority actions of which two were found to be fully implemented. Of the remaining two; one around controls in relation to the processing of credit notes had been partly implemented, and the other around review of the automated debt recovery process had not been implemented and remained open in the action tracking database.

3.4 Key Financial Systems – Payroll and Pensions

The objective of the review was to provide assurance on the effectiveness of the control framework around management of the Brigade's payroll and pensions processes, and also to follow up on the implementation of the five medium priority actions from our 2018/19 review.

Areas of effective control included the availability of up to date procedure notes, appropriate access levels for key systems and separation of duties both between HR and Payroll, and within Payroll in relation to input and checking. Use of our data analytical software identified no issues with duplication of National Insurance numbers or suppliers having the same bank account details as staff use for their salary payments.

Due to the Coronavirus outbreak Internal Audit were unable complete testing around annotations on new starters forms, and one medium priority action was raised to ensure that this work was picked up at a later date. No other actions were raised.

Our 2018/19 review resulted in five medium priority actions and fieldwork found that four had been fully implemented. The remaining action was around review of the administrative rights in Cyborg which has not been implemented and the action remained open in the action tracking database.

3.5 Key Financial Systems – Accounts Payable

The objective of the review was to provide assurance on the effectiveness of the control framework around management of the Brigade's accounts payable processes, and also to follow up on the implementation of the eight medium priority actions from our 2018/19 review.

Areas of effective control included the availability of up to date procedure notes and appropriate user profiles in relation to Masterpiece for Finance staff. There is an effective separation of duties both enforced through system use and within Finance for the processing of supplier invoices and payment runs and regular reconciliations take place. Use of data analytics identified no issues with duplication of supplier accounts or data quality in relation to purchase order numbers.

Internal Audit raised four actions; two of which were high priority and two medium. The two high priority actions were in relation to the use of generic logons for raising orders and the lack of ability to identify who raised and authorised some orders. The two medium priority actions were in relation to a lack of separation of duties in POMS for the raising and authorising of requisitions and the need to investigate the duplication of supplier invoice numbers across suppliers.

From our 2018/19 review four actions had been fully implemented. Of the remaining four; one action in relation to addressing the separation of duties in POMS was partly implemented resulting in one of the medium risk actions stemming from this review. The other three actions that had not been implemented due to capacity issues within Finance and remained open in the action tracking database.

3.6 Risk Management – Alignment to Strategic Objectives (Advisory)

This advisory review provided guidance on action that could be taken by the Brigade to ensure that the risk management framework supported the delivery of the strategic objectives of the London Safety Plan and the Transformation Delivery Plan. Implementation of which would help drive an improvement in embedding risk management and in doing so the level that the Brigade is operating at under the Alarm National Performance Model for Risk Management in Public Services. Our 2018/19 assessment against that framework identified that the Brigade was working at a level 3 (risk management is working for the organisation) and moving towards a level 4 (risk management is embedded and integrated within the organisation).

3.7 Operational Policy – External Relations (Follow Up)

The original report was issued in April 2019 and contained two medium priority actions, both of which were found to have been partly implemented. A spread sheet is in place to monitor the review of policy notes, however, this has not resulted in policies being reviewed in good time. The review spread sheet shows when the policy went through the various risk and impact assessments, but not when it has been through the peer review, Assistant Commissioner/ Deputy Assistant Commissioner review, formal sign off and the unions. Two further actions were raised.

4. **Other Activity for This Quarter**

4.1 Two risk and assurance reviews are currently at draft report stage, and work will be undertaken with management to finalise them:

- Social Media
- Thematic Review of Operational Assessment and Promotion

4.2 One risk and assurance review entitled Recruitment Strategy for Operational Staff is at fieldwork stage and will be completed at the earliest opportunity, concluding delivery of the 2019/20 annual plan. Internal Audit's annual review of 2019/20 is scheduled for Commissioner's Board on 26 August 2020.

4.3 Work against the 2020/21 annual plan has commenced:

- Contract Management – Terms of Reference has been agreed and this review is scheduled to commence imminently

- Budgetary Control – The draft Terms of Reference is awaiting agreement following which the review will be scheduled in
- Covid 19 Response, Recovery and Renewal – The draft Terms of Reference is awaiting agreement following which the review will be scheduled in
- Operational Support Group Financial Management – This is an additional review that has been requested by management. The draft Terms of Reference is awaiting agreement and the review will commence immediately
- Leadership Programme – Scoping is underway
- Digital Transformation – Scoping is underway

5. Planned Quarter Two Work

- 5.1 Internal Audit will seek to complete the outstanding 2019/20 reviews at the earliest opportunity.
- 5.2 The reviews outlined in paragraph 4.3 above will be progressed in agreement with management.

6. Counter Fraud Activity

- 6.1 National Fraud Initiative 2018/19 (NFI) matches - the total number of referrals remains at 2,025; with 1,998 matches reviewed and closed and 27 under investigation. The review included 727 Creditors matches, 700 have been reviewed and closed and the 27 matches remaining are the only NFI cases still under investigation. Internal Audit are still awaiting access to the manual creditor files at Union Street for these 27 cases. The NFI have extended their planned closure date to allow for such circumstances.
- 6.2 NFI 2020/21 - early preparation work has commenced on the next biennial exercise, with data uploads to be as at September 2020.
- 6.3 Covid-19 fraud advice from the government, CIPFA and the London Fraud Forum has been, and continues to be, collated and distributed to key contacts.

7. Internal Control Framework

- 7.1 Our control environment opinion has remained adequate as a result of the work completed to date, including those at fieldwork stage. A full list of the reviews completed against the 2019/20 audit plan can be found in Annex A. No work has yet been completed against the 2020/21 plan.
- 7.2 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, Internal Audit 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.

8. 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.

9. 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.

10. Contact Details

Report authors: Lindsey Heaphy and Karen Mason

Email: Lindsey.Heaphy@mopac.london.gov.uk Tel: 07917 557084
Karen.Mason@london-fire.gov.uk Tel: 07714 611468

11. Appendices and Background Papers

- Annex A – Progress against the 2019/20 annual plan

Progress Against the 2019/20 Annual Plan

To date Internal Audit have issued the following risk and assurance reports:

	Date of Issue	CB Reported	Review Title	Assurance Rating
1	30/07/19	06/11/19	Environmental Management System	Adequate
2	04/12/19	26/02/20	Fire Safe and Well Pilot	Adequate
3	03/01/20	26/02/20	Data Protection Compliance Framework	Adequate
4	10/01/20	26/02/20	Fire Safety Enforcement Framework	Adequate
5	22/01/20	26/02/20	Identification and Management of High Risk Legal Cases	Adequate
6	28/01/20	26/02/20	Sponsorship	Limited
7	27/03/20	03/06/20	Thematic Review of Discipline at Fire Stations	Limited
8	07/04/20	03/06/20	Key Financial Systems – Cash and Bank	Substantial
9	17/04/20	03/06/20	Academic Sponsorship	Limited
10	30/06/20	12/08/20	Key Financial Systems – Accounts Receivable	Adequate
11	30/06/20	12/08/20	Key Financial Systems – Payroll and Pensions	Adequate
12	08/07/20	12/08/20	Key Financial Systems – Accounts Payable	Limited

To date Internal Audit have issued the following follow up reports:

	Date of Issue	CB Reported	Review Title	Assurance Rating
1	27/06/19	14/08/19	FRS Staff Standby Roster System	Adequate
2	05/08/19	06/11/19	Risk Management	Substantial
3	07/08/19	06/11/19	Thematic Review of Completion of Babcock Training	Adequate
4	20/08/19	06/11/19	Assurance Framework	Limited
5	27/08/19	06/11/19	Thematic Review of Health and Safety	Adequate
6	26/11/19	26/02/20	Cyber Security Controls	Adequate
7	03/12/19	26/02/20	Processing the GLA Payroll	Adequate
8	11/12/19	26/02/20	Disciplinary Framework	Substantial
9	20/12/19	26/02/20	Use and Control of Credit Cards	Adequate
10	15/01/20	26/02/20	Environmental Management Systems	Substantial
11	16/01/20	26/02/20	Development and Maintenance of Operational Professionalism (DaMOP)	Substantial
12	07/04/20	03/06/20	ICT Skills Profile	Substantial
13	21/04/20	03/06/20	Adult Safeguarding Framework	Adequate
14	25/06/20	12/08/20	Learning Support Provision	Adequate
15	20/07/20	12/08/20	Operational Policy External Relations	Adequate

To date Internal Audit have issued the following advisory reports:

	Date of Issue	CB Reported	Review Title	Assurance Rating
1	04/11/19	26/02/20	Overtime at Protective Equipment Group	Limited
2	08/07/20	12/08/20	Risk Management Alignment to Strategic Objectives	N/A*

* This review was not given an assurance rating, instead it reflected on the ALARM Risk Management Model ratings which was more appropriate.

Assurance Criteria

ASSURANCE RATING	ASSURANCE CRITERIA	BUSINESS IMPACT
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