

Date: 6 March 2013

Item 7: Internal Audit Quarter 3 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 third quarter of 2012/13, the work in progress and work planned for Quarter 4 of 2012/13.

2 Recommendation

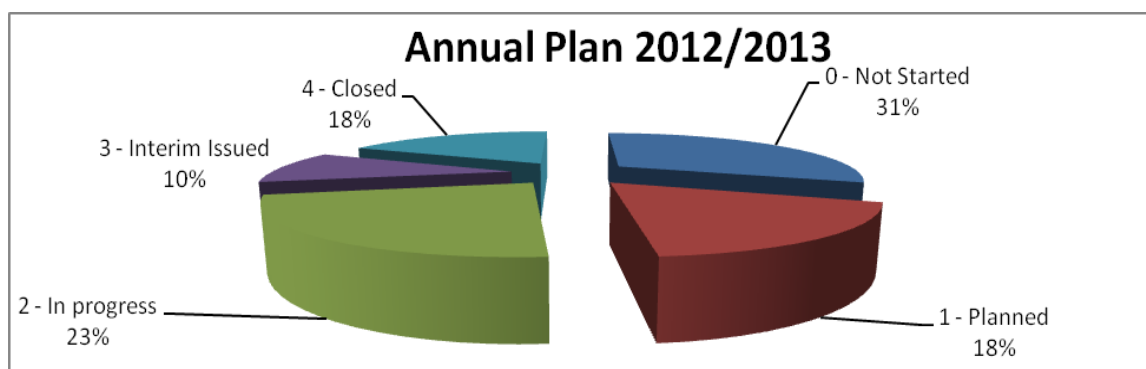
- 2.1 **The Committee is recommended to note the report.**

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.

4 Work Done

- 4.1 The chart below shows progress at the quarter end towards delivery of the 2012/13 audit plan, including work in progress brought forward from 2011/12.



- 4.2 There were 11 Final Audit Reports issued during the quarter. A summary of the report findings (excluding one relating to the TfL Pension Fund), is attached as Appendix 3.
- 4.3 The table below shows the number of Interim Audit Reports and other outputs, including advisory/ consultancy reports and memorandums, issued during the quarter, together with comparative figures for the prior year to date.

	Interim Audit Reports					Other Outputs (Advisory Reports/ Memos)	
	WC – well controlled AC – adequately controlled RI – requires improvement PC – poorly controlled						
	WC	AC	RI	PC	Total		Total
This Quarter	2	4	4	1	11	9	20
Year to date	3	10	15	1	29	23	52
Year to date 2011/12	10	15	27	1	53	15	68

- 4.4 The number of reports and other outputs issued in the year to date is some way below the number issued in the same period last year. This reflects the significantly reduced volume of audit work in the run up to, and during, the Games 2012 period. However, we anticipate increased output during Quarter 4, so that the total number of reports issued in 2012/13 should be similar to 2011/12, with the majority of the plan either complete or in progress.
- 4.5 One interim report issued during the period had a 'Poorly Controlled' conclusion. This was in respect of an audit of the Taleo Recruitment system, which is TfL's web based eRecruitment solution used to support all recruitment activity. The report identified a number of significant issues, and details of these, along with the findings from all of the interim reports issued during the period can be found in Appendix 4. In all cases management actions are being taken forward to address the issues raised.
- 4.6 A summary of the other outputs issued during the quarter, including memorandums and advisory reports (excluding one relating to the TfL Pension Fund), can be found in Appendix 5. One significant piece of work was our efficiencies review at London Transport Museum (LTM). This review, which was requested by management, focused on the adequacy, effectiveness and sustainability of specific elements of management proposals to introduce an efficiencies programme at LTM. Our memorandum highlighted a number of areas in which the current plans could be strengthened along with some additional efficiency areas for consideration.
- 4.7 Another memorandum issued during the period related to our ongoing work supporting the business with regard to Payment Card Industry – Data Security Standard (PCI-DSS) compliance. One member of Internal Audit is a qualified PCI Internal Security Assessor and has worked with the business and external assessors on a series of PCI-DSS gap analyses in a number of areas of TfL, and on preparing TfL staff for future external assessments. Partly as a result of this work TfL has now been formally accepted onto the Barclaycard Risk Reduction Programme (BRRP). This means that TfL will be treated as PCI-DSS compliant, reducing the risk of fines or sanctions.

- 4.8 Three pieces of work have been added to the plan during the quarter at the request of management. These include a review of Benchmarking activity in TfL, a review of controls over the use of electronic catalogues, and a lessons learned review in respect of the TUPE transfer of LU staff to TfL.
- 4.9 Work in progress at the end of Quarter 3 is shown in Appendix 1 and work due to start in the Quarter 4 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 3. Further information on other assurance providers can be found in item 10 on this agenda, the Integrated Assurance Plan 2013/14.

LU HSE Audit

- 5.2 Thirty five audits have been completed to date with a further nine in progress, in line with the plan.
- 5.3 Significant pieces of work included the following:
- (a) A review of the 'Continued Case for Safe Operation' for LU Fleet identified a good level of competence and understanding. However, the audit identified the opportunity for improvements to process documents and the management of information;
 - (b) A review of track drainage renewal design within the Track Partnership identified that appropriate and documented processes were in place. Potential improvements were identified in the Design Management Plan and the completeness of information provided to designers;
 - (c) A review of the management of flooding risk found that improvements have been made since the last review in 2007 with regard to management of risk registers, mitigating risks from project works and maintenance inspection. Further improvement is possible to ensure that operational checks of flood boards are completed and that contingency plans for their deployment are concise and easy to follow; and
 - (d) A review of design change management across a sample of projects found that some mandatory Project Management Framework (PMF) products that aid the management of designs had not been produced. In addition, improvements were required to clarify the level of authority of discipline engineers.

Tube Lines Audit

- 5.4 During the quarter, 11 audit reports were issued. Significant pieces of work included the following:
- (a) An audit of salary and overtime found that employees' completion of timesheets was in accordance with required standards. However, there was scope for greater clarity over the definition of approved timesheet approvers and procedural guidance;

- (b) An audit of the Tube Lines Recognition and Contribution Scheme (TRACS) made a number of recommendations for improvement to controls over the recording of awards and over the stock of vouchers;
- (c) Two audits of competency management systems at suppliers found that both suppliers had systems in place that complied with the LU Standard, but made observations for how these systems could be further improved; and
- (d) An audit of Tube Lines's winter preparedness found that effective contingency plans were in place for dealing with adverse weather conditions. However, some minor areas for improvement were identified.

5.5 Eleven 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

5.6 Investment Programme projects with a total cost over £5m are subject to the Corporate Gateway Approval Process (CGAP). The CGAP reviews are 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.

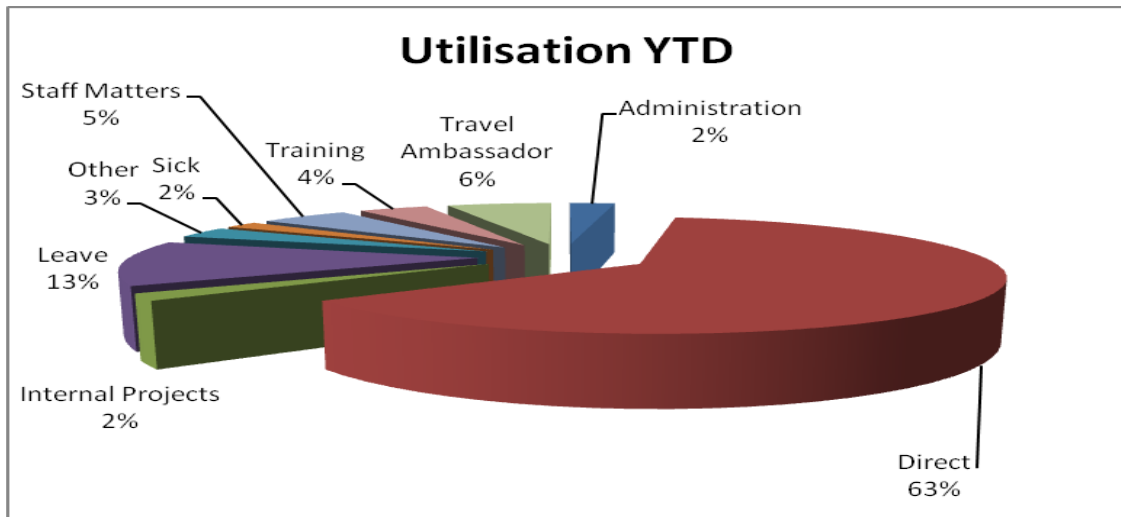
5.7 In quarter 3, 33 reviews were conducted. The Independent Investment Programme Management Group (IIPAG) provided oversight and guidance on 12 reviews, all of projects with an Estimated Final Cost of over £50m. Issues arising from the reviews are presented to the operating boards with agreed actions, owners and timescales.

5.8 Some of the more significant reviews during Quarter 3 were Gate E reviews of Green Park Step Free Access and Bounds Green Traffic Improvement. and a Gate D+ review of Sub-surface Upgrade Programme Rolling Stock. Gate A reviews were completed for the London Overground Capacity Improvement Project, and the London Road User Charging re-let. Gate C reviews were held for Bank Bloomberg Place and Vauxhall Station Capacity. Gate D reviews were held for Baker Street Station Improvement and the LU Escalator Replacement Programme.

6 Resources

6.1 A recruitment process to fill an Internal Auditor vacancy was successfully concluded. The successful candidate took up his post in November.

6.2 The department's utilisation for the year to date is set out in the following chart:



7 Integrated Assurance / Networking

- 7.1 The Assurance Delivery Group (ADG), chaired by General Counsel, has continued to meet regularly. A paper was presented to the Leadership Team in February, setting out progress to date with delivery of the integrated assurance agenda, and proposed next steps. A paper on this subject is included elsewhere on this Agenda.
- 7.2 The LU HSE audit team, consisting of an HSE Audit Manager and ten auditors, was transferred into Internal Audit, with effect from 1 January 2013. They are not yet physically co-located with the rest of Internal Audit, but it is currently hoped that they will move to Windsor House in the Spring.
- 7.3 We continue to meet regularly with the Head of the TfL PMO to discuss upcoming work and ensure that any potential areas of overlap are properly managed.
- 7.4 The Crossrail Integrated Assurance Group (CIAG), which comprises representatives of assurance providers from a range of Crossrail stakeholders, has continued to meet during the quarter. The CIAG is a useful forum for the sharing of assurance activity, which helps minimise the risk of duplication of effort between assurance providers.
- 7.5 During the quarter the Senior Audit Manager – Commercial and Audit Manager – Commercial were interviewed for an article in the Chartered Institute of Internal Auditors' (IIA's) magazine 'Audit and Risk' dealing with the role of Internal Audit in providing assurance over projects.

8 Customer Feedback

- 8.1 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 is included as Appendix 6.

List of appendices to this report:

Appendix 1 – Work in Progress at the end of Quarter 3 2012/13
Appendix 2 – Work Planned at the end of Quarter 3 2012/13
Appendix 3 – Final Reports Issued in Quarter 3 2012/13
Appendix 4 – Interim Reports Issued in Quarter 3 2012/13
Appendix 5 – Advisory Reports and Memorandums Issued in Quarter 3 2012/13
Appendix 6 – Customer Feedback Form – Summary of Responses for Quarter 3

List of Background Papers:

Audit reports.

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Transport for London	
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 3 2012/13
Work Item	Outline scope
Pan TfL	
Embedding of change	
Business Continuity	Review of business continuity arrangements in non-operational areas of the business following the organisation changes arising from Horizon.
TUPE Lessons Learnt Review	Management request to carry out a lessons learnt review in respect of TUPE transfer of non-operational LU employees to TfL.
Efficiencies delivery	
Market Testing of Support Services	To ensure that the procurement processes employed for the market testing of support services are managed effectively, in accordance with approved procedures and EU directives and open, fair and transparent.
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.
Fraud Risk in Projects and Contracts	Review of the effectiveness of fraud prevention & detection controls within projects against a fraud risk maturity model, continuing work began in 2011/12.
Benchmarking across TfL	A review of TfL's benchmarking strategy and 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.

Work Item	Outline scope
Review of electronic catalogue management	Review the effectiveness and efficiency of the management and use of e-Catalogues.
Delivery of Business Driven IM Projects	Review of the controls that have been implemented by IM to effectively manage the lifecycle of IM projects, including the development of a business case with outlined costs and benefits and the monitoring of benefits realised from the delivery of IM projects.
IM Governance	
Service Level Agreements (SLAs) and 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 SLAs and OLAs.
SAP Authorisations and SoD	Effectiveness of processes and governance structures that have been established to identify, manage and monitor critical and high segregation of duties and critical authorisation, including their remediation or mitigation, through the use of the SAP GRC module.
IM Risk Management	Review the effectiveness of the processes in place to identify, manage and mitigate IT risk.
Core Financial Processes	
General ledger management	Reviews of controls over the General Ledger.
Management Accounting	Reviews of controls over management accounting.
Tube Lines	
IM Governance	
Post Implementation Review of Oracle Upgrade	Review the effectiveness of the Oracle upgrade implementation.
Surface Transport	
Project delivery & contract management	
New Bus for London operations	Review the introduction of the New Bus for London into service.
Performance management within ST - Congestion Charging	Advisory work requested by management, following on from the 'Performance Review of Streets' carried out in 2011/12, focused upon Congestion Charging & Enforcement.

Work Item	Outline scope
Core Financial Processes	
Financial Controls over payments to contractors on major projects	A detailed review of controls over payments to contractors for a sample of major projects.
Congestion Charging Scheme - Review of Application Processes and Controls	Effectiveness of controls over processes and systems involved in generating revenue for TfL through the congestion charging scheme.
Traffic Directorate - Review of Development Application Controls	Review the effectiveness of development controls, compliance with TfL standards and alignment with business strategy.
Other	
Taxi and Private Hire - controlled stationery	Review of process and controls over the security and issuing of T&PH controlled stationery.
Finance	
IM Governance	
Delegated authorities	To review compliance with TfL Standing Orders in view of Project Horizon organizational changes.
HR	
Other	
Voluntary Severance	Review of processes and controls over the voluntary severance process including compromise agreements.
Non Permanent Labour	Review the effectiveness of the controls in place over non permanent labour (agency workers and contractors).
Voluntary Severance E-Form Development	Consultancy work with Voluntary Severance to assist in implementation of new e-form.
Crossrail	
Budgeting and Forecasting	Review the management of budgeting and forecasting within Crossrail.
Commercial Reliance	Review the management of commercial agreements and assess the delivery of assurance by industry partners, including the proposed Network Rail Commercial Assurance Plan; and the interface with London Underground.

Work Item	Outline scope
Insurance arrangements	Review the management of Crossrail insurance arrangements with contractors and the interface with Industry Partners.
Consultant Invoice Management	Review effectiveness of processes followed during the preliminary stages (e.g. ITT) of the procurement of rolling stock including HSQE requirements.
London Transport Museum	
LTM Stock	Review of process and controls over LTM stock including follow up of issues raised by KPMG in their year end audit.
TfL Pension Fund	
Review of Compendia / SAP Interface (Real Time Audit)	Review the effectiveness of interface controls between Compendia and SAP.

Transport for London	
Internal Audit plan 2012/13 by directorate	
Approved by the TfL Audit Committee 7 March 2012	Work Planned - as of the end of Quarter 3 2012/13
Work Item	Outline scope
Pan TfL	
<i>Project delivery & contract management</i>	
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.
Peer review of Project Assurance	A peer review of Project Assurance mechanisms that support the Integrated Assurance Framework.
LU/CRL working relationships	A review of the effectiveness of the interrelationships between LU and CRL in delivering the Crossrail project.
<i>IM Governance</i>	
IM Operating Model [Service Management]	Real time review of work streams that cover distinct aspects of the operating model to be implemented by IM in the delivery of services, including the definition of IM service models, management of IM service catalogues and management of IM configuration.
Run Better Programme	A real time review of the governance processes that have been established to make effective business decisions regarding TfL enterprise resource planning system(s), including the methodologies that have been implemented by IM to work with the business in the identification of strategic objectives and key operational processes and the technology that would be required to enable their delivery.
IM Security Review	Review of the effectiveness of controls that have been established to effectively respond to and manage security incidents and malfunctions, ensure effective protection from malicious software, and effectively and securely handle removable media and exchanges of information and software (eg electronic mail).

Work Item	Outline scope
Core Financial Processes	
Business expenses/purchasing cards	Review to ensure that controls over business expenses, including purchasing cards, continue to be properly enforced.
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.
Underground and Rail	
Project delivery & contract management	
BTP building maintenance	A review of the administration of the BTP maintenance contract.
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	
Insurance Claims Management	Review controls in LU over payment of insurance claims against the company.
Emirates Airline Revenue	Review of financial controls in place over revenue collection for the Emirates Airline.
Risk	
Risk Management LU	Review to ensure an effective risk management process is 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.

Work Item	Outline scope
Tube Lines	
IM Governance	
General IT Controls	Effectiveness of general IT controls including users access, change control, resilience and BCP/DR.
Surface Transport	
Efficiencies delivery	
ST Efficiencies Delivery	Audit of the delivery of ST's programme of efficiencies focusing on providing assurance that these are real and sustainable.
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.
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, focused 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.
Games delivery	
Risk	
Risk Management ST	Review to ensure an effective risk management process is in operation within Surface Transport for identifying, assessing, managing and reporting on risk.
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.
Core Financial Processes	
Treasury Management	Review of processes and controls in place over Treasury activities.
Other	
Commercial development	Review of the strategies undertaken by the new Commercial Development directorate to increase TfL's income from secondary revenue streams.

Work Item	Outline scope
General Counsel	
IM Governance	
TfL's Information Security Incident Management Process	Review the current incident management process surrounding information security breaches, particularly with regards to breaches of the DPA and PCI DSS.
Other	
Gifts and Hospitality	Audit to assess the efficiency and effectiveness of process and controls around recording, authorising and monitoring of Gifts and Hospitality.
Marketing and Communications	
Core Financial Processes	
Oyster System - Review of Application Processes and Controls	Review the 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.
Role design/evaluation	Audit to assess control effectiveness in People Planning and Organisational Effectiveness around HR programme of job evaluation and design following Horizon.
Crossrail	
Security Design and Implementation Management	Review of the effectiveness of security design and implementation management.
Fraud Awareness Survey	Survey based analysis of fraud awareness in Crossrail.
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.
IM Contract - Fujitsu	Review of management of the Fujitsu contract through the Fujitsu Deliverables Matrix.
Over Site Development (OSD)	Review controls in place aimed at maximising the benefits of OSD.
SAP effectiveness / data mining	Review the management of financial controls within SAP, covering segregation of duties, basis controls and access controls.

Work Item	Outline scope
Procurement (2) - rolling stock	Review effectiveness of processes followed during the preliminary stages of the procurement of rolling stock including HSQE requirements.
Compensation Events	A review of the effectiveness of the Compensation Events process, to include how these are monitored and managed to completion.
Business Continuity	Review of Business Continuity and Disaster Recovery arrangements including planning, covering business impact analysis, risk assessment and incident response.

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_09_137F	LU Controls Over Stock	12/07/2010 RI	To review the effectiveness of the controls that LU exercises over the stock that it holds.	<p>Our Interim Audit Report dated 12 July 2010 entitled LU Controls over Stock identified four significant issues and four other issues:</p> <ul style="list-style-type: none"> • There were no centralised, company wide policies governing the controls that should be applied over LU's stock. • The implementation of SAP by LU, and the associated transfer of stock data from Ellipse onto SAP, resulted in the stock data recorded in SAP being inaccurate. • Instances of 'nil stock in demand' were identified at several locations. This is where the stores run out of a line of stock, but there is demand for that stock item for use in repairs either to the infrastructure of the railway or to the fleet of trains. • LU owned a significant amount of stock that was not recorded in the company's financial statements. The value of this stock was hard to determine since much of it had never been counted, but it could potentially have been as high as £10m. The majority of this related to replacement track and components located alongside the railway, known as 'lineside spares'. <p>We have previously carried out two follow up reviews of the status of the agreed management actions from this Audit. In both cases we were unable to close the audit as not all of the actions had been completed. However, work to address them was being taken forward as part of the delivery of LU's Materials Strategy.</p> <p>We have now conducted a third follow up review. We found that of the ten actions, seven have now been completed and three remain partially addressed. The partially addressed actions have been sufficiently progressed to give us confidence they will be satisfactorily concluded. A separate audit of the Materials Strategy Programme is planned for later this year.</p> <p>This audit is therefore closed.</p>	28/09/2012 ACL

Reference	Report Title	Interim Report Issued	Original Objective	Summary of Interim Findings	Final Report Issued
Surface Transport					
Core Financial Processes					
IA_11_114F	Surface Transport Support Vehicles	14/03/2012 RI	To provide assurance over the use of Surface Transport's fleet of support vehicles.	<p>Our Interim Audit Report dated 14 March 2012 entitled Surface Transport Support Vehicles identified two significant issues which resulted in five management actions:</p> <ul style="list-style-type: none"> There was underreporting of road-related accidents and incidents to Surface Transport (ST) local management and HSE when compared to records held at the Distribution Services Centre (DSC). Mileage recorded at the DSC was often significantly below the actual mileage of support vehicles. <p>One other issue was raised which resulted in a further action.</p> <p>We have now carried out a follow up review of the agreed management actions, and found that five actions have been satisfactorily addressed. One action remains partially addressed, however there is a plan in place to ensure it is completed in the near future. Accordingly, this audit is now closed.</p>	31/10/2012 ACL
IA_11_113F	London Taxicard Scheme	07/09/2011 RI	To determine the effectiveness of the controls over the London Taxicard Scheme (LTS), including the claims process and overcharging procedure.	<p>Our Interim Audit Report dated 7 September 2011 entitled London Taxicard Scheme identified three significant issues:</p> <ul style="list-style-type: none"> TfL had not been provided with access to the majority of the boroughs' taxi journey records, for review purposes. There were weaknesses in follow up of compliance checks carried out on Taxicard journey records. A refund was outstanding in respect of an over charge for Taxicard journeys. <p>The original follow up review of the agreed actions was scheduled for May 2012 but due to the discussions that were underway at this time between TfL and London Councils it was agreed to postpone this to November.</p> <p>We have now carried out the follow up review. All actions have been satisfactorily addressed and this audit is therefore closed.</p>	19/11/2012 ACL
Project and Contract Management					
IA_10_214F	Project Financial Accounting	17/01/2011 AC	To provide assurance regarding Surface Transport's processes for ensuring accurate and current financial information on projects and programmes is available and used for reporting.	<p>Our Interim Audit Report dated 17 January 2011 entitled Project Financial Accounting identified the following two significant issues:</p> <ul style="list-style-type: none"> Project managers did not always have sufficient access to SAP to run reports. This constrained a PM's ability to use SAP data for ensuring that any locally-held financial spreadsheets are accurate, and contributed to a general perception that SAP data is unreliable. 	28/09/2012 ACL

Reference	Report Title	Interim Report Issued	Original Objective	Summary of Interim Findings	Final Report Issued
				<ul style="list-style-type: none"> There was no single document that sets out how projects should set up and maintain their financial accounts. This was an omission in the TfL Finance Manual and was being addressed by the development of an IPMO standard for project accounting. <p>One other more minor issue was also identified.</p> <p>We have carried out a follow-up review and found that six of the seven agreed actions to address the issues have been satisfactorily addressed. The remaining action is in progress. We are satisfied that adequate progress is being made regarding the 'in progress' action, and this audit is now closed.</p>	
Finance					
IM Governance					
IA_12_006F WC	Security and Resilience of Data Centres	15/11/2012 WC	To assess the effectiveness of the physical and logical security arrangements at TfL Data Centres to ensure confidentiality, integrity and availability of TfL data.	See Interim Audit Report Summary in Appendix 4.	15/11/2012 WC
London Transport Museum					
Other					
IA_11_139F	LTM Management Information	19//12/2011 RI	The objective of this audit was to review the adequacy and effectiveness of the controls in relation to Management Information (MI) at the LTM.	<p>Our Interim Audit Report dated 19 December 2011 entitled LTM Management Information identified two significant issues which resulted in four management actions:</p> <ul style="list-style-type: none"> There were no formal documented governance arrangements for MI data collection, review, and reporting; A review of Periods 3 to 6 found that several MI reports for the Museum Board and the Museums, Libraries and Archives (MLA) contained inaccurate data due to weaknesses in the reconciliation processes. <p>Three other issues were raised which resulted in a further four actions.</p> <p>We have now completed a follow-up audit, which has confirmed that six management actions have been satisfactorily addressed.</p> <p>Two actions remain partially addressed, however there is a clear plan in place to ensure they are completed shortly. Accordingly, this audit is now closed.</p>	09/11/2012 ACL

Reference	Report Title	Interim Report Issued	Original Objective	Summary of Interim Findings	Final Report Issued
Crossrail					
IA_11_507F	Construction Quality Management and Self Certification	27/06/2012 RI	To provide assurance on the establishment and monitoring of quality management policies and standards in respect of construction work.	Our Interim Audit Report dated 27 June 2012 entitled Construction Quality Management and Self Certification identified two significant issues in relation to: <ul style="list-style-type: none"> Quality management by the Contractor and ineffective use of contractual remedies by CRL Availability of Crossrail resource for quality management intervention. We have carried out a follow up review of the status of the agreed management actions and found that these have been satisfactorily addressed. This audit is therefore closed.	26/09/2012 ACL
IA_11_515F	Fujitsu Contract Audit	07/08/2012 RI	To assess the integrity of the information provided by Fujitsu to support the “Enhanced As Is” Services (EAI) contract in relation to the performance and service delivery targets.	Our Interim Audit Report dated 7 August 2012 identified one significant issue in relation to the provision of documentary evidence by Fujitsu to support the service measures as set out in the SOM (Service Obligations Matrix). We have carried out a follow up review of the status of the agreed management action and found that this has been satisfactorily addressed. This audit is therefore closed.	31/10/2012 ACL
IA_11_512F	Project Delivery Partner (PDP) Contract Performance	30/07/2012 RI	This audit reviewed the effectiveness of controls to manage the delivery of services arising from the PDP contract.	Our Interim Audit Report dated 30 July 2012 identified two significant issues: <ul style="list-style-type: none"> There is a need to review charge rates in light of the reduction in PDP's level of risk exposure; and control over the deployment of personnel resources appears to be being devolved to Area Directors with insufficient oversight by Crossrail management. We have carried out a follow up review of the status of the agreed management actions (see below) and found that these have been satisfactorily addressed. This audit is therefore closed.	31/10/2012 ACL
IA_12_516F WC	Supplier Bank Account Controls	15/11/2012 WC	To confirm that robust controls are in place and operating effectively over the administration of changes to SBA details.	See Interim Audit Report Summary in Appendix 4.	15/11/2012 WC
IA_12_501F	Trend and Change Control	12/09/2012 AC	To provide assurance that the Trend and Change Control process is robust and being applied consistently.	The Interim Audit Report dated 12 September 2012, entitled Trend and Change Control, identified no significant issues, and only one less significant issue in relation to the timely review of risk actions on ARM. We have carried out a follow up review of the status of the agreed management action and found that this has been satisfactorily addressed. This audit is therefore closed.	30/11/2012 ACL

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
Finance					
IM Governance					
IA_12_423	Review of SAP Change and Crisis Management Procedures	08/12/2012 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.	14/01/2013	<p>We noted the following examples of good practice:</p> <ul style="list-style-type: none"> Axon has established service level targets for the services sub-contracted to Northgate, and these are monitored by and reported to Axon on a monthly basis. In April 2012, Axon commenced using its service desk system, Amulet, in addition to the Northgate change management system, to log and manage all changes to the network and server software and infrastructure carried out in the data centres managed by Northgate. Axon has a crisis management procedure that outlines the escalation path to be used and activities to be followed in restoring the SAP service in the event of a major disruption that affects TfL. This procedure has been reviewed and updated following each major incident, including the one that initiated this audit, to include relevant lessons learnt from the incident. Axon has a disaster recovery plan involving a failover of the SAP service from the primary site to the disaster recovery site. TfL, Axon and Northgate take part in the disaster recovery tests that are carried out annually and lessons learnt are communicated to TfL management. <p>We noted one significant issue. Requirements for periodic physical inspections to verify the existence of IM assets held by third parties, including Northgate, have not been defined and implemented, and there is no formal guidance defining the useful life of these assets.</p> <p>Three less significant issues were also noted.</p>

IA_12_006F WC	Security and Resilience of Data Centres	15/11/2012 WC	To assess the effectiveness of the physical and logical security arrangements at TfL Data Centres to ensure confidentiality, integrity and availability of TfL data.	15/11/2012 WC	<p>All aspects of the scope were examined during the audit and no significant issues were found.</p> <p>We can confirm that the protective security arrangements, for both sites, are being effectively managed and are commensurate with the security risks. In particular we found that:</p> <ul style="list-style-type: none"> • The physical and logical security arrangements in place at the data centres were operating effectively. • There were clearly documented policies and procedures covering all aspects of security related activities, apart from one minor issue (see below). • The access control arrangements were clearly defined and rigorously applied throughout the day to day operation and we were particularly pleased to note that these arrangements were included in a regular regime of testing. • There were procedures for employee screening in operation and clearly defined risk based roles with the appropriate level of checks being completed. • There were effective processes in place for the management, acquisition, relocation and disposal of assets, and these were supported by detailed and up to date documentation. <p>We did, however, identify a minor issue relating to data centre documentation which did not fully conform to the TfL Standards. This minor issue was immediately addressed at the time of the audit and there is now a regime to ensure all TfL data centre documentation is subject to annual review and update.</p>
Project and Contract Management					
IA_12_611	Facilities Management Contracts	28/09/2012 AC	Reviewed the effectiveness of contract management and administration controls and processes for delivering facilities management services.	28/02/2013	<p>The following examples of good practice were identified:</p> <ul style="list-style-type: none"> • A performance management system has been developed to assess, record and monitor supplier performance. The Facilities Operations contract managers undertake regular audits of the suppliers, reviewing performance against contractual specifications and agreed Key Performance Indicators (KPIs). Weighted fee abatements have been assigned to the KPIs and are charged to the suppliers for any identified non-compliance with the contracts. • Collaborative working arrangements are in place; the suppliers' representatives are co-located with the Facilities Operations team and share (with limited access) use of some TfL contract management systems. • The Facilities Operations team comprises knowledgeable and experienced contract managers, who demonstrated good awareness and understanding of the contracts, suppliers and the TfL estate. <p>The audit identified four non-significant issues.</p>

General Counsel					
Project and Contract Management					
IA_12_104	HSE and Resilience Assurance	05/10/2012 AC	The audit reviewed the operation of the Annual Assurance Letters process including an examination of the accuracy and rigour of the self-assessment returns.	29/04/2012	<p>The Assurance Letters process is not a requirement of health and safety legislation or other regulations. As such it is considered good practice to have proactively introduced this additional self-assurance process.</p> <p>An appropriate governance framework is in place, key aspects of which include:</p> <ul style="list-style-type: none"> • Senior management ownership of and involvement in the process; specifically through approval of the letters by chief officers, review by the Commissioner, and the latter's attendance at the meeting of the S&SP at which the letters are discussed. • Identification of all the parties involved in the process, clearly defined roles and responsibilities and adequate communication between them. <p>All the relevant TfL business areas are involved in the process, and each has introduced suitable procedures to ensure the prompt production of the letters for submission to the S&SP.</p> <p>To ensure consistency, comparability and ease of review by recipients, a standard template is used for the letters, which shows the subject areas and the rating for each.</p> <p>The audit identified the following Priority 2 issues.</p> <ul style="list-style-type: none"> • The subject areas assessed for both letters have remained largely unchanged since their introduction, in spite of the fact that the TfL business areas are now wholly or largely compliant. • Tube Lines, a wholly-owned TfL subsidiary, has not been included in the process because LU has opted to treat it as a major contractor. • Some of those involved in the process keep the related documents on their personal computer network drives, which other members of their teams do not have access to.
Other					
IA_12_111	Transparency Agenda	18/10/2012 AC	To determine the extent of TfL's compliance with the Code, and the effectiveness of the processes introduced for complying with the Code.	01/03/2013	<p>Our audit, which covered all the areas outlined in the scope, confirmed that TfL has responded to the Code in an appropriate manner and has taken the necessary action to comply with its requirements. Crossrail is also taking steps similar to TfL's to publish the required information on its own website. Tube Lines information is included with that for TfL.</p> <p>The audit did not identify any significant issues.</p>
IA_12_114	Employment Tribunal Processes	22/11/2012 AC	To provide assurance that TfL has effective processes to manage Employment Tribunal cases brought against it.	28/02/2013	<p>The audit identified the following positive results:-</p> <ul style="list-style-type: none"> • In the 2011/12 financial year, TfL won four times as many Employment Tribunal cases as it lost; • In the sample of ten cases reviewed in detail, the correct documentation was prepared for Employment Tribunals, and was delivered to them by the appropriate deadlines; • Legal advice was provided to managers for all the decisions made about case strategy for the cases sampled; • There are regular workshops and mock Employment Tribunals to provide TfL witnesses with training, to prepare them for appearing at tribunal hearings. <p>We identified no significant issues during this audit but did identify one other issue.</p>

Marketing and Communications					
IM Governance					
IA_12_424	Contact Centre Operations (CCO) – Protection of Personal Data	23/10/2012 RI	To review the adequacy and effectiveness of the controls that have been implemented within the 1st Contact and Customer Support teams to ensure the security of personal data.	15/01/2013	<p>Our audit identified the following significant issues:</p> <ul style="list-style-type: none"> • Audio recordings were not managed in compliance with TfL's policies; • The "New Starter, Mover and Leaver" (NSML) procedure requires improvement and is not consistently applied across the team. • Assurance over compliance with personal data processes and procedures is not performed consistently across CCO operations; • CCO staff have not undertaken sufficient mandatory refresher training; and • CCO team has not implemented a process to improve handling of information in compliance with TfL's Information Security Classification Standard. <p>In addition, one less significant issue was raised.</p>
IA_12_105	Lost Property Office Operations (LPO)	07/12/2012 RI	To review the adequacy and effectiveness of the controls in place over LPO operations.	30/04/2013	<p>The LPO processes increasingly large volumes of property year on year. Despite the limitations of the current 'Sherlock' IT system, LPO staff efficiently perform the processing of property and reuniting lost property to its owners.</p> <p>We identified the following significant issues:</p> <ul style="list-style-type: none"> • No guidelines in place for the disposal of unclaimed property including sales to staff; • Limitations with the 'Sherlock' IT system for recording and processing lost property items. The development and implementation of the new 'Holmes' IT system is subject to delays and uncertainty; • Absence of a clear, documented strategy and business objectives for delivering LPO operations following the Games period; and • Financial controls over the LPO reward and recognition scheme require improvement. <p>Four less significant issues were also raised.</p>
Crossrail					
IA_12_516F WC	Supplier Bank Account (SBA) Controls	15/11/2012 WC	To confirm that robust controls are in place and operating effectively over the administration of changes to SBA details.	15/11/2012 WC	<p>A comprehensive process for the administration of changes to SBA details is in place and is being applied consistently.</p> <p>No issues were identified.</p>
IA_12_513	PAYE and GAYE in Crossrail	06/12/2012 RI	To review how Crossrail ensures that PAYE and GAYE is calculated and administered accurately by the outsourced payroll provider.	30/04/2013	<p>One Priority 1 issue has been identified in relation to the service contract for provision of payroll services. A signed copy of the contract was not readily available. Furthermore the contract was out of date and there was no evidence of subsequent review and extension to the contract. There has been uplift to the costs agreed initially and there is no transparency with regards to the negotiations that have taken place.</p> <p>In addition, two Priority 3 issues have been identified.</p>

One HR					
Implementation of organisational change					
IA_12_416	Taleo Recruitment System	25/10/2012 PC	To provide assurance that the Taleo Enterprise (TE) application and its hosting model support the business in delivering its recruitment objectives whilst maintaining compliance with applicable data protection legislation and corporate security requirements.	30/04/2013	<p>The TE application work stream, managed by the Recruitment Delivery Manager, was initiated under the HR Services Recruitment Action Plan in March 2012. The objective of this work stream has been to identify key areas that require enhancement and training and ensure data integrity system accuracy by developing a framework on data maintenance responsibilities.</p> <p>We reviewed all of the areas included in the scope of this audit and our key findings have been summarised as follows:</p> <ul style="list-style-type: none"> Contractual clauses that would enable personal data to be processed outside of the European Economic Area (EEA) in accordance with the Data Protection Act (DPA)1998 have not been properly completed; Personal Identifiable Information (PII) relating to unsuccessful applicants is not deleted after 12 months, as specified in TfL's privacy agreement; The existing TE system does not meet the user requirements identified for the procurement phase; The performance figures reported by Taleo Corporation are not analysed against defined service levels and verified for accuracy; The reliance placed on the contracted system administrator of the TfL IM Taleo eRecruitment system and lack of process documentation may impact the provision and quality of system support; The absence of a user access policy underpinned by starter, mover and leaver processes has resulted in large numbers of active accounts being created for staff who have subsequently left service, moved to other areas of the business or simply do not need them to perform their day to day duties; and, TE password logon parameters in use are significantly weaker than those specified in the TfL IM standard. <p>One minor issue was also identified.</p>

Reference	Report Title	Date Issued	Report Type	Objective	Summary of Findings
IA_12_129	Fraud Risk Management	27/09/2012	Memo	To review the adequacy and effectiveness of the TfL Fraud Risk Management processes.	Action is being taken forward to develop TfL arrangements for the strategic management of fraud risk, including development of an anti-fraud strategy for TfL.
IA_12_109	London Transport Museum Efficiencies Review	18/10/2012	Memo	Internal Audit were requested to work with LTM management to review the adequacy, effectiveness and sustainability of specific elements of current management proposals to introduce an efficiencies programme.	The findings from our review endorsed LTM management's initiatives aimed at reducing expenditure and improving efficiency. We made recommendations aimed at further enhancing the effectiveness of these initiatives in realising savings. In addition we made some further recommendations to improve the LTM efficiencies programme.
IA_12_127	London Transport Museum Board Effectiveness	31/10/2012	Memo	To review delivery of the agreed actions to improve LTM Board effectiveness arising out of the facilitated review carried out at the Away Day in November 2011.	Three of the four actions had been completed. One action remained partially addressed, but an action plan is in place to ensure this is completed in the near future. With good progress made against the four actions, the LTM Board is well placed for the next facilitated review.
IA_11_402	Review of OneLondon End User Applications Software Licensing - Interim Follow Up	08/11/2012	Memo	To provide assurance that TfL has implemented effective and efficient practices to manage software licensing for OneLondon end user applications in compliance with legal, regulatory and contractual obligations.	Good progress is being made with the delivery of a strategy and processes for the management of software assets across TfL. The management action plan is due to be completed by the end of January 2013 and a full review will be carried out at that time to confirm it has been fully implemented and the controls are operating effectively.
IA_12_610	Document Management Systems Improvement Programme (DMSIP)	14/11/2012	Memo	To review the effectiveness of the project management controls over the DMSIP.	The DMSIP is 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. However, there have been delays to the Strategic LiveLink project, with a key milestone missed. There remain concerns regarding the achievement of the new target go live date, as there are many activities and dependencies that must be completed in a tight timescale with little margin for error or delay.
IA_11_011	Real Time Assurance of PCI DSS compliance	15/11/2012	Memo	Internal Audit has been working closely with Group Treasury over the past 18 months to ensure that TfL meets its contractual obligation to protect TfL customer credit card information in line with security industry best practice as defined by the Payment Card Industry Data Security Standard (PCI DSS). The purpose of this memorandum is to provide an update on this work to date, and future planned work.	There has been a lot of good work undertaken and a large degree of compliance has been achieved in a number of business units. There is still work ongoing to achieve compliance in other areas, and we will be continuing to confirm the progress made on implementing the findings at regular meetings and through the assessments carried out by the Internal Security Assessor within Internal Audit.
IA_MEM_12_510	Crossrail Procurement – review for evidence of bidder collusion	15/11/2012	Memo	To identify if there is any evidence that might indicate collusion between bidders during the procurement of key contracts.	The review covered a selection of 20 Crossrail contracts and did not identify any evidence of collusion between bidders.
IA_12_100	London Roads User Charging (LRUC) and Traffic Enforcement Notice Processing (TENP) Options Project	07/12/2012	Memo	To review the financial requirements of the proposed contract for the Future Options project, in order to ensure the inclusion of the appropriate controls.	Our review confirmed that the key financial controls have been included in the documents reviewed, and the relevant issues identified by our previous audits in this area have been taken into consideration.

INTERNAL AUDIT CUSTOMER FEEDBACK FORM SUMMARY OF RESPONSES FOR 2012/2013 QUARTER 3

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 Q3 = 10 (Q2 = 18)

Customer Feedback Forms Returned Q3 = 5 (Q2 = 10)

		No score given	Very poor	Poor	Satisfactory	Good	Very good	Average Score
ASSIGNMENT ASSESSMENT CRITERIA		1	2	3	4	5		
PLANNING AND TIMING								4.0 (3.5)
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)	0 (0)	1 (1)	2 (9)	2 (0)	
2)	The assignment was completed and the report issued within appropriate timescales	0 (1)	0 (1)	1 (2)	1 (2)	1 (4)	2 (0)	
COMMUNICATION								4.3 (3.5)
3)	Communication prior to the assignment was appropriate, including the dates and objectives	0 (0)	0 (0)	0 (0)	0 (3)	3 (5)	2 (2)	
4)	Throughout the assignment I was informed of the work's progress and emerging findings	0 (0)	0 (1)	0 (1)	0 (5)	4 (2)	1 (1)	
CONDUCT								3.9 (3.3)
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 (3)	2 (3)	2 (2)	1 (2)	
6)	The Internal Audit team acted in a constructive, professional and positive manner	0 (0)	0 (0)	0 (0)	1 (2)	3 (5)	1 (2)	
RELEVANT AND USEFUL ADVICE AND ASSURANCE								3.8 (3.3)
7)	A fair summary of assignment findings was presented in the report	0 (0)	0 (0)	1 (1)	2 (5)	1 (3)	1 (1)	
8)	Assignment recommendations were constructive, practical and cost-effective	0 (1)	0 (1)	0 (0)	2 (5)	2 (2)	1 (1)	
9)	My concerns were adequately addressed and the review was beneficial to my area of responsibility and operations	0 (0)	0 (1)	0 (2)	2 (2)	1 (4)	2 (1)	
Overall assessment								4.0 (3.4)

Other comments including suggested improvements and areas of good performance:

“The original time scales and effort anticipated was quite a way short of actuals. The auditor would have benefited from a better understanding of IM processes that linked into the processes that were audited. A large amount of time was taken to explain how all this hangs together and there was a lot of repetition. Additional benefit could have been derived by a deeper technical knowledge of what was being audited.”

“I would like to renew my thanks for the behaviours demonstrated by the team who in my view were outstanding. The Senior Audit Manager’s listening skills and leadership with the rest of the team were a massive contributor to the audit running smoothly. I am satisfied that the findings and associated risks were eventually weighed fairly thanks to a communication channel that was kept open at all times.”