

Date: 7 June 2018

Item: Internal Audit Annual Report 2017/18

This paper will be considered in public

1 Summary

- 1.1 The Public Sector Internal Audit Standards (PSIAS) require the Head of Internal Audit to provide an annual Internal Audit opinion based on objective assessment of the framework of governance, risk management and control established by TfL management.
- 1.2 The purpose of this paper is to set out the Internal Audit opinion on TfL's internal control environment.
- 1.3 The report also includes a summary of the results of Internal Audit's work for the year ended 31 March 2018 and other activities of the team during the year.

2 Recommendation

- 2.1 **The Committee is asked to note the report.**

3 Internal Audit Opinion

- 3.1 In our opinion the overall design and effectiveness of TfL's governance and internal control in the year ended 31 March 2018 is generally adequate for TfL's business needs and operated in an effective manner. However, it should be noted that TfL is in the process of refreshing its approach to risk management, including a thorough review of its strategic risks. Consequently the Enterprise Risk Management process is not yet fully effective and will continue to develop during 2018/19.

Basis of the Audit Opinion

- 3.2 The Internal Audit opinion does not provide any guarantee against material errors, loss or fraud. The Audit opinion is based on the audits carried out during 2017/ 18, and takes account of other sources of assurance including:
 - (a) Capital Programme and/ or project reviews carried out by the Project Assurance team and the Independent Investment Programme Advisory Group (IIPAG);
 - (b) Health Safety and Environmental (HSE), and Asset Management reviews carried out by the Integrated Assurance team;
 - (c) Results of any follow up exercises undertaken in respect of previous years' internal audit work;

(d) Crossrail audit outcomes.

- 3.3 There have been no matters arising from any of the work completed that need to be brought to the attention of the Audit and Assurance Committee.
- 3.4 There have been no restrictions imposed on the scope of the work completed by the Internal Audit function.

4 Risk and Assurance Transformation

- 4.1 We have previously reported to the Committee on the Corporate Assurance Transformation Programme, which brought together Internal Audit, Project Assurance, Enterprise Risk Management, and Fraud Management activities into a single Risk and Assurance (R&A) professional service within General Counsel. The new Risk and Assurance Directorate went live on 12 February 2018.
- 4.2 A key objective of the new Directorate is to ensure that audit and assurance activity is delivered in accordance with a 'three lines of defence model'. This makes a clear distinction between third line of defence assurance delivered by Internal Audit and second line assurance.
- 4.3 Internal Audit's work is independent and generally strategically focused, with its work closely aligned to the TfL strategic risks and driven by the requirements of the Audit and Assurance Committee and the TfL Executive Committee.
- 4.4 Second line assurance activity includes the work of the project assurance team¹, which carries out reviews of major projects and the 20 TfL Sub-programmes; work carried out by the Integrated Assurance team, primarily focused on HSE and Engineering assurance; and other review activity carried out by teams embedded within the business.
- 4.5 The Enterprise Risk Team is working to develop and embed a consistent and effective risk framework applicable across TfL and is working with management to ensure that strategic and operational risks are clearly defined, and managed, and that they are reported on a regular basis. As the risks become better defined, assurance activity will be mapped against them so that there is clarity over the sources of assurance against each risk, ensuring that overall assurance is delivered as effectively as possible.
- 4.6 The R&A Directorate has developed a Strategy setting out a programme of work to review and update processes, systems and ways of working to enable the benefits of the integrated risk and assurance functions to be fully realised.

5 Audit Assurance

Work Done

- 5.1 In any year, the Integrated Audit Plan generally changes significantly as projects and procurements are revised or re-programmed and new or changing risks take

¹ supplemented by reviews carried out by the Independent Investment Programme Advisory Group (IIPAG)

priority. For this reason, we use a “rolling” plan, which means we confirm our audit schedule on a quarterly basis.

5.2 This was particularly the case during 2017/18 as a result of the significant changes during the year as described in section 4 above. The Integrated Assurance Plan for 2017/18 presented to the Audit and Assurance Committee in March 2017 was reviewed in liaison with senior management around the business and substantially revised midway through the year. The revised plan was presented to the Audit and Assurance Committee in October 2017. The revised plan clearly distinguished between the third line and second line assurance, with the latter only noted in summarised form, as well as reflecting changes in staffing levels and organisational changes across TfL.

5.3 The substantial changes to the plan during the year mean that it is not possible to directly compare the work delivered during the year with the work originally planned.

5.4 A number of audits in the 2017/18 Audit Plan were still in progress at 31 March 2018. We also completed some audits carried forward from the 2016/17 Audit Plan during the year. The number of Internal Audit Reports issued during the year, including advisory reports and memorandums, is set out in the table below. The small reduction in the total numbers of reports issued compared to 2016/17 largely reflects the impact of transformation activities within Risk and Assurance, during the year.

	Internal Audit Reports Issued					Total
	PC	RI	AC	WC	Memo	
2017/18	4	18	17	9	29	77
2016/17	4	30	13	16	23	86

PC= Poorly Controlled
 RI = Requires Improvement
 AC = Adequately Controlled
 WC = Well Controlled

5.5 The following paragraphs summarise the key outcomes arising from our work reported in 2017/18, by reference to the related strategic risk. As noted in 4.6 above TfL is currently working to update and better define its Strategic Risks. These will provide a firmer foundation in the future for driving Internal Audit activity, as well as enabling a clear link from our work to related Mayor’s Transport Strategy outcomes.

Strategic Risk (SR) 1 - Safety Standards

5.6 We completed four Internal Audit reviews covering this key strategic risk. Our work included an audit of fatigue management in London Underground (LU), a review of third party assurance arrangement in DLR, and two consultancy reviews, covering TfL’s overall security culture, and the new arrangements for handling customer complaints.

- 5.7 One other audit relevant to this risk was our review of Safeguarding at London Transport Museum (LTM), which was concluded as poorly controlled and highlighted areas for improvement including governance arrangements, policy structure and content, training and resource planning. All but one of the agreed management actions has now been addressed, with the last due to be completed in June 2018. We plan to review safeguarding arrangements more broadly across TfL as part of our 2018/19 plan.
- 5.8 Assurance over this risk forms an important element of the (second line assurance) work of the Integrated Assurance team within R&A. Integrated Assurance carried out 21 audits related to the management of HSE. Two reports were issued with a 'Well Controlled' conclusion, 11 as 'Adequately Controlled', four as 'Requires Improvement' and four audits resulted in memos. One of these was a review of Fatigue Management in Tram Operations Limited, which made a number of recommendations for improving the controls at this contractor. The report was subsequently shared with the various bodies investigating the Sandilands incident.

SR3 - Governance and Controls Suitability

- 5.9 We completed five reviews against this strategic risk covering diverse subject areas. Two of these audits were concluded as poorly controlled. One of these was a review of the implementation of recommendations arising from a lessons learned review following a recent payment fraud. The review found that the majority of the recommendations had not been satisfactorily addressed. We have subsequently confirmed that all of the agreed actions have now been implemented. The other poorly controlled report related to the audit of GDPR readiness. This is discussed in the Internal Audit Quarter 4 report elsewhere on this agenda.

SR11 – Significant technology failure or major security incidents and SR5 - Technological and Market Developments

- 5.10 We completed nine reviews covering risk SR11, one of which was concluded as 'poorly controlled', five as 'requires improvement' and two as adequately/ well controlled'. These included audits of PCI DSS (Payment Card Industry Data Security Standard) compliance in several areas of the business and audits of controls over disclosure of personal information to external agencies. The poorly controlled audit covered controls over patch management in the Internet Services Zone. All of the agreed management actions are now complete. This risk has a higher than average proportion of audits concluded as requires improvement or poorly controlled, but we are aware that since the audits were completed, changes have been implemented to strengthen controls and we will be assessing some of these controls through our work during 2018/19.
- 5.11 Our work on SR5 was a real time audit of the procurement of the Access and WAN Services contract. We issued three memorandums at key stages of the procurement over the course of the year, and have found the procurement to be generally well managed.

SR7 – Financial Sustainability

- 5.12 We completed six reviews under this strategic risk heading. Two of these audits were in relation to TfL's Transformation Programme, covering programme governance and benefits realisation. These audits made some recommendations for improvement, but overall we found that the programme was being effectively managed.
- 5.13 We work closely with the Fraud Team in R&A to ensure that our audits take account of known fraud risks, and also to provide input into control issues identified through fraud investigations. We will seek to further improve that collaboration throughout the year. The half-yearly report of the Fraud Team's activities can be found elsewhere on this agenda.

SR8 - Delivery of commercial revenue targets

- 5.14 We completed seven reviews covering this key strategic risk. The audits related to various aspects of the commercial initiatives and activities aimed at generating new sources of income for TfL. Five of the reports issued were concluded as 'requires improvement' reflecting the fact that the Commercial Development Directorate is still relatively new and working to establish and document processes, controls and ways of working. Six out of the seven audits are now closed.

SR12 - Delivery of key investment programmes

- 5.15 The majority of Internal Audit's work on this risk relates to procurement controls, where we typically complete real-time audits of significant procurements, issuing memorandums to capture our findings at key stages of the procurement process. Just two of the 14 reports issued were concluded as requires improvement with four being 'well controlled and the remainder being memorandums or consultancy reports. Two of the reports issued were consultancy reviews covering 'Value Management and Innovation in the Investment Programme' and 'Benefits Management'. Both of these reviews made recommendations for improvements to TfL's project management processes based on reviews of a range of projects from different areas of TfL. The reports were widely circulated with the aim of sharing good practice across the organisation.
- 5.16 The primary source of assurance over delivery of the TfL Investment Programme is the Project Assurance team within R&A, which carries out Assurance Reviews (ARs) of projects and programmes across the Investment Programme. Projects are selected for review following a risk-based assessment, in order to determine the optimum assurance intervention. All projects with an estimated final cost (EFC) over £50m are reviewed under the same process but with additional input (third line review) from the Independent Investment Programme Advisory Group (IIPAG). Issues arising from the reviews are presented with agreed actions, owners and timescales. The reports are also forwarded to the Chief Finance Officer.
- 5.17 Additionally, Project Assurance conducts reviews of the Sub-programmes to inform their annual request for authority at the Programmes and Investment

Committee. The sub-programme reviews are conducted by a dedicated panel, including IIPAG, Project Assurance and an independent External Expert.

- 5.18 During the year, 96 assurance reports were issued by the team, and a summary of the findings from these reports are included in the Head of Internal Audit's quarterly reports to the Audit and Assurance Committee. Availability of specialist and technical resources is a recurring issue noted in project assurance reviews, particularly for engineering, which is undergoing its transformation. In most cases, the resource requirements have been well planned and transitional arrangements are in place where essential, including consultancy support.
- 5.19 The first Quarterly Report from IIPAG (included elsewhere on this agenda) provides an update on the four systemic issues highlighted in the 2016/17 IIPAG Annual Report: telecoms; procurement and commercial; the Transformation Programme; and governance.

SR13 - Operational Reliability

- 5.20 Only two Internal Audits were delivered against this risk during the year, covering Topographical Testing in TPH and management of the DLR Franchisee Contract. However, the Integrated Assurance team within R&A is an important (second line) source of assurance in relation to this risk, particularly through its work on the management of TfL Assets.
- 5.21 Integrated Assurance carried out 38 audits related to the management of TfL assets. The audits undertaken focused on asset areas which may impact on service reliability or operational incidents that may have a service or safety impact. The programme of audits covered business as usual maintenance activities in addition to asset upgrade and overhaul projects, and addressed a wide range of asset areas including track, signals, rolling stock, power, civils, fire, water and premises. Two were concluded as 'Well Controlled', 21 as 'Adequately Controlled', nine 'Requires Improvement' and three 'Poorly Controlled' with the remainder being memos. The reports issued with a 'Poorly Controlled' conclusion are listed below. In all cases management actions are complete and the audits are now closed:
- (a) LU Earth Structures Inspections
 - (b) LU Operations – Inspection of premises
 - (c) Maintenance of TransPlant vehicles

SR16 - Delivery of the Elizabeth Line

- 5.22 We completed 22 audits covering this risk, reflecting its significance as the end of the project approaches. The audits in this area cover a mix of project delivery, and operational handover readiness. A large majority of the reports issued (approximately 92 per cent) were concluded as either 'Adequately' or 'Well Controlled'. Overall, we consider controls over the project and preparations for operational handover to be effective.

Follow up

- 5.23 We follow-up on all agreed management actions from audits to confirm that they have been implemented, and report to the Committee on overdue actions in the Quarterly update reports.

Other activity

- 5.24 We have also continued to be involved in a range of steering groups and other governance bodies. This involvement enables us to provide input on risk management and control matters, as well as allowing observation of project and other governance processes.

6 Resources

Headcount

- 6.1 At the end of the financial year, the Internal Audit team had one senior audit manager, and six internal auditor vacancies against its budgeted headcount of 21. Three of the vacancies were the direct result of internal promotions within the function. Consequently, the department is operating at below budgeted headcount.
- 6.2 The majority of the vacancies are within the Technology, Information and Security (TIS) audit team. Recruitment activities are ongoing, and we have recently made an offer of employment in respect of the Senior Internal Audit Manager – TIS post. Recruitment activities, relating to two general auditor roles, are in progress, and we expect recruitment for the TIS auditors to begin during quarter 2, 2018/19.

Staff training and Development

- 6.3 Approximately 95 per cent of Internal Audit staff have obtained a relevant Internal Audit qualification from a recognised certification body (eg the Chartered Institute of Internal Auditors (IIA)). Auditors with an IT specialism are required to obtain the Certified Information Systems Auditor (CISA) certification from ISACA. Additionally, we agree and monitor individual training and development plans for members of staff through the performance management process.
- 6.4 New joiners who do not have previous audit experience are required to complete the IIA's Certificate of Internal Audit during their first year in the department. However, we have had no joiners during the year.

Co-Sourcing

- 6.5 We have put in place a contract with Mazars LLP, for specialist Internal Audit services. This is a tactical measure to ensure that we deliver the technology and security related audit work identified on the 2018/19 plan.
- 6.6 This approach allows us to focus on our ongoing recruitment activities, and develop a strategic approach to co-sourcing that aligns with leading practice in the Internal Audit profession.

7 Quality Assurance and Improvement

- 7.1 In accordance with Public Sector Internal Audit Standards, we have an ongoing quality assurance and improvement programme to evaluate our compliance with the Standards and to identify opportunities to improve the effectiveness and efficiency of the function. This is generally delivered through an annual self-assessment process, but at least every five years we are required to commission an external assessment by a qualified, independent assessor from outside the organisation.
- 7.2 A team from the IIA carried out an external review of the Internal Audit function in 2017, and the results of that review were reported to the Committee at its meeting on 13 July 2017. The review concluded that Internal Audit generally conforms in 53 out of 56 areas to the IIA's professional standards. The IIA report made recommendations to achieve full compliance, and further recommendations to improve the overall effectiveness of the function. The IIA's recommendations and the status of the actions are summarised in Appendix 2. The majority of the actions are being taken forward as part of the R&A Strategy that will be delivered during 2018/19. We will monitor the completion of these recommendations, and report progress to the Committee annually.

8 Stakeholder Feedback

- 8.1 At the end of every audit, we send out a feedback form to the principal auditee(s) requesting their views on the audit process and the report. A list of the questions, including a detailed analysis of the results, is included in Appendix 3.
- 8.2 The return rate for feedback forms in 2017/18 was 57 per cent, an increase over the 53 per cent achieved in 2016/17. The summary of scores received in the year, and in previous years, is as follows:

	Very good %	Good %	Satisfactory %	Poor %	Very poor %
2017/18	48	37	12	2	0
2016/17	45	39	14	2	0
2015/16	46	36	12	5	1

- 8.3 The majority of respondents continue to be satisfied with the way we carry out our work, and there has been no change in the proportion of 'poor' and 'very poor' scores compared to 2016/17. All feedback which is less than satisfactory is followed up by Internal Audit management to ensure the concern is understood, discussed with the audit team and lessons learned where appropriate.

List of appendices to this report:

- Appendix 1 – Overview of Internal Audit Work 2017/18
- Appendix 2 – External Quality Review recommendations
- Appendix 3 – Customer Feedback Form – Summary of Responses for 2017/18

List of Background Papers:

Audit reports.

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Strategic Risk	Directorate	Ref.	Audit Title	Objective	Conclusion	Last Action Date	Current Status	Priority		
								P1	P2	P3
Delivery of commercial revenue targets	Commercial Development	16 200	Management of TfL's interest in Earls Court Partnership Limited	To provide assurance over the controls in place to ensure effective management of TfL's interest in Earls Court Partnership Limited.	Adequately Controlled	30/04/2018	Complete	0	3	1
		16 202	Management of the Property Partnership Programme	To provide assurance that the new property development framework is being used efficiently and effectively	Requires Improvement	30/04/2018	Complete	1	6	1
		16 205	Contract Management of the TfL Advertising Partnering Agreement	To provide assurance over the operation of the new advertising contract	Memo	31/01/2018	Complete	0	0	0
		16 210	Procurement and management of professional advisers by Commercial Development	To provide assurance that appropriate controls are in place for the appointment and management of advisers, to ensure that advice received is of a high quality and not compromised by conflicts of interest.	Requires Improvement	30/04/2018	Complete	4	2	0
		16 212	Investments appraisal	To assess the efficiency and effectiveness of processes and tools used in the development of cost/benefit appraisals used in scheme selection and prioritisation.	Requires Improvement	31/03/2018	Complete	4	4	0
		17 200	Use and prioritisation of Car Parks	Review of the strategy employed to assess and prioritise the use of car parks	Requires Improvement	30/06/2018	Follow-up	1	3	1
		17 208	Forecasting and financial reporting – data validation	To review the robustness of Commercial Development's forecasting and financial reporting arrangements, including data validation	Requires Improvement	30/03/2018	Complete	0	2	0
Delivery of key investment programmes	City Planning	17 627	Commercial management within Group Planning	To review commercial management processes within Planning to provide assurance over compliance with TfL policies and good practice.	Requires Improvement	05/06/2018	Follow-up	3	1	0
	Crossrail	17 629	Commercial management of MTR Crossrail	To provide assurance that the controls and processes in place to manage the MTR Crossrail Concession Agreement are adequate and effective	Well Controlled		Complete	0	0	0
	Finance	16 640	Implementation of new e-Tendering System	To provide assurance that the implementation of the new e-Tendering system, is carried out in an efficient and effective manner	Well Controlled		Complete	0	0	0
		17 634	Mobilisation of the Pan-TfL Cleaning contract (phase 2)	To provide assurance that there are robust plans and procedures in place for the effective mobilisation of the Pan-TfL Cleaning contract	Memo		Complete	0	0	0
		17 634	Mobilisation of the Pan-TfL Cleaning contract	To provide assurance that there are robust plans and procedures in place for the effective mobilisation of the Pan-TfL Cleaning contract	Well Controlled		Complete	0	0	0
	LU	15 609	Fraud Risk in projects and contracts	Review the adequacy and effectiveness of controls in place to manage Fraud risk in projects and contracts within the Station Works Improvement Programme and assess against a Fraud risk maturity model.	Memo		Complete	0	0	0
		15 642	Procurement of Facilities Management Category	To ensure that the procurement processes employed for the Facilities Management Category are in accordance with approved procedures and EU directives and are open, fair and transparent.	Well Controlled		Complete	0	0	0
	Pan TfL	17 600	Retention of Procurement Records within TfL	To assess the extent to which pan-TfL procurement records are retained and disposed of in accordance to statutory requirements, rights of disclosure, TfL policies and standards	Requires Improvement	15/02/2018	Complete	1	0	1
Pan TfL	17 610	Mobilisation of Security and MEPF contracts	To provide assurance that there are robust plans and procedures in place, to ensure the effective mobilisation of the Pan-TfL Security services and MEPF maintenance contracts.	Memo		Complete	0	0	0	

Delivery of key investment programmes	Pan TfL	17 622	Value management and Innovation in the IP	To review the extent to which value management and innovation has been applied in the Investment Programme and what the contribution has been towards savings in the current TfL business plan arising from these activities.	Memo		Complete	0	0	0
		17 631	Benefits realisation reviews	To review whether TfL has an effective process for planning, managing and measuring the benefits achieved from investment and whether projects are utilising this process throughout the project lifecycle, including completion of benefits realisation reviews.	Memo		Complete	0	0	0
	Crossrail 2	17 633	CR2 Procurement of Development Design Services	To provide assurance that the procurements of Development Design Services for Crossrail 2 were undertaken in accordance with procurement regulations and approved procedures and bidders were treated fairly and equitably throughout the procurement process.	Memo		Complete	0	0	0
Financial sustainability	Finance	17 104	Construction Industry Scheme (CIS)	To provide assurance over processes and controls over payments in relation to CIS	Adequately Controlled	31/03/2018	Complete	0	3	1
	Surface Transport	17 123	Traffic Enforcement	To provide assurance on the adequacy and effectiveness of financial and business controls in place within traffic enforcement following the move to Capita	Adequately Controlled	30/03/2018	Complete	0	1	1
		17 130	Innovate Grant Assurance	To provide assurance over the grant payments to ST projects	Memo		Complete	0	0	0
		17 632	Benefits arising from lean six sigma reviews	To assess whether the expected benefits resulting from Lean Six Sigma reviews within Surface Transport have been achieved	Requires Improvement	18/01/2018	Complete	1	0	1
	Transformation Team	17 100	Transformation and Workstream Readiness - Governance	To provide assurance and real time feedback that effective governance is in place within the Central Transformation Team to ensure workstreams readiness for approval at the Transformation Executive Committee.	Memo		Complete	0	0	0
		17 113	Transformation - Workstream Readiness – benefits monitoring	To provide assurance that the appropriate second line assurance processes and procedures are in place in order to ensure the intended benefits are monitored, challenged and reported.	Memo		Complete	0	0	0
Governance suitability	Finance	17 601	Follow up to Garden Bridge Project audit	To review whether the recommendations from our original audit of the Temple to Southbank (aka Garden Bridge) Project have been implemented and controls are working effectively.	Memo		Complete	0	0	0
	General Counsel	16 125	Compliance with the Scheme of Authorities	To review application of delegated authorities.	Adequately Controlled	30/03/2018	Complete	0	2	1
		16 127	Transparency	To provide assurance over the effectiveness of the controls over the collection and publishing of data under the local government transparency code	Requires Improvement	29/06/2018	Follow-up	1	3	2
		17 108	Data Privacy and Protection - preparation for GDPR	To provide assurance that TfL's preparations for the General Data Protection Regulation (GDPR) are appropriate, timely robust and effective	Poorly Controlled	29/06/2018	Follow-up	6	4	0
LU	17 129	Procurement Controls, Lessons Learnt Review	To review and follow up the actions in the Lessons Learnt Report	Poorly Controlled	31/12/2017	Complete	4	2	0	

LTM	LT Museum	16 113	Safeguarding	To provide assurance over the creation and implementation of the safeguarding policy	Poorly Controlled	08/06/2018	Complete	6	2	0
		16 113	Safeguarding: Follow-up	To provide assurance over the creation and implementation of the safeguarding policy	Memo		Complete	0	0	0
		16 419	LTM PCI DSS (Payment Card Industry Data Security Standard) Compliance	To provide assurance over LTM's compliance with the PCI DSS standard; this will include a review of progress with the Electronic Point of Sale (ePOS) Ticketing System Project, which is intended to deliver PCI DSS compliance	Requires Improvement	30/03/2018	Complete	2	3	0
Operational Reliability	Surface Transport	16 602	Management of the DLR franchise contract in London Rail	To provide assurance that the controls and processes in place to manage the DLR Franchise Contract are adequate and effective	Well Controlled		Complete	0	0	0
		17 118	Topographical Testing	To provide assurance over the revised process and controls around topographical testing	Requires Improvement	30/03/2019	Follow-up	1	2	0
Safety Standards	Pan-TfL	16 400	Personnel Security, Security Culture	To assess TfL's security culture and the effectiveness of its personnel security arrangements	Memo		Complete	0	0	0
	Surface Transport	17 772	Assurance in DLR	To provide assurance that the controls and management systems for safety, operational performance and asset reliability are effective	Adequately Controlled	30/06/2018	Follow-up	0	2	2
	LU	17 705	Fatigue Management in London Underground	To assess the effectiveness of London Underground's management arrangements for minimising the risk from fatigue.	Requires Improvement	31/03/2018	Complete	4	6	0
	Customers Communication and Technology	17 115	Safety Complaints Handling	To provide assurance that Health and Safety complaints are handled effectively across TfL including those made to third party providers.	Memo		Complete	0	0	0
Significant technology failure or cyber attack	Customers Communication and Technology	16 411	Patch Management - Internet Services (IS) Zone	To evaluate the effectiveness of controls in place to consistently secure against known vulnerabilities in operating system and application software with the IS Zone	Poorly Controlled	30/03/2018	Complete	3	2	0
		17 407	IT Infrastructure Control - (IP Telephony)	To assess the design and effectiveness of the controls	Requires Improvement	31/01/2018	Complete	0	5	0
	Surface Transport	16 410	Controls over disclosure of personal information to external agencies – Taxi and Private Hire	To evaluate the controls in place over disclosure to external agencies (including police and security services) concerning staff and customers	Requires Improvement	31/08/2018	Follow-up	1	8	1
			Controls over disclosure of personal information to external agencies – Enforcement and On-street Operations	To evaluate the controls in place over disclosure to external agencies (including police and security services) concerning staff and customers	Adequately Controlled	30/04/2018	Follow-up	0	2	0
	London Underground	16 410	Controls over disclosure of personal information to external agencies – London Underground Network Security and Policing	To evaluate the controls in place over disclosure to external agencies (including police and security services) concerning staff and customers	Well Controlled		Complete	0	0	0
	Surface Transport	16 414	Road Space Management - Critical Applications	To provide assurance that the security and availability of specified Surface Transport applications are adequate and meet agreed company standards.	Requires Improvement	29/09/2017	Complete	2	0	3
		16 416	PCI DSS - Docklands Light Railway (DLR)	To assess the ongoing design and effectiveness of controls for non-compliant business units	Requires Improvement	31/12/2017	Complete	3	1	0
		16 417	PCI DSS - Enforcement and On-Street Operations (EOS)	To assess the ongoing design and effectiveness of controls for non-compliant business units	Adequately Controlled	31/08/2017	Follow-up	0	2	0

Technological or market developments	Finance	15 641	Procurement of Access & WAN services – Invitation to participate in Dialogue (phase)	To provide assurance that the procurement relating to the Access and WAN (Wide Area Networks) contract is being managed effectively and carried out in accordance with approved procedures, so as to ensure the resulting contract is fit for purpose.	Memo		Complete	0	0	0
		15 641	Procurement of Access & WAN services – Competitive Dialogue (phase)	To provide assurance that the procurement relating to the Access and WAN contract is being managed effectively and carried out in accordance with approved procedures, so as to ensure the resulting contract is fit for purpose.	Memo		Complete	0	0	0
		15 641	Procurement of Access & WAN services – invitation to submit to tender (phase)	To provide assurance that the procurement relating to the Access and WAN contract is being managed effectively and carried out in accordance with approved procedures, so as to ensure the resulting contract is fit for purpose.	Memo		Complete	0	0	0
Workforce adaptability	HR	16 100	Movers and Leavers` Processes	To provide assurance on the adequacy and effectiveness of controls in place over staff leaving or moving within the organisation.	Requires Improvement	30/03/2018	Complete	3	3	0
Delivery of the Elizabeth Line	Crossrail	16 507	Organisational Effectiveness	To assess organisational effectiveness in relation to the delivery of the next phase of the Project	Well Controlled		Complete	0	0	0
		16 508	Fraud Prevention and detection	A programme of work supported by the Fraud Team aimed at improving fraud awareness in Crossrail	Memo		Complete	0	0	0
		16 511	Effectiveness of the Review Panels	To assess the effectiveness of the Review Panels in managing systems integration and operability	Adequately Controlled		Complete	0	0	0
		16 512	Network Rail Reporting	To provide assurance over the effectiveness of Network Rail Reporting to Crossrail	Well Controlled		Complete	0	0	0
		16 518	Transition of Software Assets from Crossrail to TfL	To provide assurance that effective controls are in place to ensure software and associated data transfer from Crossrail to TfL meets business expectations around quality, time and security.	Requires Improvement	16/11/2018	Follow-up	0	1	0
		17 500	Semi-Annual Construction Report (SACR) reporting process	A review of the SACR process to ensure that the underlying data is sound.	Well Controlled		Complete	0	0	0
		17 501	Invoice management	A review of the management accounting and invoicing by contractor, and Crossrail's management of the contract, following on from investigation work done in 2016/17	Requires Improvement		Complete	0	0	0
		17 502	Payments to Partner Organisations	A review of the process for managing payments made by Land & Property or project managers to partner organisations including Tower Transit, Abelio and Bombardier Transport.	Adequately Controlled		Complete	0	0	0
		17 503	Crossrail Complaints Commissioner Accounts	Annual audit of the accounts of the Crossrail Complaints Commissioner	Memo		Complete	0	0	0
		17 504	Crossrail corporate objectives and Key Performance Indicators (KPIs)	A review of Crossrail corporate objectives and the measuring of success using KPIs	Memo		Complete	0	0	0
		17 506	Disposal of Crossrail assets	A review of the arrangements contractors have in place for the disposal of assets, in particular items of plant and machinery	Well Controlled		Complete	0	0	0
		17 508	Master Operational Handover Schedule (MOHS)	A review of the arrangements for monitoring progress against the MOHS, including a review of the process by which the data to support Board reporting on Safety Critical Paths is generated and collated.	Well Controlled		Complete	0	0	0
17 509	Engineering Safety Management & System Safety	A summary audit of the Engineering Safety Management and System Safety arrangements at C610, C620 & C644	Adequately Controlled		Complete	0	0	0		

17 510	Technical Assurance Management	A review of the process for management of technical assurance, including compliance with LU Standard SI-538 'Assurance' and the effectiveness of the Verification Activity Plan process.	Adequately Controlled		Complete	0	0	0
17 513	Energisation & Isolations Plan	A review of the Energisation and Isolations Planning arrangements by Systemwide	Adequately Controlled	14/09/2017	Complete	0	1	0
17 514	Rolling Stock	A review of the construction, testing, commissioning and delivery of Crossrail rolling stock in time for introduction of scheduled services	Well Controlled		Complete	0	0	0
17 516	NR Technical Assurance & Reporting Process	A review of the processes used by Network Rail to communicate progress and completion using information packs	Adequately Controlled		Complete	0	0	0
17 517	Ricardo Rail delivery of the NoBo/AsBo contractual requirements	A review of Ricardo Rail's ability to deliver against the Notified Body/ Assessment Body (NoBo / AsBo) contract including resource requirements, competency, milestones and delivery	Adequately Controlled		Complete	0	0	0
17 518	Undertakings and Assurances	A review of compliance with Crossrail undertakings and assurances	Adequately Controlled		Complete	0	0	0
17 521	Readiness for Handover (acceptance & receipt of CRL assets by London Underground)	A review of the preparedness of London Underground to receive the CRL assets - in particular the compliance with the nine requirements of Handover. To include Verification Activity Plans (VAPs)	Adequately Controlled		Complete	0	0	0
17 523	Readiness for Handover (acceptance & receipt of CRL assets by RFL)	A review of the preparedness of Rail for London to receive the CRL assets - in particular the compliance with the nine requirements of Handover. To include Verification Activity Plans (VAPs).	Adequately Controlled		Complete	0	0	0
17 530	ATC Review	To establish if there is a Conflict of Interest in the ATC / TaCROL arrangements	Memo		Complete	0	0	0
17 522	Readiness for Handover, Acceptance and Receipt of Crossrail Assets by MTR Crossrail	The objective of the audit was to review the readiness of MTRC for Stages 2 and 3 Operations to receive the Crossrail assets, and to provide assurance that controls and procedures were effective.	Adequately Controlled	06/03/2018	Complete	0	2	0

Progress with actions from External Quality Assessment (EQA)

EQA Category	Recommendation	Status	Milestone Date
Recommendations to achieve conformance to the standards			
Proficiency	Develop: a competency matrix; an analysis of the skills needs demanded by the audit plans; and Identification of skills gap analysis	In Progress – Competency framework has been established. All staff undertaking self-assessment against the new framework as part of objective setting.	30/07/2018
Continuing Professional Development (CPD)	Linked to development of the competency matrix, give more attention to explicitly agreeing CPD requirements with staff and helping them achieve them.	In Progress – this will be covered through the competency framework (see above)	30/07/2018
Analysis and Evaluation	The audit programme risk/ control evaluation schedule should be more explicit in its requirements: 1. Risks should be defined clearly, overall conclusions by risk should be shown (not just individual control), and; 2. Consequence of mitigation failure evaluated 3. Amend audit manual and the control evaluation schedule	In Progress – A review of all audit processes to ensure they are as effective and efficient as possible is getting under way as part of our Risk and Assurance Strategy	31/12/2018
Scope for further development			
Governance	The Audit Charter needs to be updated to align with the changes to the International Professional Practice Framework	Complete – Revised Audit Charter approved by the Audit and Assurance Committee on 6 March 2018	Complete
People	Recommend the use of secondments into and out of internal audit	Not Started – We will seek to establish arrangements with relevant business areas for inward/outward secondments with Internal Audit	31/03/2019

EQA Category	Recommendation	Status	Milestone Date
Methodology	<ol style="list-style-type: none"> 1. Ensure that risk being assessed in the audit are well defined and recorded in the work programme alongside anticipated controls 2. Greater engagement with the auditee – Senior level to ensure audit addresses key issue and that management buy into the audit 3. Development of the LOE to ensure properly scoped audit 4. SIAMs to ensure auditors are properly briefed on the reason for the audit (the objective) and understand enough about the business area 	In Progress – A review of all audit processes to ensure they are as effective and efficient as possible is getting under way as part of our Risk and Assurance Strategy	31/12/2018
Tools and Techniques	Identify opportunities to make better use of technology within the audit process – e.g. improved use of analytics	In progress – A review of our use of technology, including investigating a replacement for our AutoAudit system, is underway as part of our Risk and Assurance Strategy	31/03/2019
Quality	Review and update the Quality Assurance and Improvement Programme to include coverage of changes implemented as a result of Transformation and the recommendations from the 2017 External Quality Assessment.	Not Started – We will update our Quality Assurance and Improvement Programme ready for our next review in early 2019	31/03/2019
Managing Performance	KPIs need to be more relevant to actual performance. The department should review their current ways of managing and reporting on use of resources and produce a revised dashboard for their own use and for reporting to the Audit and Assurance Committee	In progress – A review of how we manage and report on the performance of staff and the department as a whole is being taken forward as part of our Risk and Assurance Strategy	31/12/2018
Probity	There should be a process for identifying and documenting impairments to objectivity. Similarly, it would be prudent to remind staff periodically of the need to register and offers of gifts and hospitality.	In Progress – Departmental guidance on conflicts of interest and gifts and hospitality is being drafted to complement the existing TfL policies.	31/07/2018

**INTERNAL AUDIT CUSTOMER FEEDBACK FORM
SUMMARY OF RESPONSES FOR 2017/18**

We send a customer feedback form to our principal auditee at the conclusion of each audit. This table sets out the questions asked and the responses, including a selection of the freeform comments that we have received.

Customer Feedback Forms Sent: 2017/18 = 125 (2016/17 = 174)

Customer Feedback Forms Returned: 2017/18 = 71 (2016/17 = 86)

ASSIGNMENT ASSESSMENT CRITERIA	No score given		Very poor		Poor		Satisfactory		Good		Very good		Average Score		
	2016/17	2017/18	1	2	3	4	5	2016/17	2017/18	2016/17	2017/18	2016/17	2017/18	2016/17	2017/18
PLANNING AND TIMING														4.3	4.4
The assignment timing was agreed with me and there was appropriate consideration of my other commitments as the work progressed	0	0	0	0	0	3	15	6	30	22	41	40		4.3	4.4
The assignment was completed and the report issued within appropriate timescales	0	0	0	0	4	1	10	7	28	28	45	36		4.3	4.4
COMMUNICATION														4.3	4.3
Communication prior to the assignment was appropriate, including the dates and objectives	0	0	0	0	2	2	10	8	25	17	40	35		4.3	4.4
Throughout the assignment I was informed of the work's progress and emerging findings	0	0	0	0	4	2	8	6	30	22	30	27		4.2	4.3
CONDUCT														4.4	4.3
The Internal Audit team demonstrated a good understanding of the business area under review and associated risks, or took time to build knowledge and understanding as the work progressed	0	0	0	0	2	3	14	16	27	23	42	28		4.3	4.1
The Internal Audit team acted in a constructive, professional and positive manner	0	0	0	0	0	1	8	3	26	24	52	43		4.5	4.5
RELEVANT AND USEFUL ADVICE AND ASSURANCE														4.2	4.2
A fair summary of assignment findings was presented in the report	0	0	0	0	3	1	13	9	41	27	31	34		4.1	4.3
Assignment recommendations were constructive, practical and cost-effective	0	0	0	0	3	2	17	11	39	32	29	26		4.1	4.2
My concerns were adequately addressed and the review was beneficial to my area of responsibility and operations	0	0	0	0	2	1	13	9	27	33	41	28		4.3	4.2
Overall assessment														4.3	4.3

Other comments including suggested improvements and areas of good performance:

"The audit gave an additional level of focus which very much appreciated as in number occasions it kept us on track when external issues were potentially distracting focus."

"We had a number of meetings pre and post audit to ensure there was clarity on what was required."

"Ideally, an earlier completion would have been beneficial. The wide scope, and the complex fieldwork, plus changes in the audit team, meant the audit was running a long time."

"The communication was satisfactory but we were liaising between multiple colleagues and there was reference to separate meetings with colleagues before the on site audit, I am not clear if these went ahead and / or what the output was"

"The auditor was very professional and dealt with the issues in an appropriate manner."

"The audit will help us improve the overall management in this area, the recommendations were proportionate, and this is exactly what we needed."

"The audit finding doesn't necessarily fit across the board. So, interpretation of the outcome needs to be cognisant of this."

"There was limited update along the way however as there were no issues this is probably not unreasonable."

"It was useful to have our internal view that we were managing the process well confirmed!"

"Report was issued prior to final check of the final draft and it contained a number of errors or other points needing clarification."

"There was little understanding of the business area but the auditor did review the relevant agreements etc to build an understanding."