

## Audit and Assurance Committee

**Date:** 16 March 2022

**Item:** Integrated Assurance Plan 2022/23

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**This paper will be considered in public**

### 1 Summary

- 1.1 The purpose of this paper is to present the 2022/23 Integrated Assurance Plan (IAP) to the Committee for approval.

### 2 Recommendation

- 2.1 The Committee is asked to approve the Plan.

### 3 Background

- 3.1 The Risk and Assurance Directorate delivers assurance across TfL through the activities of Internal Audit, Integrated Assurance, Project Assurance, and Enterprise Risk Management (ERM). The work of the ERM team ensures there is a sound basis for the assurance activities carried out by the other functions. Each assurance function has its own detailed programme of work, the results of which provide the evidence for the Risk and Assurance Annual Report and the annual Internal Audit opinion.
- 3.2 In order to have a more dynamic and effective programme of audit work, we have taken a different approach to preparing the plan. We are proposing to move away from the traditional annual plan to a rolling 18-month programme. This will allow us more flexibility to respond quickly to changes in the Enterprise Level 0 and 1 risk, strategic and operational changes across TfL as well as any additional requests for assurance work from the business.
- 3.3 The IAP, attached at Appendix 1, sets out in detail the Internal Audit (third line of defence) work we plan to carry out in the first six months of 2022/23. The IAP includes, at Appendix 2, an indicative plan for the second half of the year. This is subject to review and provides the level of flexibility to meet any changes to the organisation's assurance needs. To provide a longer term view we have provided potential areas for inclusion for the first six months of 2023/24. Appendix 3 provides an overview of all our proposed activity over the next 18 months. The plan also shows the areas where there will be second line of defence audit or review activity carried out by other assurance teams, both within Risk and Assurance and elsewhere in TfL.

## **4 Development of the Plan**

- 4.1 The plan has been produced through our evaluation of business risk and activity and our interaction with the business. We have also used intelligence gathered through our work across TfL. The starting point for development of our IAP is a review of the TfL Enterprise Risks and the key controls that have been identified over those risks. In addition, we focus our work on significant areas of business change and areas where we have found significant issues in the past.
- 4.2 The plan is built in three layers:
  - (a) **risk-driven** – work that provides assurance over the management of specific risks or are based on themes and trends that could present a risk to the business;
  - (b) **core** – repeat/cyclical assurance actives such as financial/people/procurement key control work, Safety, Health and Environment (SHE) management systems, grant certifications etc; and
  - (c) **business led** – areas requested by the business or drawn from the ongoing cycle of business activity.

Supporting this is the information provided through the work of the ERM, Counter-fraud and Corruption, Integrated Assurance and Project Assurance teams.

- 4.3 The IAP also incorporates audit activity for the Elizabeth line, London Transport Museum (LTM) and the TfL Pension Fund. LTM and the TfL Pension Fund each have their own Audit Committee. We will present relevant sections of the IAP to those committees for review and approval as follows:
  - (a) the TfL Pension Fund Audit Committee on 2 March 2022; and
  - (b) the LTM Risk and Audit Committee on 25 April 2022.

- 4.4 Additionally, we share the IAP with the external auditors, Ernst & Young, and discuss, where appropriate, any areas where they wish to place reliance on our work.

## **5 Delivery of the Plan**

- 5.1 The plan is based on the current staff levels within the Internal Audit team. Any changes in staff numbers will be reflected in amendments to the plan. It takes into account those audits that started in Quarter 4 of 2021/22 and where the agreed dates for reporting fall into next year. We are keen to move away from carrying a large percentage of the plan forward to the following year. The rolling programme approach will reduce the likelihood of this pattern continuing. We have tried to limit this carry over as much as possible. By doing so we have a plan that is deliverable, properly resourced and prioritised in terms of risk, business need and assurance that key controls are working effectively.

- 5.2 The plan will be reviewed regularly with additional planning meetings towards the end of each six-month period. This will ensure that we are providing assurance that reflects the organisation's current risk status, any major organisational changes or resource changes.

## **6 Other Audit and Review Activity**

- 6.1 The IAP highlights areas where second line of defence, audit and review activity, is being provided by other teams, in particular the Integrated Assurance and Project Assurance teams within Risk and Assurance. The Independent Investment Programme Advisory Group (IIPAG) provide third line assurance and the IAP indicates where this is provided. This work is not listed in detail in this IAP, however each of the teams agree their plan of work with the business as appropriate. IIPAG's work plan is approved by this Committee in line with their Terms of Reference.
- 6.2 The Integrated Assurance team carries out a programme of work focused primarily on SHE assurance, engineering quality assurance and security assurance at the second line of defence. The Integrated Assurance team's programme of work is coordinated with local safety, engineering and security assurance teams. Other assurance activities include oversight and reporting of TfL's compliance to the Payment Card Industry Data Security Standard to ensure adequate protection of payment card data.
- 6.3 The Project Assurance team carries out assurance reviews of projects and programmes across TfL's Investment Programme, with individual projects selected for review following a risk-based assessment. IIPAG (third line) review projects with an Estimated Final Cost over £50m or those under that threshold that they consider are risky, novel or have dependencies with larger programmes. Reports from Project Assurance reviews are considered alongside the authority request, depending on the size, complexity and risk of the project, at various investment meetings in all areas of TfL, the Commercial Approvals Meeting or by the officers under delegated authority. Project Assurance undertake continuous assurance of projects to feed into reviews and to assess risk profile of projects/programmes by considering cost, scope, programme and risk factors.
- 6.4 Project Assurance also conducts reviews of the 22 sub-programmes to inform their annual request for Authority at the Programmes and Investment Committee. IIPAG participate in these in line with their approved work plan.
- 6.5 Whilst not primarily an assurance provider, the Counter-Fraud and Corruption team often identifies control issues during its investigations and reports these to management together with recommended corrective actions. The Internal Audit team works closely with the Counter-Fraud and Corruption team as a useful source of intelligence for areas requiring audit attention.

**List of appendices to this report:**

Appendix 1 – Integrated Assurance Plan Phase 1 - 2022/23

Appendix 2 – Proposed Activity Phase 2 - 2022/23

Appendix 3 – 18 month Audit Programme on a page

**List of Background Papers:**

None

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## Detailed TfL 2022/23 Integrated Assurance Plan April – September 2022 (Phase 1)

- The IAP presents planned work for the first half of the financial year by Enterprise Risk Level 0

Enterprise Risk 01	Major Health, Safety or environmental incident or crisis			Overall Control Rating Requires Improvement
	<b>Integrated Assurance will deliver a portfolio of engagements at the second line relating to safety assurance in addition to the SHE and Engineering assurance teams.</b>			
Audit Title	Rationale and Outline Audit Scope			Directorate/ Client lead
<b>Health Surveillance</b>  (Business led)	Why now?	This is a request from the business following an issue found at a depot by the Health and Safety Executive. TfL have been sent a letter detailing the issues and improvements are required.		Lilli Matson, Chief Safety, Health and Environment Officer
	Audit objective	To provide assurance on the adequacy and effectiveness of key controls for health surveillance and ensuring that there are robust arrangements in place to ensure that the improvements required will be delivered.		
<b>Digital Assurance - Procurement of Digital Monitoring and Assurance System</b>  (Business led)	Why now?	The procurement is split into three parts and we have provided real-time assurance on two. This is the most expensive and complex of the packages. The entire Safety, Health and Environment (SHE) assurance regime is manual and there are no digital leading indicators, metrics or dashboards to indicate what the thousands of preventive SHE inspections completed each year are telling us in terms of compliance and culture.  This will also be a real-time audit and the timing of the audit mirrors the procurement process. This is a major change to how safety is managed in the business – moving from paper based to digital.		Lilli Matson, Chief Safety, Health and Environment Officer
	Audit objective	To provide assurance on the adequacy and effectiveness of key controls for the implementation of Digital SHE Assurance - procurement of Digital Monitoring and Assurance System.		

Enterprise Risk 02	Attraction, retention and wellbeing of our employees			Overall Control Rating Requires Improvement	
Audit Title	Rationale and Outline Audit Scope			Directorate/ Client lead	
<b>Movers and Leavers</b>  (Core work)	Why now?	There are core areas of the business which are audited on a cyclical basis. These tend to be key financial, people and procurement controls. We last audited this area three years ago when it was rated as Requires Improvement.		Maureen Jackson, Director of Business Services	
	Audit Objective	We will assess the extent to which the overall control environment has improved since our last audit. This will include a walkthrough of the current processes, evaluation of any changes to processes and sample testing to confirm compliance with movers and leavers processes.			
<b>Staff and Contractor Vetting in Technology and Data (T&amp;D)</b>  (Business led)	Why now?	Staff and contractors in positions of authority require additional levels of vetting such as National Security Vetting or BS 7858 security screening to allow access to classified information or to assets. These are needed at recruitment stage and throughout employment.  There are concerns that current levels of vetting of existing staff and contractors holding positions of authority in T&D systems is not performed, or insufficiently performed at recruitment stage and throughout employment.			
	Audit Objective	This audit will provide assurance on the adequacy and effectiveness of vetting controls for staff and contractors in positions of authority in T&D.			
Enterprise Risk 03	Major Service Disruption			Overall Control Rating Adequately controlled	
Audit Title	Rationale and Outline Audit Scope			Directorate/ Client lead	
<b>Climate Adaptation - Reporting</b>  (Risk driven)	Why now?	This is a high-risk area which could cause issues in future years if not addressed now leading to assets being degraded /inoperable. The business has advised that this is the right timing for us to do this audit. It will be done in conjunction with the climate adaptation data audit and follows the two previous climate adaptation audits in 2021/22.		Lilli Matson, Chief Safety, Health and Environment Officer	
	Audit Objective	To review the key controls over collaborating, communicating, and reporting on climate adaptation across TfL and with external stakeholders and experts.			

<b>Climate Adaptation - Data Management</b>  (Risk driven)	Why now?	High risk area and could cause issues in future years if not addressed now leading to assets being degraded /inoperable. The business has advised that this is the right timing for us to do this audit. It will be done in conjunction with the climate adaptation reporting audit as they are linked.	Lilli Matson, Chief Safety, Health and Environment Officer
	Audit Objective	To review the adequacy and effectiveness over key controls for Identifying and improving data and systems to support adaptation activities.	
<b>Enterprise Risk 04</b>	<b>Major Security Incident</b>		Overall Control Rating Requires Improvement
	<b>Integrated Assurance will deliver a portfolio of compliance and consultancy engagements at the second line relating to the Payment Card Industry Data Security Standard.</b>		
Audit Title	Rationale and Outline Audit Scope		Directorate/ Client lead
<b>Management of Network Drives</b>  (Risk driven)	Why now?	The potential failure to safeguard the organisation's information from unauthorised access, loss or modification which could result in business interruption, legal action, civil and/or criminal liability, fines, and reputational damage. General Data Protection Regulation (GDPR) breaches result on average in fines of £1-5m.  Network drives are managed by T&D, but the data contained in them is managed and owned by parties other than T&D. There is a potential exposure to GDPR with existing network shares at a time when TfL has fully deployed its replacement with Microsoft cloud storage OneDrive.	Shashi Verma, Director of Strategy and Chief Technology Officer
	Audit Objective	Provide assurance on the adequacy and effectiveness of controls supporting access, ownership and cost allocation of shared drives.	
<b>Review of Datacentres</b>  (Risk driven)	Why now?	There are several hazards within a datacentre that can disrupt operations, lead to down time and potentially cause personal injuries. The last audit of TfL datacentres took place over five years ago.	Shashi Verma, Director of Strategy and Chief Technology Officer
	Audit Objective	Provide assurance on the adequacy and effectiveness of access and environmental controls to datacentres.	
<b>Cubic – Systems</b>	Why now?	Audit originally formed part of audit IA 21 012 (FY2021/22) but was descoped to form a separate	Shashi Verma,

<b>Availability</b>  (Risk driven)		audit in FY2022/23.  Transport Trading Limited contracts with a third-party service provider, Cubic Transportation Systems Ltd (Cubic), in the Revenue Collection Contract agreement (effective from August 2015), the provision and maintenance of several components of the Oyster Pay As You Go (PAYG) ticketing system. Specifically, this includes the Central System database which holds all transactions received from every ticketing device where an Oyster card has been validated or used for retailing an Oyster product. The Central System is core to the effective operation of Oyster PAYG, reporting and revenue apportionment to Operators. Should there be a possible system failure and/or a breach in security, the collection system (including contactless cards) may fail temporarily. Revenue loss could be £10m per day (£5m from Oyster and £5m from Contactless) in addition to severe damage to the integrity of/loss of confidence in the fare collection system, reputational damage and additional costs to rectify failure/corruption.	Director of Strategy and Chief Technology Officer
	Audit Objective	To assess and evaluate the adequacy and effectiveness of a selection of key controls, in relation to the Central System managed by Cubic on behalf of TfL, with respect to systems availability.	
<b>Cubic – Systems Performance</b>  (Risk driven)	Why now?	Audit originally formed part of audit IA 21 012 (FY2021/22) but was descoped to form a separate audit in FY2022/23. See narrative above.	Shashi Verma, Director of Strategy and Chief Technology Officer
	Audit Objective	To assess and evaluate the adequacy and effectiveness of a selection of key controls, in relation to the Central System managed by Cubic on behalf of TfL, with respect to system performance.	
<b>Enterprise Risk 07</b>	<b>Financial Sustainability</b>		Overall Control Rating TBC
Audit Title	Rationale and Outline Audit Scope		Direktorate/ Client lead
<b>Use of Consultants and Professional Services</b>  (Risk driven)	Why now?	Checks need to be made that consultants are being brought into the business via the correct route and that headcount and salary caps are not being avoided. Given our current funding position we need to ensure that consultancy contracts are awarded in line with TfL policy and process.	Jonathan Patrick, Chief Procurement Officer
	Audit Objective	Provide assurance on the adequacy and effectiveness of controls in place for the appointment of consultants.	

<b>Management of Single Sourcing Requests (SSRs) below £100,000</b>  (Risk driven)	Why now?	We completed an audit of SSRs of more than £100,000 in 2021/22 which found areas that could be improved. The process for SSRs below that threshold is different and we agreed that we would review less than £100,000 in the light of our findings. Given the external scrutiny of this area this needs to be done in Quarter 1 2022/23.	Jonathan Patrick, Chief Procurement Officer
	Audit objective	Provide assurance on the adequacy and effectiveness of the process for approving SSRs for low value (less than £100,000). Ensure that the process complies with the procurement policy and procedures.	
<b>Property Transfer Accounting</b>  (Business led)	Why now?	Over the last two to three years, Commercial Development has undertaken significant activity to create a single, ring fenced investment property portfolio in Transport Trading Limited Properties (TTLP) – a wholly owned subsidiary of TfL. The interim Group Finance Director has asked for assurance that TTLP's processes and controls are robust.	Ken Youngman, Divisional Finance Director /Laura McNeil, Head of Finance (Commercial Development)
	Audit objective	To determine the adequacy and effectiveness of the property transfer accounting process (between Finance and TTLP).	
<b>Invoicing of Third Parties at Victoria Coach Station</b>  (Business led)	Why now?	This audit has been requested by the business for a couple of years' running and some planning has already been undertaken in 2021/22. This is one of the few areas of the business that either break even or makes a small profit by bringing in revenue. It is therefore important that we have a robust process in place to ensure this works efficiently and effectively.	Louise Cheeseman, Director of Bus Operations
	Audit objective	To provide assurance over the adequacy and effectiveness of controls of third-party invoice approvals.	
<b>Assets Under Construction (AUC) Accounting Process</b>  (Risk driven)	Why now?	With the current funding position of the TfL group over the last couple of years impacting on decisions regarding the scope of certain projects, the accuracy and recoverability of AUC balances is an increasing area of audit focus. It was also identified as a risk in a previous audit.	Rajiv Sachdeva, Group Finance Director
	Audit objective	To examine and evaluate the adequacy and effectiveness of the AUC accounting process.	
<b>Group Saving Portfolio Tracking Process</b>  (Business led)	Why now?	New savings tracking process introduced - assurance critical as output is used by Finance in funding negotiations and tracking for ongoing financial sustainability. Group Finance Director identified need for review, but process is managed by HR.	Fiona Brunskill, Director of People and Culture Change
	Audit	To provide assurance over the adequacy and effectiveness of the new Group savings portfolio	

	objective	process.	
<b>Arts Council England (ACE)Funded Projects: Designation Development Fund (Core work)</b>	Why now?  Audit objective	As per the LTM Audit and Risk Committee, availability of corporate funding significantly impacts budget. Certification of grants from the ACE are a priority for LTM.  Certify costs in respect of funding for the Designation Development Fund.	Sam Mullins, Director of London Transport Museum
<b>Benefits Realisation of Transformational Activities (Risk driven)</b>	Why now?  Audit objective	London Underground has undergone various transformational programmes in the past few years, including Fit for the Future Stations and Engineering. These programmes were to drive efficiencies, including making us a more efficient organisation, as well as making financial savings. Given current financial pressures, there is heightened risk that expected benefits will not be delivered.  To provide assurance that benefits from transformational activities have been realised.	Rachel McLean, Chief Finance Officer – Crossrail and London Underground Finance Director
<b>Enterprise Risk 08</b>	<b>Delivery of TfL key investment programmes and projects</b>		Overall Control Rating Requires Improvement
	<p><b>Project Assurance will deliver a portfolio of assurance reviews at the second line of defence, in addition to work undertaken by the PMO team.</b></p> <p><b>IIPAG will deliver a portfolio of assurance reviews at the third line of defence.</b></p>		
<b>Enterprise Risk 12</b>	<b>Asset condition unable to support TfL outcomes</b>		Overall Control Rating Requires Improvement
	<p><b>Integrated Assurance will deliver a portfolio of assurance reviews at the second line of defence, in addition to work by the Engineering Maintenance Assurance team.</b></p>		

Enterprise Risk 13	Governance and Controls Suitability			Overall Control Rating Adequately controlled
Audit Title	Rationale and Outline Audit Scope			Directorate/ Client lead
<b>Taxi and Private Hire (TPH) Controls for the new Licensing Process</b>  (Business led)	Why now?	From discussions with the Director of Licensing, Regulation and Charging and also identified by the Head of Counter-fraud and Corruption as a high-risk area where an audit would be of value. This is a new licensing process with the potential for both fraud and reputational risk.		Helen Chapman, Director of Licensing, Regulation and Charging
	Audit objective	Provide assurance on the effectiveness of the new licensing process.		
<b>Integration of Woolwich Ferry</b>  (Business led)	Why now?	The operation of the Woolwich Ferry was brought in-house having previously been contracted out. Requested by the Group Finance Director because it is a new area. As this is a free service it is crucial that it is managed and run efficiently. This audit was deferred from the 2021/22 plan due to resource pressures.		Darren Ellis, General Manager Woolwich Ferry
	Audit objective	To provide assurance on the adequacy and effectiveness of controls on the Woolwich Ferry integration into TfL.		
<b>Executive Recruitment</b>  (Core work)	Why now?	This is one of several cyclical recruitment related audits. This audit was initially in the 2021/22 plan, however, was deferred to 2022/23 given the HR team's workload at the time.		Tricia Wright, Chief People Officer
	Audit objective	Provide assurance on the adequacy and effectiveness of controls in place for executive recruitment.		
Enterprise Risk 14	Opening of the Elizabeth Line			Overall Control Rating Adequately controlled
Audit Title	Rationale and Outline Audit Scope			Directorate/ Client lead
<b>Crossrail Act Obligations</b>	Why now?	The Crossrail Act giving permission for the railway to be built, operated and maintained received Royal Assent in July 2008. The Act stipulates several obligations that should be met. Failure to deliver all obligations would significantly affect TfL's reputation.		Mark Wild, Chief Executive Officer Crossrail

(Risk driven)	Audit objective	To provide assurance that obligations in the Crossrail Act have been met.	
<b>Cost Verification – Engie</b>  (Business led)	Why now?	Engie is a contractor working on the Elizabeth line. TfL pays Engie a significant amount every period; approximately £10m. Given current financial pressures, it is imperative any money being paid out is accurate and fully supported.	Rachel McLean, Chief Finance Officer – Crossrail and London Underground Finance Director
	Audit objective	To certify that payments to Engie are accurate and appropriate.	
<b>Complaints Commissioners Accounts 2021/22</b>  (Core work)	Why now?	An independent Crossrail Complaints Commissioner was appointed by the Secretary of State for Transport. An annual review of the Complaints Commissioner's accounts is completed to ensure figures are correct, and that the account comply with the Accounts Direction issued on behalf of the Crossrail High Level Forum.	Mark Wild, Chief Executive Officer Crossrail
	Audit objective	To provide assurance on the accuracy of the Crossrail Complaints Commissioner's accounts for 2021/22.	
<b>Complaints Commissioners Accounts 2022/23</b>  (Core work)	Why now?	The independent Crossrail Complaints Commissioner will cease in September 2022 and this is a final review of the Complaints Commissioner's accounts. It will ensure figures are correct, and that the accounts comply with the Accounts Direction issued on behalf of the Crossrail High Level Forum.	Mark Wild, Chief Executive Officer Crossrail
	Audit objective	To provide assurance on the accuracy of the Crossrail Complaints Commissioner's accounts for 2022/23.	Mark Wild, Chief Executive Officer Crossrail

## Appendix 2

### Proposed Coverage 2022/23 Phase 2

- There are 27 potential audits for delivery between October 2022 and March 2023

Enterprise Risk No.	Enterprise Risk	Audit Title	Core/Risk/Business
ER01	Major Safety, Health or Environmental incident or crisis	Disposal Matrix	Business led
ER02	Attraction, retention and wellbeing of our employees	Attraction and retention of staff	Risk driven
ER03	Major Service Disruption	Engineering Resource Model – interaction between delivery lead and business	Business led
		Climate adaptation – risk assessments	Risk driven
ER04	Major Security Incident	Safety and security of control rooms and stations	Risk driven
		Major incidents and protests	Risk driven
		Whistleblowing	Risk driven
		Corporate Archives	Risk driven
		Cubic – Implementation of Software changes	Risk driven
		Third parties with OneLondon access	Risk driven
		Deletion of SAP data	Risk driven
ER05	Supply Chain disruption	Management of critical (key) suppliers by the P&SC team	Risk driven
ER07	Financial Sustainability	London Underground payroll	Core work
		River Operator Accounts	Business led
		Inventory management	Risk driven
		Management of the new bailiff contract for debt recovery	Business led
		Group Treasury	Core work
		Accounts payable	Core work
		Accounts receivable	Core work
		London Transport Museum financial controls	Core work
ER12	Asset condition unable to support TfL outcomes	Impact of extreme weather	Risk driven
		Asset management capability	Risk driven
ER13	Governance and controls suitability	Risk Management	Core work
		Management of the PSCIP, procurement and supply chain improvement programme phase 2	Risk driven
		TfL pensions compliance with the new code of practice	Business led
		Freedom of Information process	Core work
ER14	Opening of the Elizabeth Line	To be reviewed in line with Stage 5b	TBC

## Appendix 3

## **Integrated Assurance Plan proposed/indicative coverage April 2022 – September 2023**

