Audit and Assurance Committee

Date: **19 June 2013**

Item 9: **Internal Audit Quarter 4 Report 2012/13**

This paper will be considered in public

1 Summary

1.1 The purpose of this report is to inform the Committee of the audit work completed in the fourth quarter of 2012/13, the work in progress and work planned for Q1 of 2013/14.

2 Recommendation

2.1 **The Committee is recommended to note this report.**

3 Background

3.1 The Director of Internal Audit is required to provide an annual report in support of his opinion on the internal control framework. Quarterly reports are presented to the Committee in anticipation of the annual report.

3.2 This is a shorter than usual quarterly report, which has been restricted to reporting on reports and other outputs issued during the quarter, and work in progress and planned. This is to avoid repeating material included within the Internal Audit Annual Report included on this agenda.

4 Work Done

4.1 There were 23 Final Audit Reports issued during the quarter, making a total of 59 issued in the year. One of the Final Audit Reports, in respect of recovery of third party funds, was not closed as a number of agreed management actions had not been completed. A second follow-up review to confirm that the actions have now been completed will take place shortly. A summary of the report findings is included in Appendix 3 attached.

4.2 The table below shows the number of Interim Audit Reports and other outputs, including advisory/ consultancy reports and memorandums, issued during the quarter and in the year to date, together with comparative figures for the prior year to date.

	Interim Audit Reports					Other Outputs (Advisory Reports/ Memos)	
	Well Controlled	Adequately Controlled	Requires Improvement	Poorly Controlled	Total		Total
This Quarter	2	8	9	2	21	20	41
2012/13	5	18	24	3	50	43	93
2011/12	12	17	39	2	70	23	93

4.3 Details of the findings from the interim reports issued during the period can be found in Appendix 4. Two audit reports were issued during the quarter with 'poorly controlled' conclusions. These were the audit of Crossrail Consultant Invoice Management, and the audit of Agency Temporary Worker Processes. Further details of these are provided in the Internal Audit Annual Report elsewhere on this agenda.

4.4 A summary of the other outputs issued during the quarter, including memorandums and advisory reports, can be found in Appendix 5. Several of these pieces of work related to 'real time' audits of system developments, including three covering upgrades to financial systems, specifically the management accounting system, the BACs payment system and the Taxi and Private Hire licensing system. Performing this work on a real time basis enables us to provide upfront input into the controls over these systems, which is an efficient way of working. We apply a similar approach to major contract tenders, currently including real time audit of the DLR refranchising. One other significant piece of work carried out during the quarter was a review of TfL's Savings and Efficiencies programme in preparation for the forthcoming external review by PwC. In particular we reviewed the extent to which issues identified in the 2011 Fresh Eyes Review by Deloitte had been addressed. Our memorandum noted the progress that had been made in addressing the findings from the Fresh Eyes Review, but also highlighted a number of areas where there was scope to improve the robustness of reported savings and efficiencies.

4.5 The HSE and Technical Audit Team, previously part of LU, transferred into Internal Audit with effect from 1 January 2013. A summary of the HSE and Technical Audit Reports issued during Quarter 4 is set out in Appendix 6.

4.6 Work in progress at the year end is shown in Appendix 1 and work due to start in the first quarter of 2013/14 is shown in Appendix 2.

5 Other Assurance Providers

5.1 In reaching his overall opinion on the effectiveness of internal control in TfL, the Director of Internal Audit takes account of work carried out by other assurance providers as well as work carried out directly by Internal Audit. The following paragraphs provide a brief summary of work carried out by other assurance providers during Quarter 4.

Tube Lines Audit

5.2 During the quarter, fourteen audit reports were issued. Significant pieces of work included the following, and in all cases management actions have been agreed to address the issues identified:

(a) An audit of financial forecasting controls in respect of the Northern Line upgrade project found that one contractor had a low forecast accuracy rate, and adequate explanations for variances against forecast were not always provided;

(b) An audit of the leavers process identified weaknesses in the processing of leavers, including a need for better communication between HR and IT to ensure systems access of leavers is removed on a timely basis. The audit recommended development of a leavers checklist to ensure all necessary actions are taken by line managers in respect of leavers;

(c) Four audits were carried out of competency management systems at suppliers. In one case a documented management system was not in place to demonstrate that supplier competence was controlled and monitored. The other suppliers had systems in place that complied with the LU Standard, but observations were raised for how these systems could be further improved; and

(d) A commercial audit at another supplier found weaknesses in processes for ensuring that only allowable costs are billed to Tube Lines.

5.3 Thirteen Corrective Action Requests (CARs) and 16 Business Improvement Actions (BIAs) were raised against findings in the audits performed during the quarter. In all cases, there will be follow up to ensure that appropriate action has been taken by management to address the CARs and BIAs raised.

CGAP Reviews/IIPAG

5.4 Investment Programme projects with a total cost over £5m are subject to the Corporate Gateway Approval Process (CGAP). Following the Organisational Review, the CGAP reviews are now managed by the Assurance Team as part of the TfL Programme Management Office (PMO). The assurance reports are considered alongside the project's authority request at the operating business boards with both the operating Managing Director and the Managing Director, Finance in attendance.

5.5 In quarter 4, 33 CGAP reviews were conducted. Projects over £50m EFC or high risk projects may also be subject to scrutiny by the Independent Investment Programme Advisory Group (IIPAG). IIPAG provided oversight and guidance on 10 of the CGAP reviews in quarter 4 and conducted an independent interim review on a further project. Critical issues arising from the reviews were presented to the operating boards with agreed actions, owners and timescales.

5.6 Some of the more significant reviews during quarter 4 were Gate P (annual) reviews of the LU Stations Stabilisation Programme, the Surface Transport TLRN Capital Renewals Programme, the IM Service Stabilisation Programme and the DLR Infrastructure Maintenance Programme. For Surface Transport, a Gate A (commencement) review was conducted on the Better Junctions Programme and a Gate A+ on the Structure and Tunnels Investment Portfolio which includes the second stage of remedial works on Hammersmith Flyover. Gate E (closure) reviews were conducted on the LU Green Park Station Upgrade and the ORN Junctions and Carriageways projects.

6 Customer Feedback

6.1 At the end of every audit, we send out a customer feedback form to the principal auditee(s) requesting their view on the audit process and the report. The form is questionnaire-based so it can be completed easily and quickly. A copy of the questionnaire and the feedback for the quarter, together with comparative figures for the previous quarter, is included in Appendix 7.

List of appendices to this report:

Appendix 1 – Work in Progress at the end of Quarter 4 2012/13
Appendix 2 – Work Planned for Quarter 1 2013/14
Appendix 3 – Final Reports Issued in Quarter 4 2012/13
Appendix 4 – Interim Reports Issued in Quarter 4 2012/13
Appendix 5 – Consultancy Reports and Memoranda Issued in Quarter 4 2012/13
Appendix 6 – HSE and Technical Reports Issued in Quarter 4 2012/13
Appendix 7 – Customer Feedback Form – Summary of Responses for Quarter 4

List of Background Papers:

Audit reports.

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Transport for London	Appendix 1
Internal Audit plan 2012/13 by directorate	
Approved by the TfL Audit Committee 7 March 2012	**Work in Progress - as of the end of Quarter 4 2012/13**
Work Item	**Outline scope**
Pan TfL	
Efficiencies delivery	
Estates Management	Review of the arrangements and controls over the management of the TfL property estate.
Project delivery & contract management	
Programme Management of the Commercial Capability Programme	Review the programme management of the Commercial Capability Programme.
Management of performance risk in contracts	A review of a sample of contracts for controls over poor contractor performance.
Implementation of a single PMF and PM system	A review of the implementation of a single project management framework and a single project management system across TfL.
Peer review of Project Assurance	A peer review of Project Assurance mechanisms that support the Integrated Assurance Framework.
IM Governance	
Operating Level Agreements (OLAs)	Real time review of the governance and management processes that have been implemented by IM in the definition and agreement of OLAs.
Core Financial Processes	
Business expenses/purchasing cards	Review to ensure that controls over business expenses, including purchasing cards, continue to be properly enforced.
Insurance Arrangements	To review the effectiveness of the processes and controls in place over TfL's insurance arrangements including London Transport Insurance (Guernsey) Limited (LTIG).
Other	
Logical Access Controls	Review of the effectiveness of controls that have been implemented to ensure security of access to TfL information, including management of user accounts, user authentication and authorisation, and maintenance of user access audit trails.
Review of SCADA systems pan TfL	To review the process and supporting mitigation against cyber attack and security breaches within procured SCADA systems.

Work Item	Outline scope
Underground and Rail	
Project delivery & contract management	
Establishment of cost assurance function in LU	To collaboratively assess standards and working practices in order to place reliance on the assurance being provided. This will include the sharing of any best practice and identification of opportunities to improve the consistency of assurance delivery.
Core Financial Processes	
Emirates Airline Revenue	Review of financial controls in place over revenue collection for the Emirates Airline.
Risk	
Risk Management LU	Review the effectiveness of the risk management process in operation within LU for identifying, assessing, managing and reporting on risk.
Other	
Security Advice and Assurance - Palestra Co Location project	Real time assurance on current state of planning and design considerations for security mitigations and operations.
Security assurance of Emirates Airline	Review of the security arrangements in place over the Emirates Airline.
Tube Lines	
IM Governance	
General IT Controls	Review the effectiveness of general IT controls including user access, change control, resilience and Business Continuity Planning/Disaster Recovery.
Surface Transport	
Project delivery & contract management	
Cumulative benefits of projects on the TLRN	Audit of controls to ensure that benefits yielded by individual projects lead to an overall optimal improvement in the road network.
New Bus for London operations	Review the controls over the introduction of the New Bus for London into service.
Performance management within ST - Taxi and Private Hire	Advisory work requested by management, following on from the 'Performance Review of Streets' carried out in 2011/12, focusing upon Taxi and Private Hire.
Core Financial Processes	
Local Implementation Plans (LIPs)	Review of process and controls for agreeing and monitoring of spend around LIPs.
Risk	
Risk Management ST	Review the effectiveness of the risk management process in operation within Surface Transport for identifying, assessing, managing and reporting on risk.

Work Item	Outline scope
Finance	
Project delivery & contract management	
Management of the EPMF	A review of the efficiency and effectiveness of Procurement's management of the Engineering & Project Management Framework.
Other	
Commercial development	Review of the strategies undertaken by the new Commercial Development directorate to increase TfL's income from secondary revenue streams.
General Counsel	
Other	
Gifts and Hospitality	Audit to assess the efficiency and effectiveness of process and controls around recording, authorising and monitoring of Gifts and Hospitality.
Customer Experience, Marketing and Communications	
Core Financial Processes	
Oyster System - Review of Application Processes and Controls	Effectiveness of controls over processes and systems involved in generating revenue for TfL through the Oyster scheme.
HR	
Other	
Document Retention	Review of the effectiveness of controls over One HR document retention, storage and retrieval.
Voluntary Severance E-Form Development	Consultancy work to assist in implementation of new Voluntary Severance e-form.
Crossrail	
Security Design and Implementation Management	Review of the effectiveness of security design and implementation management.
Contractor Site security	To review the management and performance of contractor site security arrangements.
Resource Allocation	Review of the allocation and management of resources / workforce mix, including confirming that this is in line with the Business Plan for 2012/13 and the set objectives.
SAP effectiveness / data mining	Review of financial controls within SAP, covering segregation of duties, basis controls and access controls, including interrogation of the SAP Master Data file and other systems to identify potential fraudulent activity / opportunities.
Business Continuity	Review of Business Continuity and Disaster Recovery arrangements including planning, covering business impact analysis, risk assessment and incident response.
London Transport Museum	
LTM Review of IT Activities	Working with LTM management to review and contribute to the consideration of areas where the IT arrangements to support the LTM operation may be delivered in a more sustainable and cost effective manner than at present.
Review of LTM security arrangements	Review the physical security arrangements and supporting processes and procedures at LTM.

Transport for London	Appendix 2
Internal Audit plan 2013/14 by directorate	
Approved by the TfL Audit and Assurance Committee 6 March 2013	**Work Planned - for Quarter 1 2013/14**
Work Item	**Scope**
Pan TfL	
Delivery of capital investment portfolio and contract management	
Application and review of Pathway	To review arrangements for the communication, promotion, provision of information, application, support and continuous improvement of the Pathway methodology.
Run Better Programme	Solutions and requirements are adequately identified before acquisition to ensure that they are in line with TfL's strategic requirements whilst ensuring that related functional, technical and information processing-related risks have been adequately Identified, documented, prioritised and mitigated. This will also include a review of management of transition into the live environment.
Security	
Security assurance of the GP&F Integrated Access Control Project	To provide real time assurance over the GP&F integrated access control project.
Security review of TfL Head Office buildings (Carlisle Surveys)	Review, requested by GP&F management, of security surveys completed by Carlisle Security on Head Office buildings, with the aim of assisting GP&F to re-evaluate completed surveys and assist in development of threat and vulnerability assessments for each significant building.
SCADA review	To continue the programme of security assessments of SCADA systems begun in 2012/13, using the CPNI assessment tool.
Financial and Governance Controls	
PCI DSS Compliance	Continue to support Group Treasury in obtaining PCI DSS compliance through a programme of assessments and advisory services.
Project delivery & contract management	
Development of Project Assurance Map	A peer review of Project Assurance mechanisms that support the Integrated Assurance Framework.

Rail and Underground	
Maintaining a long term strategic, balanced Plan within the constraints of available resources.	
Revenue Protection Rail and Underground	To review the adequacy of controls over the Rail and Underground revenue protection processes.
Delivery of capital investment portfolio and contract management	
Analysis of LU compensation events	A review of controls over early supply chain activity and decisions, e.g. Role of sponsor, defining solutions, delivery options, costing of options.
DLR Handover of Assets	To assess the effectiveness of arrangements for the handover of assets for operational use
Assurance of 3rd Party provision of assets	To assess whether appropriate review and assurance is provided of new assets
LOCIP design management	To assess the general arrangments for design management in the LOCIP project against internal procedures and identify any improvement opportunities
Bond Street pre-construction information management	To assess the effectiveness of processes of the both the LU project team and Principal Contractor for ensuring that pre-construction information is identified and communicated to the relevent
Management of Logs	TBA with Power Contract Team
Greenwich generating Station	TBA with Power Contract Team
Compressor Maintenance	TBA with Power Contract Team
Control and Management of Contractors	TBA with Power Contract Team
KN Network Solutions (KNN) - contractor audit	Ensure contractor has a competence management system which ensures safe on site operations.
Tracklube - contractor audit	Ensure contractor has a competence management system which ensures safe on site operations.
1st inrail - contractor audit	Ensure contractor has a competence management system which ensures safe on site operations.
Stations CAPEX Works	To review the Fire, Mechanical & Electrical, Premises and Communications assets of the Station Services Capital Expenditure (CAPEX) programme.
Northern Line Extension Governance	To assess the current governance arrangements in place for the NLE projects.
Cleshars Commercial Audit	To assess the robustness of Cleshars commercial processes for managing the maintenance services for stations.
Disruption to quality of service	
L&E Maintenance Regimes	To ensure appropriate programming, completion and change control of maintenance regimes by competent people.
APD P&C inspections	To assess the implementation of inspection regimes for P&Cs
Process for maintaining TCDs and signal plans	Review extent of compliance and effectiveness of standards and WIs
Change control	Assess the compliance and effectiveness of change control processes
Mitigations Management	To assure that systems exist and are effective in ensuring that sub-standard machinery is assessed and mitigated before being allowed to continue in service
Risk Management	To assess progress in addressing deficiencies identfied in previous PAS 55 audits - primarily around asset risk management
Stress restoration and welding following removal of rail defects	To confirm that appropriate action is taken with regard to stress restoration and rail joint removal following the removal of rail defects from track.
Distribution Services Management	To ensure that Distribution Services Management are operating a compliant and effective management system.

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Tube Lines Efficiency Programme	To review the processes followed by Asset Management and Planning to track and measure current efficiencies achieved.
Maintenance of Electrical Track Equipment (ETE)	To review the effectiveness of maintenance of electrical track equipment assets in depots.
Managing external stakeholder interests	
Implementation of new performance database in R&U	To review the implementation of the new performance database in Rail and Underground.
Major incident - external	
Effectiveness of proactive montioring of HSE systems/controls	Assess compliance and effectivness with systems for monitoring safety systems
Quality of Safe Systems of Work	To ensure that the workforce is being provided with clear and straightforward systems of work
Internal LU Occ Health Processes	To assess LU's systems and processes for Occ Health Management
RS Depot Safety Management	Review controls over safety risks at the RS Depot
Trans Plant	Ensure Trans Plant are capable of meeting their safety certificate including safety critical licensing.
Safety Control in Depots	The audit will sample depots and examine the extent to which the risks in depots are systematically controlled.
Pension Fund	
Administration of Tube Lines Limited Pension Scheme	Review of the administration of the Tube Lines Pension process.
Surface Transport	
Maintaining a long term strategic, balanced Plan within the constraints of available resources.	
Revenue Protection ST	To review the adequacy of controls over the ST revenue protection processes.
Delivery of capital investment portfolio and contract management	
Bus route procurements	An audit of a sample of bus route procurements, to assess compliance with the procurement strategy, the tendering process and legal requirements.
Procurement of new road user charging contract	Real time audit of the procurement of a new contract (or contracts) for Road User Charging, in time for the expiry of existing contracts.

Finance	
Delivery of capital investment portfolio and contract management	
IM Sourcing Strategy	Review of the processes, procedures and controls involved in establishing the current and future IM Sourcing strategy, and developing the capabilities needed to meet current and future sourcing needs.
Disruption to quality of service	
Organisation and management of firewalls	Obtain assurance that TfL's network and connectivity security is effectively and efficiently managed through the use of adequate firewall security measures and management and control of inbound and outbound traffic.
End User Computing	To review management of the programme to ensure it is aligned with the business strategy, that business benefits are realised, and the risk of unexpected delays, costs and value erosion are adequately controlled and managed.
Maturity of IM Resilience	Ensure that an IM resilience plan has been developed, implemented and is being maintained in order to ensure continuity of the key services identified by the business.
Security	
ISO 27001 compliance	To provide support to IM management, in respect of its work towards ISO27001 compliance within TfL IM.
Marketing and Communications	
Delivery of capital investment portfolio and contract management	
Procurement of new Revenue Collection Service	Real time audit of the procurement of a new contract (or contracts) for a suite of work packages for the provision of the Oyster ticketing system, in time for the expiry of the existing contract with Cubic.
London Transport Museum	
LTM Ticket Selling System	Application controls audit of the ticket selling system including user access management, change management, resilience, backup and Disaster Recovery, IT security arrangements, capacity management.
Crossrail	
Complaints Commissioner (CC) Accounts	Annual review of CC accounts for accounting accuracy.
Rolling Stock and Depot (RSD) procurement	A real time review of the RSD procurement process regarding mitigation actions for associated risks.
Over-Site Development (OSD)	To review the: • compliance with the Crossrail Act in relation to Compulsory Land Purchases (which cease in September); • Preparedness for future land purchase for Network Rail; • OSD strategy, land disposal strategy and plan; • Optimisation of OSD / Urban Realm opportunities; and
Compensation Events	A review of the effectiveness of the Compensation Events process, to include how these are monitored and managed to completion. Review the Contract Manual requirements.

Interim	Finals
AC= Adequately Controlled	WC= Well Controlled
RI= Requires Improvement	ACL= Audit Closed
PC= Poorly Controlled	ANC= Audit Not Closed
WC= Well Controlled	

Reference	Report Title	Interim Report Issued	Original Objective	Summary of Interim Findings	Final Report Issued
Underground and Rail (including Tube Lines)					
Core Financial Processes					
IA_11_108F	Financial Controls over payments to contractors on major projects	**27/006/2012 RI**	To review the effectiveness of the controls operating over payments made to LU's contractors on its major projects and contracts.	Our Interim Audit Report dated 27 June 2012 identified issues relating to the financial approval of amounts paid to the contractor, whereby Contract Payment Approval Forms were being signed by individuals with insufficient delegated authority to enable them to approve the amounts for payment. This arose on four of the projects reviewed while on the other two projects this issue was addressed through a letter of Delegated Contract Authority addressed to the Project Manager. This empowered the Project Manager to sign off amounts due to the contractor by providing a delegation from the Head of Commercial and from the appropriate employing Director through the letter of Delegated Contract Authority. We have now carried out a follow up review and can confirm that management has addressed all the actions agreed in respect of these findings. Therefore this audit is now closed.	**14/03/2013 ACL**
IA_11_135	Tube Lines Financial Controls Follow Up	**19/08/2011 Advisory Report**	To provide assurance and advice on the effectiveness of Tube Lines key financial controls.	Our Interim Audit Report dated 19 August 2011 entitled Tube Lines Financial Controls identified the following significant issues: • A process to periodically review the appropriateness of users' access rights to the Tube Lines network and applications had not been established. As a consequence, there was a risk that inappropriate access levels may be held by individual staff and that critical segregation of duties conflicts may exist that would not be identified on a timely basis. • The use of powerful user access accounts was not effectively managed. There were instances of these accounts not being assigned to accountable owners, or of passwords that were shared by more than three people. In addition, audit trails were not produced to monitor the activity of these accounts shared by more than three people. • There was no documented disaster recovery plan outlining the resources and facilities involved in the recovery of the information technology infrastructure critical to Tube Lines.	**30/01/2013 ACL**

Reference	Report Title	Interim Report Issued	Original Objective	Summary of Interim Findings	Final Report Issued
				• The levels of patching of the Oracle applications at Tube Lines were significantly behind the levels recommended by the manufacturer, with the last patches being applied at the end of 2009. • Controls over invoice processing were not system enforced. For example, it was possible to process and pay invoices without a purchase order. • Suppliers and customers were registered on Oracle without carrying out the necessary background and financial checks. We have now carried out a follow up review of the management actions and can confirm that they have been satisfactorily addressed. This audit is now closed.	
Project and Contract Management					
IA_12_626F	Contract Management of British Transport Police (BTP) PFI	**18/03/2013 WC**	To ensure that the contract management structures and processes in place to manage the BTP PFI contract are efficient and effective.	See Interim Audit Report Summary in Appendix 4.	**18/03/2013 WC**
Surface Transport					
Core Financial Processes					
IA_11_111F	Cycle Hire Financial Controls	**17/05/2012 RI**	To provide assurance that controls were operating effectively over Cycle Hire financial systems, and that Cycle Hire financial transactions are correctly accounted for in TfL's financial accounting records.	Our Interim Audit Report dated 17 May 2012 entitled 'Cycle Hire Financial Controls' identified the following significant issues:- • There had been instances of cycle hire users being double charged; • Some payments were failing when amounts were charged to users' bank accounts; • Debt recovery processes required improvement; • There were discrepancies in records between accounting systems. These were primarily due to IM issues, but we also found that incorrect manual adjustments to accounts had created further discrepancies. In addition, we identified four other issues during the audit. Fifteen management actions were agreed to address the eight issues mentioned above. We have now conducted a follow up review of the status of the agreed management actions. We found that of the fifteen actions, thirteen have been completed whilst two remain partially addressed. TfL are working closely with Serco in the design of the replacement Finance and Billing system, to ensure the same issues do not impact the new system. This is scheduled to be implemented in the next 6 months. Significant work has been carried out and is still progressing on the partially addressed actions. Accordingly this audit is now closed.	**18/01/2013 ACL**

Reference	Report Title	Interim Report Issued	Original Objective	Summary of Interim Findings	Final Report Issued
				An audit will be carried out during 2013/14 on the financial controls following the introduction of the new Finance and Billing system. This work will include a follow up of these partially addressed actions.	
IM					
IA_12_411F	Surface Transport Application Development Controls	18/03/2013 **AC/ACL**	To provide assurance that the development of applications within Surface Transport follows a defined systems development methodology ensuring applications being developed meet the specified business and security requirements in alignment with TfL corporate policies, guidelines and standards.	See Interim Audit Report Summary in Appendix 4.	18/03/2013 **AC/ACL**
Games Delivery					
IA_11_420F	Review of Logical Access Controls	23/03/2012 **RI**	To provide assurance that the security, availability and resilience of key applications required by Surface Transport during the Games 2012 met agreed company standards and, where appropriate, were operating efficiently and effectively.	Our Interim Audit Report dated 26 March 2012 entitled 'Review of Logical Access Controls' identified four significant issues and a number of other less significant findings. The significant issues were as follows: • There were concerns over the resilience of certain systems in the run up to the Games 2012; • There were a number of logical access control weaknesses within certain applications; • Password management controls had not been consistently enforced; • There was no binding operational agreement that governed the usage of the CCTV system by the Metropolitan Police. We have completed a follow up review and confirmed that management has implemented all of the agreed actions in respect of these findings. This audit is closed.	14/03/2013 **ACL**
Finance					
Core Financial Processes					
IA_10_100F	Recovery of Third Party Funds	11/08/2011 **RI**	To review the efficiency and effectiveness of the recovery of monies from third parties following damage to TfL's assets.	Our Interim Audit Report dated 11 August 2011 entitled Recovery of Third Party Funds identified eight audit issues, three of which were significant. The significant issues were as follows: • There were no high level TfL-wide policies or procedures detailing the processes through which recoveries should be sought from third parties. As a result, processes had developed locally, leading to differing practices across the business. • A final contract with Turnamms had not been signed.	17/01/2013 **ANC**

Reference	Report Title	Interim Report Issued	Original Objective	Summary of Interim Findings	Final Report Issued
				• Within LU there was no established process for seeking recoveries following damage to an LU asset. We note that in pursuing the management actions GI have been diligent in their approach and have attempted to address each of the twenty actions. They have provided regular updates to Internal Audit, detailing progress made. For this reason the original dates on some actions were extended. Twelve of the twenty actions detailed in the Interim Audit Report have been satisfactorily addressed. However, due to factors outside of GI's control, regarding difficulties obtaining engagement in the process from LU, the remaining eight actions are only partially addressed. Accordingly, this audit is not closed. Revised dates have been agreed for completion of the remaining actions. We will carry out a second follow-up review during quarter 1 of 2013/14 to confirm that these have now been addressed.	
IA_11_117F	Senior Accounting Officer Certificate Sign Off	22/03/2012 AC	To provide assurance that effective processes were in place to support the certificate signed by the Senior Accounting Officer (SAO) and submitted to HMRC, and ensure compliance with Schedule 46 of the Finance Act 2009.	Our Interim Audit Report dated 22 March 2012 entitled Senior Accounting Officer Certificate Sign Off identified one significant issue in relation to the Crossrail Assurance Plan. At the time of our audit fieldwork, only the signatory page of the assurance plan had been returned to Group Tax. The completed backing pages had not been returned to Group Tax for its review, could not be located by Crossrail, and subsequently had to be re-produced. This was not followed up at the time of submission of the SAO certificate as the first year of the legislation was a 'light touch year' in which HMRC required a process to be established but not necessarily operated perfectly. The 'light touch' year has now ended and the process must be fully operational. We have now completed a follow up audit which has confirmed that the management action has been satisfactorily addressed. The audit is now closed.	24/01/2013 ACL
IM Governance					
IA_12_423F	Review of SAP Change and Crisis Management Procedures	08/10/2012 RI	To review the suitability and effectiveness of the change control and crisis management processes used by TfL, Axon and Northgate in managing the TfL SAP hosting environment.	Our Interim Audit Report dated 8 October 2012 entitled Review of SAP Change and Crisis Management Procedures identified one significant issue. Requirements for periodic physical inspections to verify the existence of IM assets held by third parties, including Northgate, had not been defined and implemented, and there was no formal guidance defining the useful life of these assets. Three less significant issues were also noted. We have now completed a follow up review and confirmed that management has implemented all the recommendations made in respect of these findings. This audit is closed.	16/01/2012 ACL

Reference	Report Title	Interim Report Issued	Original Objective	Summary of Interim Findings	Final Report Issued
IA_11_402F	OneLondon End User Applications Software Licensing	28/03/2012 PC	To provide assurance that TfL practices that have been implemented to manage software licensing for OneLondon end user applications are in compliance with legal, regulatory and contractual obligations and are operating in an effective and efficient manner.	Our Interim Audit Report dated 28 March 2012 entitled OneLondon End User Applications Software Licensing identified two significant control issues and a marked lack of process that had a detrimental effect on the management of software licensing across the TfL infrastructure. In particular, we noted that: • TfL had not implemented a robust control framework to manage software licences; and • There was no consolidated inventory providing complete and reliable information on software licence entitlement or software deployed and used in OneLondon. IM management had already instigated actions to address certain aspects of these findings, including the drafting of a TfL Software Asset Management Strategy and a Software Policy. These policies needed to be further defined, implemented and enforced in consideration with the findings noted above. We have now carried out a follow up review and confirmed that management has implemented all the recommendations made in respect of these findings. This audit is now closed.	28/01/2013 ACL
Project and Contract Management					
IA_12_403F	Programme of Work on IM Project Delivery Maturity	22/02/2013 AC & ACL	To provide assurance that the processes being developed in support of the programme of work on IM project delivery maturity meet the needs of the business, contain appropriate controls and are aligned to industry 'best practice'.	See Interim Audit Report Summary in Appendix 4.	22/02/2013 AC & ACL
IA_12_611F	Facilities Management Contracts	28/09/2012 AC	Review the effectiveness of contract management and administration controls and processes for delivering facilities management services.	Our Interim Audit Report dated 28 September 2012 entitled 'Facilities Management Contracts' identified the following four non-significant but still important issues: • Contracts not signed prior to commencement of service provision • No documentation of contract management processes and lessons learned • Inadequate document management systems • Verification of supplier financial data We have now carried out a follow up review, and concluded that management has taken satisfactory action to implement all but one of the management actions. The remaining outstanding action has only been partially addressed, but interim action has been taken to address the underlying issue, and a new date for its full completion has been agreed. This audit is now closed.	28/02/2013 ACL
General Counsel					

Reference	Report Title	Interim Report Issued	Original Objective	Summary of Interim Findings	Final Report Issued
IA_12_114F	Employment Tribunal Processes	22/11/2012 AC	To provide assurance that TfL has effective processes to manage Employment Tribunal cases brought against it.	Our Interim Audit Report dated 22 November 2012 entitled Employment Tribunal Processes identified no significant issues. One other issue relating to lessons learnt processes resulted in two management actions. We have now completed a follow up audit and can confirm that the management actions have been satisfactorily addressed. This audit is now closed.	05/02/2012 ACL
IA_11_002/1 F	Information Security Classification, Marking and Handling Standard	13/09/2012 RI	To review the effectiveness of the implementation of the Standard across TfL.	Our Interim Audit Report dated 13 September 2012 entitled Information Security Classification, Marking and Handling Standard identified three significant issues as follows: • The implementation of the Standard by the business had been slow and in some areas the Standard had been ignored. • There was no formal mechanism in place to monitor the effectiveness of the Standard and the extent of compliance with it. • Many of the current IM systems were not fully capable of meeting the security and handing requirements associated with the security classification of information processed or stored on them. We have now carried out a follow up review and found that management has implemented six out of the seven agreed actions in respect of these findings. The remaining action, to carry out a review of the Standard, is partially addressed, but good progress is being made and Internal Audit will be included in the review going forward. Thus this audit is now closed.	25/02/2013 ACL
IA_12_111F	Transparency Agenda	18/10/2012 AC	To determine the extent of TfL's compliance with the Code of Recommended Practice for Local Authorities ('the Code'), and the effectiveness of the processes introduced for complying with the Code.	Our Interim Audit Report dated 18 October 2012 entitled Transparency Agenda identified two Priority 2 issues. We have now carried out a follow up review of the agreed management actions and can confirm that both have been satisfactorily addressed. Therefore this audit is now closed.	01/03/2013 ACL
Planning					
IA_12_124F	Implementation of the Mayor's Transport Strategy	22/12/2011 RI	To review the effectiveness of the mechanisms developed within TfL to deliver the Goals of the Mayor's Transport Strategy (MTS).	Our Interim Audit Report dated 22 December 2011 titled Implementation of the Mayor's Transport Strategy found that since the MTS was published much work had taken place within Planning to develop tools and mechanisms to help the business implement areas of the Strategy and work towards the Mayor's Goals. The following significant issues were identified: • The respective roles of the Planning Directorate and the Group Business Planning team within Finance with regard to the delivery of the MTS should be clarified. • The use of the Strategic assessment Framework (SAF) in assessing project options was not	12/12/2012 ACL

Reference	Report Title	Interim Report Issued	Original Objective	Summary of Interim Findings	Final Report Issued
				mandatory within TfL; rather, project sponsors were 'encouraged' to use the SAF. The process through which the results of the SAF were to be used in evaluating projects was also not mandatory. We have now carried out a follow-up review. Of the 15 actions, 9 have been satisfactorily addressed, 4 partially addressed, and 2 are no longer applicable. Where the actions remain partially addressed, there are now plans in place to ensure these will be completed shortly. Accordingly, this audit is now closed.	
Customer Experience, Marketing and Communications					
IM Governance					
IA_12_424F	Contact Centre Operation – Protection of Personal Data	23/10/2012 RI	To review the adequacy and effectiveness of the controls that had been implemented within the 1st Contact and Customer Support teams to ensure the security of personal data.	Our Interim Audit Report dated 23 October 2012 entitled Contact Centre Operations - Protection of Personal Data identified the following significant issues: • Audio recordings were not managed in compliance with the Data Protection Act (DPA) and TfL's policies; • The "New Starter, Mover and Leaver" (NSML) procedure required improvement and was not consistently applied across the team. • Assurance over compliance with personal data processes and procedures was not performed consistently across CCO operations; • CCO staff had not undertaken sufficient mandatory refresher training; and • CCO team had not implemented a process to improve handling of information in compliance with TfL's ISCS. In addition to the issues noted above there was one less significant issue. We have now completed a follow up review which confirmed that management has satisfactorily addressed the issues raised. This audit is closed.	01/02/2012 ACL

Reference	Report Title	Interim Report Issued	Original Objective	Summary of Interim Findings	Final Report Issued
IA_11_016F	Security of TfL Websites	20/07/2012 RI	This audit focused on the management, configuration and physical security of the TfL websites, including the associated servers and third party service providers.	Our Interim Audit Report dated 20 July 2012 entitled Security of Websites identified four significant issues regarding; • No central point of contact within TfL for providing the necessary authorisation, control and ongoing monitoring of the ".tfl.gov.uk" domain name. • A small sample of websites were scanned by the IM Security Team using the web application security scanning tool, and in each case the scan highlighted a number of issues requiring further management investigation and remediation. • Contracts for provision of websites were negotiated without the assistance and input of TfL IM security subject matter experts. • Incident management processes for third party website suppliers should be documented and maintained. This should include responsibilities for the identification and reporting; evidence collection and analysis; containment; and remediation of security events. We have since carried out a follow up review and found that all agreed actions have been satisfactorily addressed. Therefore, this audit is now closed.	28/03/2013 ACL
Crossrail					
IA_12_505F	Commercial Reliance	11/03/2013 AC/ACL	Reviewed arrangements in place to ensure that sufficient and reliable assurance is received from Crossrail's Industry Partners and that within Crossrail the assurance received is reviewed and reported effectively.	See Interim Audit Report Summary in Appendix 4.	11/03/2013 AC/ACL
IA_12_506F	Data Management Security	11/03/2013 WC	To provide assurance on the data backup processes in place to maintain the integrity and availability of information.	See Interim Audit Report Summary in Appendix 4.	11/03/2013 WC
One HR					
IA_10_143F	Managing Attendance	31/03/2011 RI	To review the effectiveness of the policies, procedures and controls in place across the TfL Group in managing attendance at work.	Our Interim Audit Report dated 31 March 2011 entitled Managing Attendance identified the following significant issues: • Under-reporting of staff absence within the non-operational areas of the business • Management reporting on sickness absence did not quantify the monetary cost of sickness absence and there was no bench marking against other similar organisations • Some non-operational parts of the business did not monitor unsatisfactory levels of attendance and take appropriate action as per the attendance policy	22/01/2013 ACL

Reference	Report Title	Interim Report Issued	Original Objective	Summary of Interim Findings	Final Report Issued
				• Some parts of the attendance policy and procedures required further clarification • Not all line managers had the skills required to manage attendance or had attended appropriate training courses • Special leave was not being monitored These resulted in ten management actions. Three other issues were raised, resulting in a further three actions. We carried out an initial follow up review of the status of agreed management actions and issued a first Final Audit Report on 11 June 2012. This found that of the 13 actions, four had been completed, six had been partially implemented and three actions had not been addressed. We have now completed a second follow up review of the status of the agreed management actions. 11 have been satisfactorily addressed. The remaining two are no longer relevant. Compensatory actions are taking place to address the issues originally raised. Accordingly, this audit is now closed.	
IA_10_122F	The Provision of Reasonable Adjustments for Disabled Staff	**20/06/2011 RI**	To review the effectiveness of the arrangements in place across TfL to ensure that reasonable adjustments (RAs) are made, where appropriate, for both newly recruited and current disabled staff.	Our Interim Audit Report dated 20 June 2011 entitled 'The Provision of Reasonable Adjustments for Disabled Staff' identified the following significant issues: • Weaknesses in the communication of the RA policy and procedures; • RA records did not accurately reflect the full extent of RA provision across TfL; and • No requirement for LMs and key support staff to receive RA training. These resulted in 11 management actions. Two other issues were raised, resulting in a further eight actions. We carried out an initial follow up review of the status of agreed management actions and issued a Report on 28 June 2012. This found that of the 19 actions, 14 had been completed, four had been partially implemented and one was no longer applicable. We have now completed a second follow up review and the four outstanding actions have now been satisfactorily addressed. Accordingly, this audit is now closed.	**29/01/2013 ACL**
IA_11_131F	Staff Induction Processes	**19/12/2011 RI**	To review the effectiveness of TfL's staff induction processes.	Our Interim Audit Report dated 19 December 2011 entitled 'Staff Induction Processes' identified the following significant issues: • There is no clear ownership of the TfL induction process • The TfL induction process has not been evaluated for effectiveness or subject to improvement activity since it was introduced in 2008 • The TfL induction checklist is not being used to record delivery in line with the induction process	**31/01/2013 ACL**

Reference	Report Title	Interim Report Issued	Original Objective	Summary of Interim Findings	Final Report Issued
				• The induction process does not apply to staff who TUPE into TfL • The content of the Guide for Employing Managers has not been subject to regular review These resulted in seven management actions. Two other issues were raised, resulting in a further four actions. We have now completed a follow up audit which has confirmed that the management actions have been satisfactorily addressed. The audit is now closed.	

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

Reference	Report Title	Interim Report Issued	Original Objective	Follow-up Audit	Summary of Interim Findings
Pan TfL					
Embedding of Change					
IA_12_113	Business Continuity (BC) Arrangements for Management and Support Activities	**22/01/2013 RI**	To review the adequacy and effectiveness of the controls operating over the non-operational BC arrangements within TfL.	**30/04/2014**	The staff responsible for managing BC in TfL are committed to ensuring that there are robust BC arrangements in place. The current BC structure is relatively new; the Head of Resilience Planning (HRP) has been in post since November 2011, and the Operations Director assumed overall responsibility for BC in February 2012. Nonetheless, the HRP and Business Continuity Managers ensured that the numerous Business Recovery Plans (BRPs) in place were sufficiently up to date, robust and interdependent to provide TfL with workable BC arrangements covering every area of the business for the 2012 Olympic and Paralympic Games. Whilst there are areas identified for improvement, the overall quality of the BRPs and the level of consistency across TfL is indicative of the close working between the BCMs. In addition, consideration has been given as to how to further improve TfL's BC arrangements. The HRP has proposed a governance structure that will allow BC policy to be developed, approved by senior management, and disseminated consistently across TfL. This will be achieved through the advent of the BC Programme Board. Four Priority 1 issues, five Priority 2 issues and one Priority 3 issue were identified during this. The following issues were identified as being Priority 1: • The Resilience Steering Team (RST) dictates TfL's resilience and BC strategy. Whilst the defined RST membership is appropriate to ensure the input of high level management into TfL's BC arrangements, attendance could be improved and the membership should include additional representation from LU and IM. • Although ultimate responsibility for BC arrangements has been assigned to the Chair of the RST, there is no-one within the business coordinating and taking ownership of BC arrangements across TfL on a day to day basis. • The high level policies governing BC strategy and procedures within TfL are out of date, do not reflect current arrangements, are not assigned to an appropriate owner, and do not cover all of the criteria required by ISO 22301 and BCI Guidelines. • TfL has not performed an organisation-wide business impact analysis (BIA) since 2008, and this did not include a risk assessment as part of the process.

Reference	Report Title	Interim Report Issued	Original Objective	Follow-up Audit	Summary of Interim Findings
Rail and Underground (including Tube Lines)					
IM Governance					
IA_12_418	Oracle System Upgrade in Tube Lines Limited	**21/03/2013 RI**	To provide assurance on the effectiveness and efficiency of the controls related to the upgrade of the Oracle system in TLL.	**30/06/2013**	We noted the following good practices: • Robust project management controls were in place. These included governance, planning and financial management, change management, risk and issue management, resource management, communication management, infrastructure security management, configuration management, quality management, and knowledge management. • Responsibilities were clearly designated in a role matrix detailing the accountabilities for signoff and delivery as well as those who should be consulted or informed. • Milestones and related required documentation at each milestone were defined with reporting on planned and actual delivery and signoff. This included the milestones for project planning, solution design, development, implementation, and post-implementation. • A comprehensive migration strategy was developed and implemented covering three trial upgrades and the use of detailed go-live checklists to ensure an accurate and complete migration of data. We identified one priority 1 issue and two priority 2 issues. The priority 1 issue is: • There is a risk of unauthorised, potentially powerful, access to the Oracle database and applications as a significant number of database and application default accounts have remained active, some of which still have their default passwords unchanged.
Project and Contract Management					
IA_12_626 F	Contract Management of British Transport Police (BTP) PFI	**18/03/2013 WC**	To ensure that the contract management structures and processes in place to manage the BTP PFI contract are efficient and effective.	**18/03/2013 WC**	We found effective controls to be in place across all of the scope areas. We noted a particular example of good practice which may be beneficial to other contract management teams:- Access to, and use of the Concept database allows the LU contract team to monitor progress of Help Desk requests, to eliminate areas of duplication of work, and to monitor progress on required works to ensure they meet the agreed response times. There may be opportunities for other contract management teams to obtain real time access to contractors' systems in order to monitor general service levels, trends and the status of reported issues.

Reference	Report Title	Interim Report Issued	Original Objective	Follow-up Audit	Summary of Interim Findings
Surface Transport					
IM					
IA_12_411 F	Surface Transport Application Development Controls	18/03/2013 AC/ACL	To provide assurance that the development of applications within Surface Transport follows a defined systems development methodology ensuring applications being developed meet the specified business and security requirements in alignment with TfL corporate policies, guidelines and standards.	18/03/2013 AC/ACL	The audit, which was carried out on a real time basis, noted several positive aspects of the System Development Lifecycle (SDLC) implementation, but also noted some issues. We issued a memorandum on 15 February 2013, setting out the issues identified so that they could be addressed in a timely manner. The most significant of the issues were as follows. • There was no overall governance document setting out the purpose and vision for SDLC endorsed by the Head of Technology and Programmes (TaP). • The implementation of SDLC activities was being delivered as a business as usual activity rather than as a project, which would have provided a level of control around the activities and helped ensure that objectives are achieved. All issues raised had been addressed by the date of issue of this report. Good progress is being made with the implementation of SDLC, which is ongoing and will continue to be developed over the next twelve months. Therefore, we propose to revisit the SDLC processes as part of our 2014/15 Internal Audit Plan, to ensure that they have been successfully implemented and continue to address the risks associated with software development.
Core Financial Processes					
IA_12_119	Financial Controls over Payments to Contractors on Major Projects	28/03/2013 RI	To provide assurance that Surface Transport has effective controls over payments to contractors on major projects.	30/06/2013	The audit identified the following positive results: • For a sample of eight payments tested, the project teams were able to demonstrate verification of the value of contractor payment applications before payment; • There was clear segregation of duties between the procurement of the contract, the verification of payments and the approval of payments; • Comprehensive reports were produced to inform management of project expenditure. This audit identified four Priority 1 issues and four Priority 2 issues. The Priority 1 issues identified are as follows: • For the Cycle Super Highway (CSH) contract there was no evidence that NEC3 contracts project manager powers had been formally delegated to the staff who actually exercised them, or that this delegation had been communicated to the contractor; • Three out of twenty contract payments tested missed the payment due dates specified by NEC3 contracts and legislation; • There was no evidence that payment certificates for CSH had been reviewed and signed by the designated project manager as required by the NEC process. These certificates inform the contractor how much work TfL assesses as complete, and thus how much work TfL is prepared to pay for; • Compensation events for CSH were not documented in accordance with NEC3. For A406 Bounds Green, extensions to NEC3 deadlines for TfL to produce compensation event contractor communications were not formally agreed in writing.

Reference	Report Title	Interim Report Issued	Original Objective	Follow-up Audit	Summary of Interim Findings
Other					
IA_12_132	Taxi and Private Hire Controlled Stationery	21/03/2013 RI	To provide assurance over the use of controlled stationery in London Taxi and Private Hire (LTPH) ahead of introducing the new systems and processes.	31/08/2013	Roles and responsibilities for managing LTPH controlled stationery are clearly defined and adequately segregated. The Contracts Team have an effective system in place for reviewing stock levels and ordering new items of controlled stationery. Reporting lines are clear and appropriate, and a scheme of delegated authority for issuing licences is in place. Examples of LTPH good practice include: • Training licensing staff to enable all Licensing Administrators to carry out tasks across the Licensing Department. This will continue with introduction of the new TOLA system; • Adaptation of certificate stock monitoring records to capture stocks of taxi vehicle identifiers. The audit identified two Priority 1 issues, relating to: • The insecure storage of PH certificates and • The licence replacement process. It also identified one Priority 2 and one Priority 3 issue. Once the issuing of controlled stationery has been transferred to NSL, LTPH will no longer have direct control over some of the issues raised in this report. It is therefore important for LTPH to ensure that appropriate controls are in place at NSL. We note that LTPH have taken action to address the Priority 1 issues and control measures have been put in place during the course of this audit.
Finance					
Core Financial Processes					
IA_12_103	General Ledger (GL) Management	12/12/2012 AC	To review the adequacy and effectiveness of the TfL general ledger controls.	31/01/2014	We found that there is a clear segregation of responsibilities between the various parties responsible for managing the GL and each party is aware of its role. To ensure the accurate and comprehensive recording of all financial transactions and the categorisation of revenue, expenditure, assets and liabilities, there is an appropriate Chart of Accounts and changes to it are made in a controlled manner. There is a programme of reconciliation of the key balance sheet accounts, in order to ensure that the accounts are materially accurate. Appropriate controls have been introduced over journals, including limiting SAP permissions to those whose role requires the posting of journals, and the requirement for some journals, especially accrual journals, to be reviewed and authorised before they are posted. The use of suspense accounts is controlled, with access restricted to the relevant individuals, and the amounts regularly cleared. The audit did not identify any priority 1 issues but identified one priority 2 issue regarding controls over the Chart of Accounts.

Reference	Report Title	Interim Report Issued	Original Objective	Follow-up Audit	Summary of Interim Findings
IA_12_136	Treasury Management	18/03/2013 AC	To review the adequacy and effectiveness of controls in place to manage Treasury activities in TfL.	30/11/2013	The following areas of good practice were identified: • An up to date strategy is in place, approved by the TfL Board and covering all treasury management activity. The Finance and Policy Committee (FPC) is involved in the execution of the Treasury Management Strategy (TMS) in particular bond issue and repurchase agreements. • Implementation of the treasury management system Quantum is now complete which has removed the need for reliance on spreadsheets. A Post Implementation Review has been completed to assess the benefits derived and lessons learnt. This found that the system had delivered the benefits outlined in the project scope. • There is effective segregation of duties following a revision to the treasury function structure. Group Treasury is still responsible for policy and front office operations, but the Financial Services Centre (FSC) now process settlements. A separate oversight role, within Group Financial Accounting, is conducted by the Treasury Financial Controller (TFC) to ensure the independent monitoring of treasury activity. • A suite of reports has been developed, most of which are run automatically overnight from Quantum and sent to the relevant members of Group Treasury. These reports enable informed investment and borrowing decisions to be made at any given time. • Group Treasury's performance is regularly and comprehensively reported outside the treasury function. The audit identified two Priority 2 issues: • Reconciling balances between Quantum and SAP in two periods had not been fully investigated. • Four out of 10 bank mandates examined were found to include employees no longer employed by TfL or its contractors.
IM Governance					
IA_12_409	SAP Authorisation and Segregation of Duties	22/02/2013 RI	To provide assurance that the SAP Governance, Risk and Compliance (GRC) access control application was used to establish effective management of segregation of duties conflicts resulting from SAP users' authorisations.	30/06/2013	We identified robust governance framework and processes around the management of users' access including a continuous collaboration between IM, as represented by the IM SAP Security and Authorisations team (IM SAP S&A team), and the SAP role gatekeepers and the SAP role owners from the procurement, finance and HR functional areas. In particular, representatives from the SAP S&A team and role owners from the key functional areas meet on a monthly basis to discuss SAP access issues in the monthly Functional Area Representatives Meeting (FARM). Whilst the IM SAP S&A team lead is a contractor, we identified good knowledge management and information sharing practice within the team. During our audit, we identified one priority 1, one priority 2 and one priority 3 issue. The priority 1 issue is as follows:

Reference	Report Title	Interim Report Issued	Original Objective	Follow-up Audit	Summary of Interim Findings
					• The existing SAP risk matrices have not been reviewed since they were initially designed and the SAP roles are not considered by management to be an adequate representation of the required business access post Project Horizon. Whilst an initiative has commenced to address this issue across the HR, procurement and finance functional areas, no formal commitment has been made in terms of timelines, stakeholders and resources. Management actions to address the issues raised are being taken forward and in particular an approach to addressing the Priority 1 issue has been agreed and resource identified to support this.
IA_12_005	Security of Back-up Media and Offsite Storage	28/03/2013 AC	To review the security arrangements (including the processes and procedures) supporting back-up media and offsite storage. This work also assisted in providing additional assurance for TfL's annual compliance assessment with PCI DSS.	31/10/2013	A physical security review of the Crown Records Management (CRM) facility, responsible for Tape storage and management, found it to be well organised and managed. Physical security was above industry best practice. An issue was raised at the time of this review and corrective action was immediately taken to update the 'IM Media User List' which details those authorised to request media from CRM, as it included a member of staff whose role and responsibilities have since changed and is no longer authorised to access and request tapes from CRM. A review was performed of the access control list of staff and we can confirm that it is up to date and correct. This audit did not identify any Priority 1 issues. One Priority 2 and One Priority 3 issue were identified, as follows: • the backup policies and procedures are not up to date, and • there is no fully documented and published backup strategy.
Project and Contract Management					
IA_12_403 F	Programme of Work on IM Project Delivery Maturity	22/02/2013 AC & ACL	To provide assurance that the processes being developed in support of the programme of work on IM project delivery maturity meet the needs of the business, contain appropriate controls and are aligned to industry 'best practice'.	22/02/2013 AC & ACL	We noted the following positive aspects of the Programme governance and work-stream arrangements: • A Programme Steering Group was in place with defined Terms of Reference and appropriate membership. • Lead Process Subject Matter Experts (SMEs) had been identified for each work-stream within the programme. • Programme scope, milestones, target completion dates, and budget had been defined and approved. A programme plan had been established that supported the delivery and embedding of the intended outcomes through training. • Relevant stakeholders had been adequately identified and an effective communication strategy had been established to keep them informed and engaged. During the course of this real time audit we issued two interim memorandums detailing the work that we had undertaken and raising a number of issues so that they could be addressed in a timely manner. The audit did not identify any priority 1 issues. One of the issues raised was priority 2. The Programme's documented benefits management strategy specified that the overall benefit expected to be realised was an increased maturity level of 2.75. Although further specific benefits had been outlined, these had not been quantified or stated in measurable terms. It was not specified how the achievement of the expected benefits of the Programme would be monitored and evidenced.

Reference	Report Title	Interim Report Issued	Original Objective	Follow-up Audit	Summary of Interim Findings
					Subsequent to us raising this issue, the Programme made a decision to quantify and measure the benefits realised by the Programme through a set of performance indicators. It has been agreed that the definition of these measures will be concluded at the end of February 2013 and the gathering of data required for the performance indicators will commence in April 2013. The other four issues raised were priority 3. All have now been addressed by management.
Customer Experience, Marketing and Communications					
Core Financial Processes					
IA_12_008	PCI-DSS Review of Funds Reconciliation System	28/03/2013 RI	To review and validate the adequacy and effectiveness of the existing controls operating over the Funds Reconciliation System (FRS), ensuring payment cardholder data and its associated security is being maintained.	31/08/2013	The administration and support staff responsible for the management and maintenance of the FRS are committed to ensuring that there are robust security arrangements in place and that the system maintains compliance with the PCI DSS where practically possible. Five Priority 1 issues, one Priority 2 issue and one Priority 3 issues were identified during this audit. The five Priority 1 issues are: • Hardware and software within the FRS environment have not been regularly maintained to ensure that any security vulnerability risks to the system have been assessed and averted. • Staff user accounts were not subject to regular review. There were test user accounts that had not been disabled and duplicate user accounts which had not been deleted. • Logs and audit trails are not being effectively produced and retained for the required length of time as defined within the PCI DSS. • System hardening guidelines used to provide guidance on how to deploy products in a secure manner had not been updated since 2009. • The Incident Response Plan has not been signed off by senior management and the plan has not been formally tested in the last year.
London Transport Museum					
IA_12_126	London Transport Museum Stock	21/02/2013 RI	To review the adequacy and effectiveness of the controls operating over LTM stock.	30/08/2013	This audit identified four Priority 1 issues and four Priority 2 issues. The Priority 1 issues identified are as follows: • There is no formal review and approval of purchase orders placed by the Trading team. • Cycle stock counts highlighted significant discrepancies between the Futura system and actual stock. This could indicate that the underlying stock records may not be sufficiently reliable for business decisions and financial reporting and/ or theft. • There is no systematic process for monitoring and actioning slow-moving stock items. A provision for slow-moving items is only made at year end. At Period 8, we calculated the provision to be £183k based on the LTM Policy, which is significantly higher than the year-end provision of £31k. • The Purchasing Pricing and Stock Policy that defines target stock levels was not formally reviewed and approved by Finance and the Trading Board.

Reference	Report Title	Interim Report Issued	Original Objective	Follow-up Audit	Summary of Interim Findings
					The stock control management actions agreed with KPMG, as noted in their 'Audit highlights memorandum and management letter', 8 June 2012, have also been followed up during this audit. Most of these actions were still in progress at the time of our audit fieldwork.

Crossrail

Reference	Report Title	Interim Report Issued	Original Objective	Follow-up Audit	Summary of Interim Findings
IA_12_508	Insurance Arrangements	18/12/2012 RI	To provide assurance over the Insurance arrangements in Crossrail and controls over Contractors' insurance to reduce the likelihood of double counting.	30/04/2013	The following areas of good practice have been identified: • Comprehensive assessments have been undertaken of buildings along the Crossrail route in line with the requirements set out in paper D12. A database is maintained of these buildings and the mitigations identified to bring the associated risks to an acceptable level. This information is updated fortnightly following meetings with the contractors. Crossrail's insurers undertake a quarterly review of the database. • A review of the loss adjustors' claims files has highlighted that thorough investigations and robust negotiations are undertaken on behalf of Crossrail. Settlements are therefore kept to a minimum where it has been concluded that Crossrail is liable. The audit identified one Priority 1, two Priority 2 and one Priority 3 issues. The summarised priority 1 issue is as follows: • The database maintained with contractor insurance certificate details was not up to date at the time of the audit. A number of certificates had expired and not all the required information had been included in the database for the individual contracts. It is understood that the contractors have been chased, but to date have failed to provide the up to date insurance information requested.
IA_12_520	Consultant Invoice Management	24/12/2012 PC	To provide assurance on the effectiveness of the controls and processes for certifying invoices from the Framework Design Consultants (FDCs), Project Delivery Partner (PDP) and Programme Partner (PP).	30/04/2013	All the parties involved in the process have been identified, and their respective responsibilities clarified. They communicate with each other as required, and work in accordance with the relevant contract clauses in processing invoices for payment. Documented procedures have been introduced to ensure effectiveness and consistency in the process. The audit identified three priority 1 issues, two priority 2 and one priority 3. The Priority 1 issues are: • control weaknesses and non-compliance issues in the PDP timesheet and invoicing system; • non-compliance with the agreed procedures, which resulted in a number of PP timesheets being invoiced and paid that had not been authorised by a CRL manager although all were valid; and • a sample of timesheets is not checked as part of the invoice-checking and validation process.
IA_12_500	Anticipated Final Cost	04/01/2013 AC	To provide assurance that there is active management of the Anticipated Final Cost	14/04/2013	There is effective management and operation of the trend and change review process for incorporation into the AFC. Robust governance arrangements, including management review and scrutiny, and regular trend review meetings, are in place for trends above and below the £100k threshold.

Reference	Report Title	Interim Report Issued	Original Objective	Follow-up Audit	Summary of Interim Findings
			(AFC) incorporating areas of risk, trend and change.		There is a regular review and quarterly re-evaluation of the P50 risk figure in line with programme control requirements using the Quantitative Risk Assessment. In addition, there is structured and consistent reporting of AFC. A rolling annual programme of reviews is conducted by the Commercial Assurance Team (CAT) incorporating a consistent approach to assessing the project teams and contractors against specific performance criteria. Introduction of the 'Glide-path' (or targeted budget) which requires greater focus on defined cost and not target cost should help to decrease AFC. This initiative has been communicated to the project teams, contractors and senior management. The glide-path initiative is currently a work in progress. The audit did not identify any Priority 1 issues. One Priority 2 issue was identified: • At the time of the audit, there were inconsistencies in the cost information provided by contractors. The information provided is not timely in some cases and the quality is not of the required standard.
IA_12_505 F	Commercial Reliance	11/03/2013 AC/ACL	Review arrangements in place to ensure that sufficient and reliable assurance is received from Crossrail's Industry Partners and that within Crossrail the assurance received is reviewed and reported effectively.	11/03/2013 AC/ACL	Overall, we found the expected project controls to be in place. Due to maturity level of the project life cycle, some processes are currently under development. There were some issues noted. However, these have already been identified by the relevant CRL and Industry Partner teams and are in the process of being resolved. National Rail (NR) A previous audit noted that there were concerns with the quality and presentation of reporting from NR. This has been improved substantially and continues to be the focus of continual improvement. There are also areas that continue to be developed by NR and CRL such as the reporting of Schedule Performance Index (SPI) and Cost Performance Index (CPI) by their contractors. LU At present there is no agreed handover process for assets either for the Interface Works or the Infrastructure Manager (IM) works. This is being dealt with by the LU-CRL interface team and a draft process for Interface works will be sent out for comment in week commencing 25 February. A handover process for the IM works is also under development but will require further discussion before there is an agreed draft procedure for comment. Canary Wharf Group (CWG) Currently CRL are negotiating with CWG as to what assurance construction records will be provided to CRL as this was not covered in detail in the CWG Agreement. RfL have commenced the development of a handover procedure. A further audit of this topic is planned for later in the 2013/14 financial year.

Reference	Report Title	Interim Report Issued	Original Objective	Follow-up Audit	Summary of Interim Findings
IA_12_506 F	Data Management Security	11/03/2013 WC	To provide assurance on the data backup processes in place to maintain the integrity and availability of information.	11/03/2013 WC	The backups are carried out by Fujitsu in accordance with the service requirements set out within the 'Enhanced As Is' (EAI) contract and underlying Service Level Agreement (SLA). Fujitsu have designed, and provided Crossrail with, a technical solution as part of the Backup and Recovery Service to ensure the availability of data and systems. Roles and responsibilities for backup processes are in place to ensure backups are undertaken in accordance with business requirements. These responsibilities are assigned to Fujitsu under the managed EAI contract. Fujitsu have designed, documented and operate a technical solution for the backup and recovery service. Technical solutions are implemented to ensure the reliability, quality and integrity of backups. This provides effective assurance to Crossrail that its data is maintained within a robust technical infrastructure. Effective operational processes are in place to transport data from the secondary data centre (based in Docklands) to the secure data media centre in Essex. The restoration of backup files verifies the reliability of the backup processes and integrity of individual files. Restore processes are in place to allow files that may have been lost from systems to be recovered and made available. The technology in use provides resilience to the backup processes specifically in ensuring data availability in relation to IT Disaster Recovery. The replication of data from the primary data centre to the secondary data centre allows a high level of data resilience and ensures that it meets the requirements for IT disaster recovery and business continuity. Furthermore, in the event of a major failure with both data centres, then off-site copies of the data and systems are available. These could be used to re-build critical systems using the Fujitsu cloud platform service. Managing backup incidents and responding to failures in the backup processes is vital to ensure the integrity of backups. Processes are implemented to enable alerts to be made immediately to Operational staff and Crossrail Service Management Team. Investigations are carried out by Fujitsu and reports made available to Crossrail.
One HR					
Other					
IA_12_107	Voluntary Severance Process	08/02/2013 RI	To review the adequacy and effectiveness of the controls over the VS process.	31/07/2013	The current VS process works well and no errors were found in a sample check of VS payment calculations. The Redeployment Team has been undertaking improvement activity which includes VS process mapping to identify areas of duplication, with the aim, ultimately, of documenting their procedures. The Customer Delivery Manager responsible for the Redeployment Team is also exploring the use of an E-form to directly extract the data needed to process VS payments from SAP and automatically perform the payment calculations. One Priority 1 issue, three Priority 2 issues and two Priority 3 issues were identified during this audit. The following issue was identified as being Priority 1: • VS policies do not define a time limit on the validity of a VS offer made to employees.

Reference	Report Title	Interim Report Issued	Original Objective	Follow-up Audit	Summary of Interim Findings
IA_12_140	Agency Temporary Worker Processes	17/03/2013 PC	To provide assurance on the effectiveness of controls over agency temporary workers within TfL.	31/08/2013	HR management are aware that there are weaknesses within the NPL processes, and are undertaking a NPL Process Review and Training Project to deliver process improvements. Agency temporary worker issues and actions to address them have also been discussed and monitored by the Efficiencies, Savings, Transformation and Revenue Group (ESTaR), now superseded by the Value Group.

HR management are aware that there are weaknesses within the NPL processes, and are undertaking a NPL Process Review and Training Project to deliver process improvements. Agency temporary worker issues and actions to address them have also been discussed and monitored by the Efficiencies, Savings, Transformation and Revenue Group (ESTaR), now superseded by the Value Group.

A Capital Programmes Directorate (CPD) Resourcing Review examined the use of NPL within LU CPD. This recommended a number of improvements including better demand forecasting and reward packages to make permanent recruitment more effective, leading to a reduction in NPL. It recommends further analysis of NPL within CPD to establish a target ratio for NPL to permanent labour, and to identify where it would be appropriate to replace existing NPL with permanent employees.

This audit identified nine Priority 1 issues and five Priority 2 issues.

The Priority 1 issues identified are as follows:

- Employees displaced through departmental restructuring are not always considered in the recruitment of temporary positions;

- Some TfL Agency Temporary Workers are engaged in positions of major managerial and financial responsibility increasing the risk of finances and staff not being managed in line with TfL's policies or processes;

- The NPL rate card is determined using pay data supplied from agencies who have an incentive to maximize the amounts TfL pays;

- Pay rates are not checked by HR for all parts of the business resulting in competitive rates not always being obtained;

- The gifted resource process does not always provide value for money for TfL;

- There is no checking to ensure that hiring managers request all the employment screening checks required by TfL policy, or testing to ensure that recruitment agencies conduct all the employment screening they claim to complete;

- Checks over the value of payments to agencies need to be strengthened following multiple overpayments;

- Timesheet approval controls need to be strengthened to prevent the risk of timesheet fraud;

- Agency temporary workers can be engaged for extended periods of time when it would be more efficient to engage permanent employees.

Reference	Report Title	Date Issued	Report Type	Objective	Summary of Findings
Pan TfL					
IA_12_141	TUPE Transfer Lessons Learnt Review	29/01/2013	**Memo**	To review the TUPE Transfer of non-operational LU employees to TfL in order to determine what could have been done better, assess any corrective action that had been taken, and make appropriate recommendations to prevent a recurrence.	Our review made recommendations concerning the future arrangements for TUPE transfers within TfL
IA_12_642	Benchmarking Review	29/01/2013	**Memo**	To review TfL's benchmarking strategy, maturity model, trial assessments and source data, to gain assurance that TfL's developing approach to benchmarking is efficient, effective and based on accurate and valid data.	The Benchmarking Team has introduced several new initiatives in 2012/13. The strategy provides an overview of benchmarking and current objectives, to focus the direction and resources of the team and to inform and engage stakeholders across TfL. The internally developed benchmarking maturity model is an innovative tool to obtain understanding and prioritise work and demonstrates the team's focus on continuous improvement. We have made several minor recommendations to develop the strategy, maturity model and assessment process.

The Insight Team manages the complex process of benchmarking data production for the Annual Report, and demonstrated in-depth knowledge and good methodical systems. The comparatively new Tube Lines (TLL) Benchmarking Team is also delivering process improvements and is continuing to develop the benchmarking remit and senior management engagement.

Our memorandum made some recommendations for further improving the accuracy and validity of benchmarking data. |
| IA_12_116 | Efficiencies Delivery | 28/03/2013 | **Memo** | The objective of this review was to review, in liaison with management, the status of the Savings and Efficiency programme with particular focus on the issues identified during the Fresh Eyes Review. | Whilst significant steps have been taken to address the points raised by the Fresh Eyes Review, various issues remain outstanding and improvements could be made to increase the integrity and validity of savings and efficiencies claimed. Internal Audit will carry out further work during 2013/14 to ensure that any actions arising out of the forthcoming external efficiencies review are being appropriately addressed. |
| **Rail and Underground** | | | | | |
| IA_12_622 | Refranchising of Docklands Light Railway Operations and Maintenance | 27/03/2013 | **Memo** | To ensure that the procurement processes employed for Refranchising of Docklands Light Railway Operations and Maintenance is in accordance with approved procedures and EU directives and is open, fair and transparent. | Using a real time procurement audit approach our findings are reported after each phase of the procurement process, or whenever a significant issue arises.

Based on our work to date, which covers the period up to the end of the PQQ evaluation phase, we are satisfied that effective controls have been applied to the refranchising of the operations and maintenance of DLR. We will continue with the audit, focusing on the ITT and subsequent phases of the programme, and plan to issue further memorandums at the ITT planning and ITT evaluation stages, scheduled for April and November respectively. |

Reference	Report Title	Date Issued	Report Type	Objective	Summary of Findings
Surface Transport					
IA_12_631	Performance Management Review of Congestion Charging and Traffic Enforcement (CC&TE)	15/01/2013	**Consultancy**	The objective of this review was to assess the degree to which performance measures are embedded within the various areas of CC&TE and contribute to the effective management of performance.	We noted a number of areas of good and best practice, but also identified some areas where the opportunity exists to improve staff understanding of the performance measures. Overall, CC&TE was found to have robust performance management processes that are reflected in their scoring against the Maturity Model.
IA_12_614	Fraud Risk in Projects and Contracts – ISS Facility Services Contract	15/02/2013	**Memo**	To assess the controls in place to manage fraud risk in relation to the contract for Facilities Maintenance and Cleaning of London Bus Service Sites and Victoria Coach Station This is one of a series of audits of fraud risk across a range of TfL's projects and contracts.	We found some areas of good practice. At VCS, a comprehensive Staff Handbook was available to staff, which clearly identified and set out TfL's policies and procedures in relation to fraud and corruption, and TfL's code of conduct for staff. Within Commercial, a staff induction pack is available which also identifies these policies. Consideration should be given to making sure that similar information packs are made available to all staff. We also identified a number of issues that Surface Commercial should take into account in developing their processes and procedures for identifying and mitigating fraud risk in projects and contracts.
IA_12_411	Surface Transport Systems Development Methodology	15/01/2013	**Memo**	To provide assurance that the development of applications within Surface Transport follows a defined systems development methodology that ensures that the application being developed meets the specified business and security requirements in alignment with TfL corporate policies, guidelines and standards.	Our interim memorandum, issued to enable the matters raised to be addressed on a timely basis, found that the outline structure for implementing System Development Lifecycle (SDLC) was in place, but noted a number of areas where there was scope for improvement, in particular in relation to governance documentation.
IA_12_614	Fraud Risk in Projects and Contracts, Woolwich Ferry	28/02/2013	**Memo**	To assess the adequacy and effectiveness of controls in place to manage fraud risk in respect of the Woolwich Ferry contract. This is one of a series of audits of fraud risk across a range of TfL's projects and contracts.	The Woolwich Ferry management team demonstrated general awareness of the TfL Anti-Fraud and Corruption Policy and other policies relating to fraud and ethical behaviour. However; this knowledge could be improved across the team, with greater consideration of fraud risk throughout the contract management process. There are some reasonable controls in place regarding payments, data management and the procurement process, which also aid the prevention and detection of fraud. However; these could be strengthened, for example through maintaining an up-to-date risk register and validation of the operators' performance data.
IA_12_144	London Taxi & Private Hire (LTPH) licensing system financial controls	28/03/2013	**Memo**	ST Finance requested Internal Audit's advice on the governance and financial control arrangements for the new licensing system. ST Finance also requested assurance on live data testing to ensure controls were working effectively.	Adequate consideration had been given to the governance arrangements and financial controls in the new licensing system. However, there were a number of transactional processing issues after the first phase of the new system (TOLA) was implemented that the project team is now working to address in liaison with the contractor.

Reference	Report Title	Date Issued	Report Type	Objective	Summary of Findings
Finance					
IA_12_403	Programme of Work on Information Management Project Delivery Maturity	11/12/2012 17/01/2013	**Memo x2**	The objective of this real-time audit is to provide assurance that the processes being developed in support of the programme of work on IM project delivery maturity meet the needs of the business, contain appropriate controls and are aligned to industry 'best practice'	We issued two interim memorandums as the programme progressed so that any issues identified could be addressed on a timely basis, prior to the programme's completion.

We specifically noted that:

• A Programme Steering Group (PSG) is in place with clearly defined Terms of Reference and appropriate membership.

• Lead Process Subject Matter Experts (SMEs) have been identified for each work-stream within the programme.

• Programme scope, milestones, target completion dates, and budget have been defined and approved. A programme plan has been established that supports the delivery and embedding of the intended outcomes through training.

• Relevant stakeholders have been adequately identified and an effective communication strategy has been established to keep them informed and engaged.

We did however raise a number of issues with the programme management team, including a need for greater clarity over programme benefits; improvements to progress reporting; and more formal approval by the PSG that actions had been satisfactorily completed. |
| IA_12_122 | Real Time Management Accounts Audit | 13/12/2012 | **Memo** | To review the revised management accounts process on a real time basis as it was developed and implemented by Group Financial Accounting (GFA). | The review showed that GFA had made significant progress in establishing a more rigorous process that will enable the period end management accounts to be presented more accurately and on a timelier basis, although further scope for improvement remains. The suggested actions will be followed up during a more comprehensive review of management accounting processes across TfL and a fixed assets audit in the 2013/14 audit plan. |
| IA_12_610 | Document Management Systems Improvement Programme (DMSIP) | 06/02/2013 | **Memo** | To review project controls over the DMSIP, including governance, stakeholder management, communication, testing strategies and the Programme plans, controls and testing prior to go-lives | The DMSIP is generally being managed in accordance with Common IM Methodology, and has a good governance structure, with regular oversight by the Programme Board, under which three of the projects have been delivered.

There have been some delays in the delivery of the project, but the DMSIP team have been pro-active in trying to resolve issues so as not to impact the proposed go-live date.

Overall, the DMSIP is delivering the required system upgrades in a controlled environment, but there remain resource and scheduling challenges to achieving the Strategic LiveLink go live target and obtaining timely approval for Phase Three of the programme. |
| IA_12_425 | BACS Upgrade Project | 26/02/2013 | **Memo** | To provide advice to management at key stages of the project to help ensure that the upgraded system was delivered in accordance with business requirements, best practice and to provide confidence that it was appropriately governed. | There were no significant findings arising from this real time assistance and we consider the BACS Upgrade Project to be adequately controlled. |

Reference	Report Title	Date Issued	Report Type	Objective	Summary of Findings
IA_12_614	Fraud Risk in Projects and Contracts, Facilities Management	27/02/2013	**Memo**	To assess the adequacy and effectiveness of controls in place to manage fraud risk across a sample of TfL's facilities management contracts. This is one of a series of audits of fraud risk across a range of TfL's projects and contracts.	The Facilities Operations team demonstrated good understanding of TfL's core ethical policies, including the Code of Conduct, Business Ethics, Gifts & Hospitality and Procurement Guidance on the Bribery Act 2010. However, they were not aware of the TfL Anti-Fraud and Corruption Policy and had not received any training on this topic. There are some reasonable controls in place regarding payments, performance management and the procurement process, which also aid the prevention and detection of fraud. However, these could be strengthened, through improved document management systems, up-to-date risk registers and greater consideration of fraud risk throughout the contract management process.
IA_12_634	Review of Electronic Catalogues	12/03/2013	**Memo**	To consider the effectiveness and efficiency of the management and use of e-Catalogues.	We found the following areas of good practice, all of which related to one particular catalogue out of the sample reviewed: • End users were involved in the selection of goods and review of the prices of goods prior to commencement of the new contract. • Key end users attend periodic meetings with contractor representatives to discuss contract performance. • A transaction and issues log has been established for end users to report delivery failure, over delivery and non receipt of goods to the TfL Contract Manager. • End users are able to request that new goods are added to the catalogue by completing a form which is then submitted to stores managers and the Contract Manager, for consideration and approval. We identified a number of areas that TfL Commercial should take into account in their plans for future provision of these services. In particular, although catalogues and the levels of contract management required for them may differ, depending on the nature of the goods and amounts being purchased, consideration should be given to the introduction of a set of standard procedures to be applied to the management of all catalogues.
IA_12_635	Market Testing of Support Services	14/03/2013	**Memo**	To ensure that the processes employed for the market testing of support services are managed effectively, in accordance with approved procedures and EU directives, and are open, fair and transparent.	We have found no significant issues with how the Strategic Sourcing Programme (SSP) is being managed, and found the Programme Manager to be open and frank about all aspects of the programme. However, we did note the following: • Whilst the Back Office project element of the SSP is being managed in an effective manner overall, there is scope to improve the governance around some programme documents. In addition, there is little evidence to date of the individual projects forming the SSP being managed as an integrated programme. • The Terms of Reference for the SSP and, in particular, its role in respect of each of the three main projects within the SSP could be made clearer. • The Back Office project has experienced some difficulties in creating sufficient interest from the market. It would be advisable for the project team to seek feedback from suppliers on the reasons for their non-response in order to ensure any potential lessons are learned.

Reference	Report Title	Date Issued	Report Type	Objective	Summary of Findings
IA_12_413	TfL Delegated Authorities and Use of Substitutes	28/03/2013	**Memo**	To provide assurance that controls over the use of TfL delegated authorities and substitutes were defined and operating effectively.	The audit identified a total of 32 SAP approvers (out of more than 4000) across pay bands 1, 2 and 3 who had procurement authority limits that exceeded those prescribed in TfL Standing Orders. Action is being taken to address this. We found no exceptions that would indicate control weaknesses in the authorisation of SAP 'shopping carts'.
Crossrail					
IA_12_509	Fraud 'Pulse' Survey	20/02/2013	**Memo**	One of the objectives of the Crossrail fraud strategy is to raise fraud awareness. The purpose of the survey was to measure how effective the awareness campaign has been to date and to identify areas of concern.	There were 198 responses out of approximately 1000 issued, which is considered a good response compared to other Crossrail surveys. The main points of interest arising from the survey were as follows: • 16.7% of respondents said that they had not heard about fraud risks in Crossrail. • 15.7% said that they would report concerns about fraud to the police. This is contrary to the Policy that, in the first instance, fraud concerns should be reported internally. • Seven people said that they had concerns or had identified fraudulent acts within Crossrail. There have not been seven reports of possible fraud from Crossrail Staff indicating that these concerns have either not been raised, or not been passed on to senior management or the TfL Fraud Team. The fraud awareness programme will take steps to address the issues raised by the Pulse survey.

Reference	Report Title	Date Issued	Objective	Summary of Findings
HSE Audits				
1213/404 (HSE)	Civil Engineering Asset Risk Management Processes	06/03/2013	To review the processes used by various parties to comply with LU Asset Risk Standard S5044.	The Civils Engineering area complies with the intent and requirements of S5044-A3, although there are a few areas where there is a lack of clarity. A comprehensive Civil Engineering Combined Strategic and Tactical Risk Assessment (STRATA) risk model is being developed to provide detailed risk information to Active Risk Manager (ARM) and the LU Quantified Risk Assessment (LUQRA) risk model, and to facilitate cost-effective investment decisions and support management of risk to safety and service loss arising from the Civil Engineering asset base. Output from STRATA is used in preparing the Civils Asset Management Plans (AMPs) and Project Workbanks, and it is evident that these risk management processes are becoming increasingly effective in planning and prioritising interventions, so as to achieve maximum benefit at lowest cost. No Non-conformances or Proposed Management System Changes were issued during this audit, but nine Observations and several auditee improvement suggestions were documented. The main improvement action involves the further development and population of STRATA, until it is considered ready to be formally released to the business.
1213/409 (HSE)	Track Drainage Design Implementation – Track Partnership	27/03/2013	To assess whether the implementation of Track Partnership track drainage renewal designs is compliant with required standards.	A positive finding was commitment to continual improvement demonstrated by the new Inspection Test Plan (ITP), which was reported as being more efficient and easier to use by the Engineers. 4 Non-conformances were identified and 5 Observations. The main areas for improvement identified were: • Whilst it was shown that the Track Partnership design team undertake surveys and inspections to identify gaps in pre-construction information, existing information held by LU is not provided as described in the Construction Phase Plan and Health; and Safety Plan. • Evidence of Inspection Test Plan not being approved by designers on site in accordance with procedures was found for the project sampled. To address this evidence indicates that workload planning arrangements can be improved to ensure adequate resources to support on-site activities and ensure that competent Engineers are appointed early enough for the volume of work. • Information is provided to the Asset Performance Directorate, but not in the timescales required to enable verification and uploading onto Ellipse. • Competence of those undertaking critical activities such as CCTV surveys, interpretation of CCTV imaging and classification could not be established as being compliant with LU standards.
1213/602 (HSE)	Neasden Traincrew Depot – Health, Safety and Managers Handbook Compliance	22/03/2013	Audit, requested by the new TOM, to assess compliance with key requirements of the Managers Handbook, particularly managing Health, Safety and Environment.	A general observation was that there was limited historical evidence of key systems being implemented prior to the new TOM being appointed. The new TOM has begun to implement key systems; in particular, a programme of system checks has been developed and commenced. Current strengths are the undertaking of regular building Planned General Inspections (PGIs), competence management, the communication of critical information via late, new and general information boards and the general recent good control of administration tasks such as periodic medicals, licensing, overtime input and monitoring of pool hours despite the absence of one administrator. The key sections for improvement are: • Risk Assessment • Emergency Arrangements • Finance and Payroll Control There are a number of improvements required which means the group is categorised as 'C' Requires Improvement.

Reference	Report Title	Date Issued	Objective	Summary of Findings
1213/148 (HSE)	Bombardier Safety Arrangements at Tramlink Depot	06/03/2013	To identify the Occupational Health and Safety (OH&S) management regime procedures, assess the level of embedment and the effectiveness of control of safety risk to employees and customers.	The audit found satisfactory evidence that the Bombardier Services (UK) business unit at the depot were operating in compliance with the Bombardier Transportation Limited generic OH&S System and supporting safe systems and procedures unique to the Tramlink Depot. Satisfactory evidence was found to confirm that a robust OH&S Management Regime had been embedded into the business operations at the Depot. Company employees at the depot were informed of and working in compliance with Policy and operating procedure. The audit confirmed that a positive safety culture had been embedded and its support by all employees has continued to be effective. This is further evidenced through the safety performance record to date. The audit also confirmed the robust management of Drugs & Alcohol, safety induction and awareness training, control of hazardous substances, management of working hours, incident investigation and reporting performance monitoring arrangements and the planning and delivery of tram maintenance to ensure that vehicles are fit for service. No Non-Conformance against procedure or process was identified. However, two Observations were noted relating to internal audit planning and resource and materials store management.
1213/1318 (HSE)	Margal Major Projects Limited – Supplier Audit for Procurement Registration	13/03/2013	Pre contract audit to ensure that appropriate management systems are in place to deliver LU requirements	The Margal management team demonstrated commitment to their business and development of a comprehensive management system to deliver services and meet client requirements. It was identified that a satisfactory BMS was being developed and that system processes 'key' to delivering effective management and assurance for client services were already established. There was a commitment to the BMS improvement. No instances of Non-Compliance against management system requirements were found. However, four Observations were identified and the resulting actions by Margal Major Projects Limited should improve the effectiveness of their management regime, including the potential for future business improvement. The Observations included: The need for a clear identification of process responsibility and authority; improved records maintenance of Drug and Alcohol documentation; and process improvement for the condition management of company road vehicles used by operatives. In conclusion, Margal Major Projects Limited is recommended for recognition by LU Procurement as a Registered Supplier.
1213/1319 (HSE)	Otis –Pan TfL Lifts and Escalators procurement	01/03/2013	Ensure that OTIS have suitable quality systems in place to deliver L&E assets	OTIS was found to have the appropriate ISO 9001 certification for the scope of work. The audit resulted in 5 Non-conformances and 2 observations. The factory Quality Plan needs development as well as the interface with other Quality Plans. Particular improvements required are regarding inclusion of contract requirements, communication and synchronisation with Quality Plans in the UK and having a single point of control. Other particular areas for improvement are document control, supplier management and management review The audit has resulted in actions to improve the Quality Plan.
1213/804 (HSE)	LU Capital Programmes and Asset Performance Management of Occupational Health Risks	11/02/2013	To ensure that occupational health risks are being managed in accordance with ORR Guidance	A review of the management of occupational health risks in LU Asset Performance and Projects found that where LU is Principal Contractor, contractors' management of risks such as hand arm vibration, manual handling and dust meets the legal requirements but does not go beyond this to meet the expectation of ORR guidance and best practice. Where internal resource is used or where suppliers are Principal Contractor evidence showed that mitigation went beyond the legal requirement. Also, a number of specific risk assessments by contractors were found not to meet LU standards and some controls have not been effectively implemented.

Reference	Report Title	Date Issued	Objective	Summary of Findings
1213/903 (HSE)	Application of lessons learnt from Victoria Line Upgrade and Jubilee Line Upgrade into the Sub Surface and Northern Line Upgrades.	22/02/2013	To assess whether lessons learnt have been incorporated into the work of current major projects from previous projects	A review of the arrangements for learning lessons from previous major projects in both LU and TLL found that there is significant learning of lessons in current major projects and best practice examples were identified. Improvement opportunities were identified to improve the Project Management Framework to assist with capturing and applying lessons learnt in a consistent and effective manner.
1213/302 (HSE)	Track Equipment Overhaul – Railway Engineering Workshop (REW)	25/02/2013	To review track equipment overhaul processes within REW.	No management system shortcoming or cause for concern was identified that could be considered detrimental to the workshop production of track equipment overhaul processing, or compromise the quality of the skilled services delivered by REW workshop staff. However, we did identify a need for improvement in general workshop discipline and awareness that assets need to be verified each time tools and equipment are selected for production work. Shortcomings were noted with the REW systems process documents titling, purpose and issue reference information. This suggests that the review of their management system to ensure it continues to be applicable and deliver optimal support to the business may not be managed effectively.
1213/110 (HSE)	Assurance of Signalling Contractors	14/02/2013	To assess whether the processes defined via the Management System for the selection, control, and subsequent monitoring of sub contractors carrying out safety critical signalling work are implemented correctly and are robust enough to achieve the desired result.	Evidence was available to demonstrate that assurance and verification activities had been undertaken by the project teams. However, the records resulting from some of these activities were not always sufficiently detailed. A spreadsheet used to track assurance submission had not been maintained on a regular basis although evidence was provided to demonstrate that this had not had an adverse effect The use of Livelink to store project documentation was inconsistent with documents being stored in different areas across different projects. It was also not always clear which was the current version of some project documentation. There was no evidence found to demonstrate that security checks had been undertaken on supplier staff by the suppliers or LU, although it was noted that there were no requirements for this activity within QUENSH or PMF.
1213/147 (HSE)	LU Asset Performance (AP) Rolling Stock Depots - Monitoring of Operational Communication	11/01/2013	To ensure that Managers Handbook requirements are understood and complied with regarding the monitoring of operational communication by depot staff	Whilst monitoring is undertaken at most depots, the requirement to monitor thirty minutes of live or recorded traffic per week is not consistently being complied with. The factors leading to this non compliance are: • There is no Balanced Scorecard Measure (as there is in COO) • A need for training by some Depot Managers and Duty Depot Managers • Frustration at not being able to complete the forms electronically • Not being aware of the frequency requirements Depot Managers reported that there is value where the monitoring is completed and this has led to an improvement in the standard of operational communication. Monitoring includes all the checks required by the Management System. Any deficiencies are communicated and addressed.

Reference	Report Title	Date Issued	Objective	Summary of Findings
1213/214 (HSE)	LU AP - Long Timber Bridge Inspections	17/01/2013	Assess completion and quality of these critical inspections	We found that lines sampled are undertaking the inspections to the required frequency with knowledgeable and experienced personnel and in accordance with a communicated Work Instruction. Some areas of non-conformance were identified and also areas for potential improvement to maximise the benefit derived from the inspections, including the following: • Opportunities for improvement were identified with the work instruction which would benefit from review to take into account recent changes, errors and current working practices. • The outcomes of inspections were recorded on obsolete forms in some instances. • Screwspike Torque Tests are not undertaken because the correct equipment is not available . • Collaboration and sharing of reports between Civil Engineers and Track Inspectors on the District Line could be improved so that joint inspections are as effective as possible. • Track Inspections on the District Line were found to be undertaken without Civil Engineers in attendance. • There is scope for improving the quality of data entry into Ellipse to avoid errors and ensure accurate recording of inspections and rectification of faults.
1213/304 (HSE)	AP Signals - Management of Central Line Emergency Spares	24/01/2013	To assess the current management systems / processes for emergency spares within the Central Line.	The audit found : • satisfactory evidence to verify that a robust regime had been established for the management of failed equipment, its return to Invensys and the subsequent return back to LU as Emergency Spares stock. • LU staff support had been effective and was compliant with the process established within CL Signals and supported by satisfactory process forms and data records management. • established practices have delivered .an effective emergency spares support service that has met line maintenance preparedness and operational needs. However, some areas for improvement were also noted as follows: • Management did not have a documented management that embraced the procedure, processes and established staff practices. Moreover, management were unable to demonstrate awareness or use of the Management System to deliver their job role and scope of responsibility. • Emergency and business continuity planning was found to be deficient. • Performance management of the Invensys contact and management of signals emergency spares was not being reported within LU and CL Signals.

Reference	Report Title	Date Issued	Objective	Summary of Findings
1213/801 (HSE)	CPD HSE Pro-active Monitoring	21/01/2013	To ensure that HSE Monitoring Programmes are providing the greatest potential benefit	Five of the seven projects sampled had monitoring regimes in place and were effectively monitoring their implementation. The other two projects did not have documented regimes in place. Discussions indicated there is a risk basis to the monitoring regimes and that programme/project managers feel that they contribute to improved safety performance indicated by the fact that monitoring is undertaken even where it is not legally required. Other positive findings include a good knowledge of the purpose of Planned General Inspections and Safety Tours, strong monitoring of programmes and general good collaboration with LU's appointed Principal Contractors. To achieve maximum benefit and efficiency from the monitoring there is potential for improvement in the following areas: • Streamlining and aligning Management System standards and Handbooks to remove duplication and include relevant instructions, guidance and forms for construction activity; • Define the competence requirements for undertaking monitoring and standardise training material; • Where LU has appointed a Principal Contractor, encouraging the production of joint monitoring programmes where appropriate to reduce duplication of effort; • Focus resource on better trend analysis and formally recording and tracking improvement action (rather than tracking individual findings) through standardised corporate IT systems; • Capture findings from Site Managers' Daily Reports in the same way as PGI and Safety Tour findings; • Making safety inspection checklists focussed on the specific project risks rather than of a general nature.
1213/504 (HSE)	LU Engineering Risk Management	18/01/2013	To establish the degree to which projects and portfolios are managing engineering risk appropriately	This comprehensive review of engineering risk management in the LU Sub-Surface Upgrade Programme identified the opportunity to make significant improvement by: • Consolidating and reducing procedural instruction. • Providing a top level summary describing the interaction of the various processes. • Describing how Issues, Assumptions, Hazards and Design Review outputs are considered for input into ARM or other Risk Registers. • Confirming Project Engineer attendance at Risk Review meetings and Project Performance Report (PPR) meetings. • Minimising duplication of effort when risks are held in more than one place (e.g. ARM, Project Risk Register, Issues Logs or SUP Portal). • Effectively managing the threats and opportunities identified on PPRs, so as to minimise threats and maximise opportunities at the lowest possible cost. • Resolution of Systems Integration issues, such as those relating to OPO CCTV Infrastructure and Rolling Stock.

INTERNAL AUDIT CUSTOMER FEEDBACK FORM
SUMMARY OF RESPONSES FOR 2012/2013
QUARTER 4

Understanding our customers' needs and expectations and ensuring we are meeting them is an important part of the continuous improvement we strive for in Internal Audit. We have recently conducted an assignment in your area and would be grateful if you could complete this customer feedback questionnaire, **and return it to us by email**. This will help us identify ways in which we can improve our service to the business.

Please select the rating for our performance ranging from 1 (very poor) to 5 (very good) for the areas below. An additional 'Comments' section is provided for you if you wish to make any specific comments on what went well or could be improved, and on your overall opinion of the assignment conduct and usefulness.

Your feedback will be shared with the audit team, and also summarised on a quarterly basis for the Audit Committee. We may contact you to discuss your feedback if we feel that gaining a better understanding of it would be beneficial.

Customer Feedback Forms Sent Q4 = 47 (Q3 = 10)

Customer Feedback Forms Returned Q4 = 22 (Q3 = 5)

	ASSIGNMENT ASSESSMENT CRITERIA	No score given	Very poor 1	Poor 2	Satisfactory 3	Good 4	Very good 5	Average Score
	PLANNING AND TIMING							**4.2 (4.0)**
1)	The assignment timing was agreed with me and there was appropriate consideration of my other commitments as the work progressed	0 (0)	0 (0)	1 (0)	1 (1)	9 (2)	11 (2)	
2)	The assignment was completed and the report issued within appropriate timescales	0 (0)	0 (0)	1 (1)	4 (1)	10 (1)	7 (2)	
	COMMUNICATION							**4.0 (4.3)**
3)	Communication prior to the assignment was appropriate, including the dates and objectives	0 (0)	0 (0)	1 (0)	4 (0)	9 (3)	8 (2)	
4)	Throughout the assignment I was informed of the work's progress and emerging findings	1 (0)	0 (0)	1 (0)	3 (0)	12 (4)	5 (1)	
	CONDUCT							**4.3 (3.9)**
5)	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)	0 (0)	6 (2)	10 (2)	6 (1)	
6)	The Internal Audit team acted in a constructive, professional and positive manner	0 (0)	0 (0)	1 (0)	0 (1)	8 (3)	13 (1)	
	RELEVANT AND USEFUL ADVICE AND ASSURANCE							**4.3 (3.8)**
7)	A fair summary of assignment findings was presented in the report	0 (0)	0 (0)	1 (1)	1 (2)	8 (1)	12 (1)	
8)	Assignment recommendations were constructive, practical and cost-effective	0 (0)	0 (0)	1 (0)	1 (2)	11 (2)	9 (1)	
9)	My concerns were adequately addressed and the review was beneficial to my area of responsibility and operations	0 (0)	0 (0)	1 (0)	3 (2)	7 (1)	11 (2)	
	Overall assessment							**4.2 (4.0)**

Other comments including suggested improvements and areas of good performance:

"I was very pleased with the overall outcome on this piece of work. The report was a little slow in coming out but my team were kept informed of this. The work was partly undertaken by someone new to the Group. This had some disbenefits in that the individual was relatively unfamiliar with our systems and processes, but overall was probably beneficial as there was more questioning of why things happen as they do, and the opportunity to apply learning from other organisations to challenge the status quo here."

"Conduct - the Internal Audit team were constructive, professional and positive and generally took time to build knowledge and understanding. Closer liaison about the proposed interviewees could have generated efficiencies (e.g. Marketing and Communications could have been left off the interviewee list)."

"Relevant and useful advice and assurance - the opportunity to comment on the draft report was appreciated and resulted in a fair summary of assignment findings"

"We worked very closely with [the audit team]. They were very professional and understanding in their dealings. There are so many different aspects of retail that I wouldn't expect a non-retail person to know. But, they demonstrated a good understanding of the business in a short period of time. We would welcome them again!"

"The initial meeting would have been better held with only one project at a time in the room to determine more about the project, to discuss it in general then to decide the way forward for the audit. I felt the audit team were very approachable, interactive and communicative."

"There was a good mix of paperwork and field audits, as well as interviews with stakeholders in getting an overview of the contract and its performance. "

"I felt that Internal audit acted with professionalism throughout the audit, the one area I feel that could be improved is as the work was progressing any emerging findings should have been highlighted as appropriate"