

**TRANSPORT FOR LONDON**

**SAFETY, HEALTH AND ENVIRONMENT ASSURANCE COMMITTEE**

**SUBJECT: INTEGRATED ASSURANCE PLAN 2012/13**

**DATE: 6 MARCH 2012**

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**1 PURPOSE AND DECISION REQUIRED**

- 1.1 The purpose of this paper is to present the TfL Integrated Assurance Plan ('the Assurance Plan') to the Committee (SHEAC).
- 1.2 The Audit Committee will consider the Assurance Plan at its meeting on 7 March 2012.
- 1.3 The Committee is asked to note the Assurance Plan.

**2 BACKGROUND**

- 2.1 TfL has developed an Integrated Assurance Framework, describing the overall regime within TfL for the efficient provision of assurance over all of its activities.
- 2.2 The Framework recognises four principal functions involved in the delivery of Assurance within TfL. These are Internal Audit, Project Assurance, HSE and Risk. The Risk function is not involved in carrying out assurance reviews, but ensures that there was a sound basis for the assurance activities carried out by the other functions.
- 2.3 The Integrated Assurance Plan (attached at Appendix 1) sets out, in summary form, the planned assurance work to be carried out in 2012/13 by these assurance functions. Each of the functions has its own detailed programmes of work that underpins the Assurance Plan.

**3 DEVELOPMENT OF THE PLAN**

- 3.1 The Integrated Assurance Plan was developed from the strategic risk registers for Rail and Underground, Surface Transport and the TfL Corporate, although more work is required to refine the definitions of some of the risks and articulate the mitigation strategies. A consolidated pan-TfL strategic risk register is being developed.
- 3.2 Workshops were held for Rail and Underground, Surface Transport and Corporate involving directors and senior managers and representatives from assurance functions. The workshops were used to highlight areas where assurance work would be beneficial and to map the assurance requirements against TfL's strategic risks.
- 3.3 The planning of the Corporate Gateway Approval Process (CGAP) reviews led by the TfL Programme Management Office (PMO) team, together with the related

- 3.4 The attached Plan is analysed by the risk categories that are used in the Active Risk Manager (ARM) system, to which each of the strategic risks are mapped.
- 3.5 The Plan has been presented to the Rail and Underground Board, the Surface Transport Board and the Leadership Team. It is due to be approved by the Audit Committee on 7 March 2012.
- 3.6 The Plan has also been shared with the external auditors, KPMG, who have highlighted a number of areas where they will seek to place reliance on our work.

#### **4 OVERVIEW OF THE PLAN**

- 4.1 The Assurance Plan includes the assurance work to be carried out by Internal Audit, HSE Audit and Project Assurance, who have worked together to ensure that assurance work is undertaken by the team most suited to deliver it, avoiding overlap and duplication. In a number of areas it is planned to carry out assurance work jointly between two or more assurance functions.
- 4.2 Each of the assurance functions has its own processes and procedures for the delivery of its work, in line with relevant statutory requirements and professional standards, and aligned with the nature of the work it carries out. Nevertheless, where applicable, the assurance teams will seek opportunities to align better their processes and methodologies so as to facilitate further joined up working in the future.
- 4.3 There are a number of key themes incorporated within the Assurance Plan. These are summarised in the following paragraphs.

##### Embedding of Change

- 4.4 Following the significant organisational change arising out of Project Horizon, assurance will be required that the new structures and ways of working are operating effectively in the new TfL. In particular, Internal Audit will review the extent to which support services are delivering the improvements envisaged by Project Horizon.

##### Efficiencies delivery

- 4.5 Internal Audit will continue to provide assurance that delivery of efficiency savings remains on track, and will review the extent to which TfL has responded to the issues raised in the recent Deloitte 'Fresh Eyes' review.

##### Project Delivery and Contract Management

- 4.6 The effective and efficient management of projects and contracts forms a significant element of the Assurance Plan and this is an area where all the assurance teams have a role to play.
- 4.7 The TfL PMO will lead a programme of CGAP reviews, with input from the IIPAG, to provide assurance over project delivery. Opportunities will be sought to make use of internal peer review in these reviews where possible. Alongside this work, the HSE team will work with the PMO to provide assurance, for a sample of

projects, over compliance with the LU Project Management Framework.

- 4.8 In addition, Internal Audit will provide assurance that there is effective financial control exercised over major projects and in particular over payments to contractors.
- 4.9 Internal Audit will also place significant emphasis on providing assurance over contract management, particularly in respect of ensuring that TfL obtains maximum value for money from its suppliers. With this in mind, there will be a series of reviews of individual contracts and procurement processes, and of the implementation of the new TfL Commercial Strategy.
- 4.10 Effective implementation of the new TfL PMO and the single project management framework and system across TfL will be key to managing the project delivery risk. Therefore, this will be another important area for assurance activity by Internal Audit.

#### Games delivery

- 4.11 In the run up to the London 2012 Olympic and Paralympic Games, Internal Audit will continue to provide assurance over the robustness of the 'Games Letters' process that has been established to self-assure the organisation's Games readiness.

#### IM Governance

- 4.12 Controls over TfL's IM systems form an important element of the Assurance Plan. Internal Audit will focus on ensuring the effectiveness of IM governance arrangements across TfL and on the effectiveness of resilience, access, and logical security controls for critical systems across TfL.

#### Health, Safety and Environment

- 4.13 A programme of HSE audits will assure the effectiveness of front line operational safety systems and key assets. Other areas of focus will include the extent to which the Asset Performance Directorate's competence management system has been embedded into the organisation, and the effectiveness of LU's systems for managing track access.

#### Risk Management

- 4.14 Following recent changes to TfL's risk management arrangements and in particular the revised approach to the reporting and management of strategic risks, Internal Audit will provide assurance over the effectiveness of risk management and the extent to which it is embedded within the organisation.

#### Core financial processes

- 4.15 The Assurance Plan includes a number of audits of core financial processes. Specific areas of focus will include management accounting and general ledger controls. We will also provide assurance over revenue collection systems operated by third parties on TfL's behalf, including Barclays Cycle Hire, Congestion Charging, and the Cable Car. We will also provide assurance that controls over business expenses and gifts and hospitality remain appropriate.

## **5 DELIVERY OF THE PLAN**

- 5.1 The Integrated Assurance Plan will be kept under review throughout the year. In view of the ongoing pace of change within TfL, it is likely that it will change over the course of the year to reflect changing business priorities.
- 5.2 The Director of Internal Audit will, with input from other assurance providers, provide a quarterly report to the TfL Audit and Assurance Committee and an annual report at the end of the year, summarising the work completed against the Integrated Assurance Plan. This information, together with outputs from other assurance obtained or observed during the year, will be used to inform the overall opinion on the effectiveness of internal controls across TfL.

## **6 RECOMMENDATION**

- 6.1 The Committee is asked to NOTE the Assurance Plan.

## **7 CONTACT**

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<b>TfL Integrated Assurance Plan - 2012/13 - DRAFT</b>			<b>APPENDIX 1</b>
	<u>Outline Scope</u>	<u>Business Area</u>	<u>Assurance Function</u>
<b>Risk category: Delivery Partnerships</b>			
Review controls over revenue collection carried out on TfL's behalf by delivery partners	Review of financial and data security controls in place over revenue collection for Congestion Charging, Barclays Cycle Hire and the Cable Car	Surface Transport/ Rail & Underground	IA
Management of the (new) Croydon Tram Operating Agreement	Review the management of the renegotiated Croydon Tram Operating Agreement, particularly with respect to the effectiveness of the performance regime under the new Management System and Agreement.	Rail & Underground	IA
Procurement of the new DLR Franchise	Review the procurement process associated with renewing the DLR franchise.	Rail & Underground	IA
New Bus for London operations	Review the introduction of the New Bus for London into service.	Surface	IA
<b>Risk category: External Stakeholders</b>			
Project stakeholder management	This activity forms part of the Project Management Framework (PMF), Spearmint or similar (and C-GAP), and is routinely considered in the development and stage gate reviews for the project.	Pan-TfL	Proj Ass
<b>Risk Category: External Threats</b>			
Audit of high level resilience arrangements including business continuity	Review the extent to which Surface Transport has well-defined and effective resilience plans in place to respond to external events that affect service provision.	Surface	HSE/IA
Security assurance on SCADA (Supervisory Control and Data Acquisition) systems	Review, in support of the Resilience Steering Team, of controls over SCADA systems across TfL through a series of targeted security audits.	Pan-TfL	IA
Security Advice and Assurance - Palestra Co Location project	Support to LU Network Security on threat assessment and risk mitigation during the build of the control centre, including real time assurance on current state of planning and design considerations for security mitigations and operations.	Rail & Underground	IA
Security and resilience of data centres	To review the current security arrangements at two data centres to ensure all appropriate security arrangements are employed and that resilience has been considered.	Pan-TfL	IA

	<u>Outline Scope</u>	<u>Business Area</u>	<u>Assurance Function</u>
<b>Risk Category: Financial, Funding &amp; Fraud</b>			
Efficiencies Delivery	Review of delivery of efficiencies including benefits realisation following Horizon and TfL's response to the Deloitte Fresh Eyes Review.	Pan-TfL	IA
Insurance Claims management	Review of processes for managing insurance claims, including TfL's Captive Insurance Provider.	Pan-TfL	IA
Treasury Management	Review of controls over Treasury Management	Corp Directorates	IA
Commercial Development	Review of the strategies undertaken by the new Commercial Development directorate to increase TfL's income from secondary revenue streams, including over station developments.	Corp Directorates	IA
Local Implementation Plans (LIPs)	Review of process and controls for agreeing and monitoring of spend around LIPs	Corp Directorates	IA
Financial Controls	Reviews of elements of core financial controls including management accounting, general ledger controls, business expenses, fixed assets and gifts and hospitality.	Pan-TfL	IA
Fraud risk in projects and contracts	Continuing work started in 2011/12 assessing TfL's maturity in managing the risk of fraud in projects and contracts	Pan-TfL	IA
Control of delegated procurement authorities	Review the controls within SAP over delegated procurement authorities, particularly in the context of organisational changes arising out of Project Horizon.	Rail & Underground	IA
Financial controls in projects	A detailed review of controls over payments to contractors for a sample of major projects.	Pan-TfL	IA
Project funding and business cases	This activity forms part of the PMF, Spearment or similar (and CGAP), and is routinely considered in the development and stage gate reviews for the project.	Pan-TfL	Proj Ass
<b>Risk Category: Health, Safety &amp; Environment</b>			
Competence Management System in LU Asset Performance Directorate (APD)	Review of how well the competence management system has been embedded, and the extent of compliance from all assets areas (on a priority basis to be agreed with sponsor)	Rail & Underground	HSE

	<u>Outline Scope</u>	<u>Business Area</u>	<u>Assurance Function</u>
LU Access Arrangements	Review the extent to which the current management system for managing access to the railway is efficient and effective at mitigating programme delay risks and occupational safety risks; and the extent to which current controls mandated through the system are being complied with.	Rail & Underground	HSE
Surface Transport safety management system audits	Rolling programme of front-line operational safety systems audits for buses and piers	Surface	HSE
LU COO risk/topic-based HSE systems audits	A programme of station/train/service control front-line operational safety systems audits	Rail & Underground	HSE
LU APD risk/topic-based HSE systems audits	A programme of safety audits focused on specific asset groups/management activities as agreed with asset sponsor and senior maintenance managers	Rail & Underground	HSE
Tram maintenance - direct labour organisation	Maintenance organisation compliance with, and effectiveness of the integrated management system	Rail & Underground	HSE
Health, safety and environment in projects	This activity forms part of the PMF, Spearmint or similar (and CGAP), and is routinely considered in the development and stage gate reviews for the project.	Pan-TfL	Proj Ass
<b>Risk Category: Information, Comms &amp; Knowledge</b>			
IM Governance	A series of reviews covering the operating model implemented by TfL IM to manage the business demand for IM services, the delivery of IM services (including SAP) and the management of third-party suppliers involved in the delivery of IM services.	Pan-TfL	IA
IM Resilience, Access and Security controls	Reviews of IM resilience, security and logical access controls, including segregation of duties in respect of core IM services, including SAP	Pan-TfL	IA
Quality of procurement-related data in SAP	A review of the quality of procurement-related SAP data, such as classification of spend and detailed description of spend.	Pan-TfL	IA
Document management in projects	This activity forms part of the PMF, Spearmint or similar (and CGAP), and is routinely considered in the development and stage gate reviews for the project.	Pan-TfL	Proj Ass
Freedom of Information	A review of the efficiency and effectiveness of arrangements for responding to Fol requests.	Pan-TfL	IA

	<u>Outline Scope</u>	<u>Business Area</u>	<u>Assurance Function</u>
<b>Risk Category: Legal Compliance &amp; Regulation</b>			
Security of Record Management Storage facility	Review of the security arrangements in place at the premises used by Crown Records Management to store TfL records	Pan-TfL	IA
PCI DSS Compliance	A series of audits in support of Group Treasury aimed at ensuring compliance with PCI DSS in specified business units. Areas to be covered include security of back up media and offsite storage; security of contact centres; and the incident and escalation processes that support security breaches. Also carrying out internal compliance assessments prior to audit by the external PCI-DSS QSA.	Pan-TfL	IA
Regulatory compliance in projects	This activity forms part of the PMF, Spearmint or similar (and CGAP), and is routinely considered in the development and stage gate reviews for the project.	Pan-TfL	Proj Ass
<b>Risk Category: Olympic Risk Categories</b>			
Games Readiness	Provide assurance over operational readiness for the Games, primarily through ongoing reviews of the Games Assurance Letters process.	Pan-TfL	HSE/IA
Olympic Security Assurance	Support requested by management in respect of planned mitigations against major internal and external events prior to and during the Games. This will include support of liaison with government agencies, and specific partnership working with CPNI, CSEP and LU Network Security.	Pan-TfL	IA
Review of Games 2012 costs	Review and validation by the PMO of Games 2012 costs before submission to ODA	Pan-TfL	Proj Ass
Securing Games-related monies	Review the processes by which TfL seeks to recover all monies due in respect of Games-related work.	Pan-TfL	IA



	<u>Outline Scope</u>	<u>Business Area</u>	<u>Assurance Function</u>
<b>Risk Category: Operations, Facilities &amp; Systems</b>			
Resilience of critical IM applications	Review of IM security and logical access controls, including segregation of duties. Specific application controls reviews related to Congestion Charging, Oyster, Cycle Hire and Taleo. Review of development controls related to applications in DTO.	Pan-TfL	IA
IM Project Delivery	Review of the delivery of business driven IM projects, including the development and upgrade processes related to the SAP Customer Relationship Management system (SAP CRM), SAP Supplier Relationship Management system (SAP SRM) and the post implementation review of Oracle upgrade in Tube Lines.		IA
Analysis of the Annual Asset Maintenance Plan submission process	The extent to which the AAMP drives maintenance activity planned and delivered through the Ellipse maintenance schedules (and equivalent planning processes)	Rail & Underground	HSE
Support Services - embedding of change	Assurance over the extent to which the changes to organisational structure and ways of working have been embedded post-Horizon, and the delivery of planned improvements in support services, including transition arrangements.	Corp Directorates	IA
Business Continuity	Review of business continuity arrangements in non-operational areas of the business following the organisation changes arising from Horizon	Pan-TfL	IA
Local operational control healthchecks	Review of specified operational controls within customer facing areas, including the Lost Property Office, and Taxi and Private Hire	Pan-TfL	IA
Estate Management	Review of the arrangements and controls over the management of the TfL property estate.	Pan-TfL/Commercial Development	IA
Implementation of TfL Document Management System	A review of the project management of the implementation of the new TfL document management system.	Pan-TfL	IA
<b>Risk Category: People &amp; Skills</b>			
Leavers process	Review of leavers' process with particular focus on controls around voluntary severance	Pan-TfL	IA

	<u>Outline Scope</u>	<u>Business Area</u>	<u>Assurance Function</u>
Talent Management	Review of processes and controls in respect of the implementation of talent management into TfL	Pan-TfL	IA
Demand Planning	Review of processes and controls for planning of future demand for staff resources	Rail & Underground	IA
Resource management in projects	This activity forms part of the PMF, Spearmint or similar (and CGAP), and is routinely considered in the development and stage gate reviews for the project.	Pan-TfL	Proj Ass
Pre-employment screening	Work with Interim Resources in HR to provide assurance over pre-employment screening arrangements within TfL's contracted interim resourcing agencies.	Corp Directorates	IA
<b>Risk Category: Project Delivery</b>			
Application of lessons learnt from VLU and JLU into SSLU and NLU	Assessment of the extent to which applicable lessons learnt from upgrade programmes are being applied successfully to the current management and leadership of the SSL Upgrade and Northern Line Upgrade programmes	Rail & Underground	HSE/IA
Sample auditing of PMF compliance	Review, to be jointly managed between HSE and PMO, of compliance with the PMF for a sample of projects. Timings to be managed to contribute to /assist with P3M3 system maturity model and PAS55 re-assessment work.	Rail & Underground	HSE
Future Ticketing	Review of the future ticketing project including delivery, cost and benefits realisation	Corp Directorates	IA
Cumulative benefits of projects on the TLRN	Audit of controls that ensure that benefits yielded by individual projects lead to an overall optimal improvement in the road network.	Surface	IA
Implementation of a single PMF/PMS	A review of the implementation of a single project management framework and a single project management system across TfL.	Pan-TfL	IA
Project management processes	This activity forms part of the PMF, Spearmint or similar (and CGAP), and is routinely considered in the development and stage gate reviews for the project.	Pan-TfL	Proj Ass
LU/CRL working relationships	A review of the effectiveness of the interrelationships between LU and CRL in delivering the Crossrail project	Rail & Underground/ Crossrail	IA

	<u>Outline Scope</u>	<u>Business Area</u>	<u>Assurance Function</u>
<b>Risk Category: Strategy &amp; Leadership</b>			
Risk Management	Reviews of risk management processes and procedures across the business	Pan-TfL	IA
LU Material Management Strategy	A review of the development and implementation of LU's Materials Management Strategy	Rail & Underground	IA
Prioritisation of Mayoral initiatives	A review of the processes for responding to Mayoral initiatives, to ensure that they are proportionate and appropriate at all levels of TfL.	Pan-TfL	IA
Post Games planning	A review of TfL's plans for the post-Games period as TfL and London return to 'business-as-usual'.	Pan-TfL	IA
<b>Risk Category: Supplier Chain Management</b>			
Supplier selection audits	HSE and Quality Management audits of suppliers at pre-contract award stage as part of the supplier selection system	Rail & Underground	HSE
Supplier performance audits	Audits programmed on a reactive basis to assist project management in identifying root causes of poor supplier performance	Rail & Underground	HSE
Delivery of the new Commercial Strategy	A suite of audit work assessing effectiveness of, and supporting, the delivery of the various elements of the new TfL Commercial Strategy	Pan-TfL	IA
Obtaining value for money in contracts	Reviews focused on achievement of value for money from contracts, covering: contract compliance; assessing variations in prices paid for similar works; exploitation of warranties; use of contract reviews; early supply chain activity.	Pan-TfL	IA
Contract administration	Reviews of contract administration in various areas, including: corporate frameworks, LU/LR/BTP maintenance contracts, Facilities, PCO, IM & various Tube Lines contracts.	Pan-TfL	IA
Real Time Procurement Audits	Real time audits of key procurements.	Pan-TfL	IA

	<u>Outline Scope</u>	<u>Business Area</u>	<u>Assurance Function</u>
<b>Crossrail</b>			
Finance & fraud	Audits in respect of financial control, including budgeting and forecasting; a further review of supplier bank accounts; the joiners, movers and leavers process; and fraud awareness. This heading will also include the annual audit of the Complaints Commissioner's accounts.	Crossrail	IA / Crossrail Compliance Audit
Commercial	Audits aimed at providing commercial assurance, covering: key procurements of procurement of rolling stock and railway systems; reliance on assurance from Industry Partners; insurance arrangements with contractors; and controls over Over Site Developments.	Crossrail	IA / Crossrail Compliance Audit
Technical assurance	Audits covering: design management; systems integration; engineering safety management; testing and commissioning; security design; management of technical standards, the technical assurance plan; and management of catastrophic risk.	Crossrail	IA / Crossrail Compliance Audit
Programme management	A review of the management of the programme schedule through change and trend management controls.	Crossrail	IA / Crossrail Compliance Audit
IT & security	Audits of data management & system security; logical controls over SAP data, including testing using data mining techniques; management of the Fujitsu IM contract and contractor site security.	Crossrail	IA / Crossrail Compliance Audit
Safety & environment	Ensuring compliance with Crossrail's safety and environmental commitments and legal duties, though audits of: safety management & reporting; risk assessment; logistics; noise insulation; Planning Environment and Transport consents; CDM; and incident reporting & investigation.	Crossrail	Crossrail Compliance Audit
Management systems	Audits to check compliance with the requirements of ISO9001, ISO14001 and BS OHSAS18001, including: management system processes, document control and quality management.	Crossrail	Crossrail Compliance Audit
Resource allocation	Review of the allocation and management of resources and the workforce mix to confirm confirming that this is in line with the Crossrail Business Plan and agreed objectives.	Crossrail	IA

	<u>Outline Scope</u>	<u>Business Area</u>	<u>Assurance Function</u>
<b>Non Risk Specific</b>			
Peer review of Project Assurance	A peer review of Project Assurance mechanisms that support the Integrated Assurance Framework.	Pan-TfL	IA
London Transport Museum Audits	Short programme of audits agreed with LTM management and Audit Committee, including planning and delivery of Museum efficiencies; stock control processes; and implementation of agreed actions from the LTM's recent Board Effectiveness review.	Corp Directorates	IA
TfL Pension Fund Audits	Short programme of audits agreed with the Pension Fund management and Audit Committee, covering auto enrolment, and the introduction of the National Employment Savings Trust Pension Scheme.	Corp Directorates	IA