

## Transport for London Audit and Assurance Committee

### Internal Audit reports issued in Q4 2021/22

### Appendix 2

- 12 reports (excluding Elizabeth line) issued during the quarter

Enterprise Risk	Directorate	Ref	Audit title	Summary of Finding	Conclusion	H	M	L
<b>ERo1 Major health, safety or environmental incident or crisis</b>	Safety, Health and Environment	21 005 and 21 067	Procurement of a Digital Safety Health and Environment System (SHEMS) with role-based capabilities - Invitation To Tender to Contract Award	The objective of this audit was to provide real time assurance on the effectiveness of the procurement process for the development and implementation of the SHEMS. We concluded that the procurement of the new SHEMS was effectively managed through engagement with stakeholders, the development of requirements and the Request for Procurement process.	Memo	0	0	0
				The evaluation process was communicated to the bidders and was robustly followed allowing time for clarification questions from the bidders to be addressed.				
				This real time audit will continue through to contract award.				
<b>ERo7 Financial sustainability</b>	Chief Customer and Strategy Officer	21 028	Commercial Development's (CD) asset management strategy to maximise secondary revenue income	<p>The Commercial Property and In Station Retail teams have started to design and implement new strategies, frameworks and controls to meet the emerging challenges of the post coronavirus pandemic landscape, and the requirements of Transport Trading Limited Properties (TTLP).</p> <p>The design of certain controls, particularly those around the creation of sector level strategies could be improved. There were further opportunities to improve control over programme management, the level of coordination between CD and in-station-retail teams and controls over the voids spreadsheet.</p>	Requires Improvement	1	3	0

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Enterprise Risk	Directorate	Ref	Audit title	Summary of Finding	Conclusion	H	M	L
ER07 Financial sustainability	Chief People Officer	21 031	Pensioner Payroll	Key controls were operating effectively over pensioner payroll and one issue was identified with the Royal Bank of Scotland signature schedule needing updating. This is already work in progress and should be completed shortly. Based on our findings we have concluded that the control requirement is adequately controlled.	Adequately Controlled	0	0	1
ER07 Financial sustainability	Communications and Corporate Affairs	21 032	Fixed Asset Accounting	The majority of controls tested by the audit were adequately designed and operating effectively. However, various instances were identified where Finance Business Partners did not provide information requested by the Project and Fixed Asset team. As a result, one medium and one low priority recommendation have been made. Based on these findings, our conclusion is that fixed asset accounting is adequately controlled.	Adequately Controlled	0	0	1
ER13 Governance and controls suitability	Group Finance Director	21 045	Recruitment	<p>We found that certain controls were adequately designed and operating effectively. However, other controls such as recruitment campaign planning, hiring managers documenting recruitment decisions, hiring managers checking educational/professional qualifications and hiring managers completing the required learning were not always consistently applied. As a result, two high priority issues were identified:</p> <ul style="list-style-type: none"> <li>- Assessment and selection of candidates is not always fully documented, and records are not always retained.</li> <li>- New recruits' professional and education qualifications are not always verified by hiring managers before they start work, and national security vetting has not been conducted before hiring for certain roles this year.</li> </ul> <p>Based upon the testing conducted during this audit, we conclude that controls over permanent recruitment require improvement.</p>	Requires Improvement	2	4	2

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Enterprise Risk	Directorate	Ref	Audit title	Summary of Finding	Conclusion	H	M	L
ER07 Financial sustainability	Chief Capital Officer	21 060	Management of Defined Costs -Track Programme Contract	<p>There were two high priority rated issues raised as follows:</p> <p>1) The TfL Integrated Track team have not carried out any audit work as the team is under-resourced. The supplier also has not conducted any audits due to the following reasons:</p> <p>(i) In the first year, time was spent mobilising the contract and supplier's Lead Commercial Manager changed in-year and needed time to get up to speed.</p> <p>(ii) In the second year, due to the coronavirus pandemic the team's attention moved from business-as-usual activities to recovery.</p> <p>2) The review of accounts data and random transactional sample testing shows that insufficient evidence was provided by Balfour Beatty to validate costs and calculations for selected samples.</p>	Requires Improvement	2	0	0
ER13 Governance and controls suitability	General Counsel	21 063	Declaration of Interest	<p>Due to a number of key controls not operating effectively, we have concluded that the control environment requires improvement. One high priority and one medium priority issue have been identified. The high priority issue is in relation to declaration of interest forms not being kept up to date or returned by some of the senior management team.</p>	Requires Improvement	1	1	0
ER03 Major service disruption	Pan TfL	21 066	Climate Adaptation – roles, responsibilities and knowledge	<p>There were two high and one medium priority issues identified. The two high priority findings were:</p> <p>1) Coordination of adaptation has not been assigned to a specific group by TfL's leadership; and</p> <p>2) Directorates lack comprehensive plans for building capabilities and competencies.</p>	Requires Improvement	2	1	0
ER13 Governance and	Chief Capital Officer	21 069	TfL Procurement and Commercial (P&C) capacity to take on the	<p>The P&amp;C re-organisation from functional teams into a category-based team model has overlapped with the implementation of the Elizabeth line (EL). Resources</p>	Adequately Controlled	0	2	0

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controls suitability			procurement of EL's existing contracts	<p>have been allocated to each team based on information currently available on live contracts and planned procurements.</p> <p>Whilst there is a level of uncertainty involved in estimating future work arising from the EL, the new operating model has built in flexibility to help manage any unforeseen fluctuations in work.</p> <p>This review identified two medium priority issues. These relate to a lack of clarity for staff on how the re-organisation will operate in practice and job descriptions for bands 1-3 not having been reviewed.</p>				
ER07 Financial Stability	Procurement & Commercial	21 059	Governance of Contract Variations	<p>We found that the framework, processes and guidance in place for contract variations have been sufficient thought out and work fairly well. However, several control weaknesses were identified and these included:</p> <ul style="list-style-type: none"> <li>• Time taken to complete contract variations;</li> <li>• Changes to contract variation templates;</li> <li>• A lack of evidence of challenge to the justification for contract variations; and</li> <li>• Record keeping generally needs to be improved.</li> </ul>	Requires Improvement	2	2	0
ER07 Financial Stability	Procurement & Supply Chain	21 058	Governance of Single Source requests (SSRs)	<p>It is apparent that the Procurement &amp; Supply Chain team have made improvements to the control environment for single source procurements. However, the number and value of SSRs remained a cause for concern and poses a financial, legal and reputational risk to TfL.</p> <p>We understand that P&amp;C are preparing a paper that will detail the root causes and set out a recommended approach to significantly reduce the number of SSRs and other non-competitive procurements.</p>	Requires Improvement	1	1	0