



Audit Committee Annual Report

2022 Annual Report of the London Fire
Commissioner's Audit Committee

January 2023





Marta Phillips OBE, Chair of the London Fire Commissioner's Audit Committee

Foreword by Marta Phillips CBE, Chair of the Audit Committee

I am delighted to introduce the annual report of the Audit Committee, summarising the contribution the Committee made during 2022. The Committee continues to focus on the audit, assurance and risk management processes within the brigade, whilst maintaining oversight of financial and other regulatory requirements. There was particular focus on the significant and emerging risks facing the brigade in what has been a challenging year. This will continue to be a priority for the Committee going forward as the Brigade further develops its maturity to risk management. The members of the Committee bring a balanced, independent and objective approach to the business of the Committee and I am grateful for the contributions they have made in providing a robust challenge of the brigade's arrangements for risk, audit and governance.

The Committee regularly reviews its workplan, taking a flexible and agile approach to its business. The workplan has varied throughout the course of year to accommodate

emerging issues and concerns, whilst continuing to receive periodic assurance reports necessary to provide routine oversight of the brigade's audit and governance arrangements.

While this report rightly focuses on the work of the Audit Committee for the last year, the some of the most significant challenges for the London Fire Brigade in the near future are the outcomes of the Culture Review it commissioned and the recommendations in the HMICFRS (His Majesty's Inspectorate of Constabulary and Fire & rescue Services) report. The Audit Committee will be working with the colleagues in the Brigade to support the changes and developments it needs to put in place in delivering its action plans.

Introduction

This report provides a summary of the work of the London Fire Commissioner's (LFC) Audit Committee for the year 2022. The Audit Committee was constituted in November 2020 to provide more robust scrutiny and assurance of LFB's financial, risk and governance and other internal control arrangements. This is the Committee's second annual report.

The London Fire Commissioner (LFC) established the Audit Committee in November 2020 to provide more robust scrutiny and assurance of the London Fire Brigade's financial, risk and governance and other internal control arrangements.

The Chartered Institute for Public Finance and Accountancy (CIPFA) defines the purpose of an Audit Committee as follows:

1. Audit Committees are a key component of an authority's governance framework. Their function is to provide an independent and high-level resource to support good governance and strong public financial management.
2. The purpose of an Audit Committee is to provide those charged with governance independent assurance on the adequacy of the risk management framework, the internal control environment and the integrity of financial reporting and annual governance processes

(Audit Committees – Practical Guidance for Local Authorities and Police (2018) Composition of the Audit Committee

The Audit Committee is comprised of four independent Members:- Ms Marta Phillips OBE (Chair); Ms Kay Boycott; Mr Seyi Obakin OBE; and Mr Martin Spencer. All four Members were appointed in November 2020 for an initial two year term, subject to review by the LFC. In November 2022 the Commissioner extended their terms by a further 12 months with Ms Phillips continuing as Chair.

The four members have a range of backgrounds and experience which together provide the requisite skills to carry out and develop the functions of the Audit Committee.

Roles and responsibilities of the Audit Committee

The Audit Committee's role is to enhance public trust and confidence in the governance of the London Fire Brigade and, where appropriate, to make recommendations to the London Fire Commissioner on the comprehensiveness, reliability and integrity of and compliance with the internal and external controls including finance, audit, risk management, and corporate governance. Its remit therefore covers the following broad areas:

RISK MANAGEMENT

Discuss with the LFC its policies, attitude to and appetite for risk and tolerance levels to ensure these are appropriately defined and communicated so that management understands these parameters and expectations.

Understand the risk management framework and the assignment of responsibilities.

Critically challenge and review the risk management framework and strategies to evaluate how well the arrangements are actively working in the organisation and provide assurance to the LFC on effectiveness.

Critically challenge and review the suitability, adequacy and effectiveness of control processes and the resources in responding to risks within the organisation's governance, operations and compliance.

Be satisfied that the LFC's assurance statements, including the annual Governance Statement, properly reflect the risk environment and review progress on the Annual Governance Statement action plan.

Review all risks on the corporate risk register at least annually.

Review the LFC's business continuity arrangements.

FINANCIAL MANAGEMENT

Review the Statement of Accounts;

Review the appropriateness of accounting policies;

Review the Capital Strategy;

Review the Treasury Management Strategy Statement;

Review arrangements for securing value for money, in particular the annual budget process; and

Provide independent review of the LFC budget submission to the Mayor, incorporating the Capital Strategy, Reserves strategy and Medium-Term Financial Plan.

INTERNAL AUDIT

Review arrangements for the provision of internal audit services.

Review the annual internal audit plan (and ensure that it is aligned to the key risks of the LFC) and its delivery through the receipt of regular progress reports.

Consider the Head of Audit's Annual report and opinion on the adequacy and effectiveness of the internal control framework ensuring appropriate action is

taken to address areas of improvement. This includes monitoring the delivery of audit recommendations.

EXTERNAL AUDIT

Monitor delivery of internal audit recommendations;
Review arrangements for the provision of external audit services;
Review the annual external audit plan, and its delivery;
Review the external audit fees;
Review the annual audit results letter.

GOVERNANCE

Review and report on the LFC's Governance arrangements and internal control framework including progress against any improvement plans, decision making, business planning, Scheme of Delegation etc and to review their effectiveness.

Review the suitability of the Whistleblowing Policy, and the ethics and values Codes.

COUNTER FRAUD AND CORRUPTION

Review the counter fraud, bribery and corruption strategies and resources and their suitability and effectiveness.

CYBER SECURITY

Provide assurance to the LFC that the organisation is properly managing its cyber risk include appropriate risk migration strategies.

Review the LFC's cyber resilience at least annually, as part of the financial year end assurance.

Operation of the Audit Committee

The Audit Committee met on four occasions in 2022 (3 March, 12 May, 14 July and 20 October) with meetings dates structured around the receipt of annual assurance reports, external and internal audit reporting cycles, and the statutory

requirements for the production of the Statement of Accounts and Annual Governance Statement.

Following the easing of social distancing restrictions the Committee met in-person for its May meeting. All other meetings have been held virtually however a return to in-person will be kept under review for 2023.

The Committee is supported by a number of senior officers who attend regularly and bring expertise in relation to finance, risk and corporate governance.

Committee Business

The Committee's main focus during its second year has been on the following areas in its work programme and Appendix 2 includes an analysis of the reports and work undertaken against the Committee's Terms of Reference.

- **Finance.** The Committee has considered the quarterly LFC financial position reports; the Outturn reports; Budget reports including the Capital Strategy; and Treasury Management reports. The Committee has in addition considered the draft Statement of Accounts and the Annual Governance Statement.
- **Internal Audit.** The Internal Auditors are standing advisors to the Committee and the Committee have considered progress reports on a quarterly basis and the Internal Audit Annual Plan in both its draft and final form. The Committee met the Internal Auditor without any LFB officers present. Following the meeting, it gave summarised feedback to the executive team.
- **External Audit.** The External Auditors, Ernst and Young, attended two meetings of the Audit Committee where the Committee considered the External Auditor's Annual Report for 2020/21 and the External Audit Plan for 2021/22. The Committee met the External Auditor without any LFB officers present. Following the meeting, it gave summarised feedback to the executive team.
- **Performance.** Quarterly LFB Performance Reports have been considered at the Committee. The Committee has also discussed the ongoing transformation programme.
- **Assurance.** The Committee has considered the Statement of Assurance and the Business Risk and Assurance Reports. The Committee also considered the Independent Operational Assurance Advisor report on operational learning.
- **Risk.** The Corporate Risk register is a regular item on the Committee's agenda and strategic risks are discussed at each meeting. This has included specific focus on completion of the Transformation Risk Plan, the budget and efficiency, and the workforce. The Committee has also highlighted the possible

effects of climate change and cyber security. The Committee subsequently received a paper providing an update on Cyber Security. The Committee also considered the draft Community Risk Management Plan (CRMP) in detail at its July meeting and recommended some amendments.

The Committee has in addition at each meeting received an update and discussed current key issues, and where relevant noted that issues raised would be considered in more detail as part of its assurance and scrutiny remit. In addition it has received reports on:-

- Gender Pay Gap
- Ethnicity Pay Gap
- Disability Pay Gap
- Local Pension Board Annual Report

Attendance by the Deputy Mayor for Fire and Resilience

The Deputy Mayor for Fire and Resilience attended the Audit Committee meeting in March 2022. Her observation of the meeting was that the Audit Committee was effective in providing scrutiny by being critical whilst supportive, as well as providing a level of expertise. She also noted that the Committee had been set up to provide independent scrutiny and assurance, with a move away from an environment of reliance on trust. It is anticipated that the Deputy Mayor will attend at least one meeting of the Committee in 2023.

Other activities by the Audit Committee

The Chair of the Committee regularly attends the Commissioner's Board to present the minutes from the Committee, highlight any key points and to answer any questions from members of the Board.

The Committee has commented on various reports as part of its role in providing assurance and has made suggestions regarding good practice which the LFC has taken on board. The Chair has suggested that the role the Audit Committee adds to the LFC's assurance be more clearly articulated in its public assurance reports, for example within the Statement of Assurance 2021/22.

The Audit Committee has recently recognised the progress made throughout the year with the LFC's portfolio approach, the development of performance monitoring and the greater dynamism of the risk register.

The Committee, as it did in the previous year, expressed concerns as to whether the LFC has the capacity to respond to all the demands upon it by the sheer volume of change. In particular the enormity of the cultural challenges were highlighted, and the Committee stressed that effective prioritisation is crucial.

The Committee will be drawing up its workplan for 2023 in light of the experiences gained in 2021 and 2022 and where it can add value and provide assurance to the LFC. The Audit Committee recognises its role in providing assurance that the LFC meets the CIPFA Principle A – behaving with integrity, with commitment to ethical values, and respect for the law – as committed to in the Annual Governance Statement. The Committee amended its programme of meetings to synchronise more fully with key business activities and this scheduling is kept under review.

Visits and Workshops

Three Members of the Committee visited the London Fire Brigade Control Centre at Merton in November 2021 and the fourth in February 2022. They noted that this provided a greater insight into the running of the LFB. This was followed by a visit on 22 February 2022 to a fire safety inspection with an Inspecting Officer in New Cross, Lewisham which three members attended.

There was also a briefing on the Community Risk Management Plan in January 2022.

The Chair has a meeting with Assembly Member Anne Clarke, Chair of the Greater London Authority Fire Resilience and Emergency Planning scheduled for 11 January 2023.

Visits to fire stations have been arranged for all Members of the Committee and are taking place in January and February 2023.