

**Date: 5 March 2014**

**Item 8: TfL Integrated Assurance Framework**

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**This paper will be considered in public**

**1 Summary**

1.1 The purpose of this paper is to present to the Audit and Assurance Committee the revised TfL Integrated Assurance Framework (IAF).

**2 Recommendation**

**2.1 The Committee is asked to note the Framework.**

**3 Background**

3.1 The IAF was originally established and approved by the Leadership Team in September 2011. Its purpose is to describe the overall regime within TfL for the efficient and effective generation and provision of integrated assurance over all of its activities.

3.2 A great deal has been achieved since then. Assurance is now planned and delivered in a way that is clearer to the business generally, is more joined-up and efficient, and more visible to those who own the risks over which the assurance is being provided. This has resulted in a significant positive change in attitudes towards TfL's assurance providers across the organisation, with better engagement at annual planning, individual assignment planning and reporting stages.

3.3 Since the original IAF was approved, there have been a number of changes affecting assurance provision in TfL. The principal changes are as follows:

- (a) Transfer of the HSE Audit Team from TfL HSE into Internal Audit, and of the Tube Lines audit functions;
- (b) Introduction of Public Sector Internal Audit Standards;
- (c) Introduction of 'assurance mapping' as a tool for assessing adequacy of assurance; and
- (d) Refinement of assurance progress reporting.

3.4 Also, application of the original IAF highlighted some ambiguity about the meaning of the terms 'assurance' and 'audit'. Definitions of these terms have been added in this version to aid comprehension.

3.5 The revised document now more accurately reflects current arrangements, and will form a sound basis for making further improvements to the provision of efficient and effective assurance.

3.6 The IAF will be reviewed again in two years time.

**List of appendices to this report:**

Appendix 1 – TfL Integrated Assurance Framework

Appendix 2 – TfL Integrated Assurance Framework (with tracked changes)

**List of Background Papers:**

None

Contact Officer: Clive Walker  
Number: 020 3054 1879  
Email: [CliveWalker@tfl.gov.uk](mailto:CliveWalker@tfl.gov.uk)



# TfL Integrated Assurance Framework

Version 2

December 2013

Howard Carter,  
General Counsel

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## **1. PURPOSE AND OVERVIEW OF THE FRAMEWORK**

The purpose of this Integrated Assurance Framework is to describe the overall regime within TfL for the efficient and effective generation and provision of assurance over all of its activities.

It describes the types of assurance functions that exist, their particular roles and responsibilities, the various customers for assurance, and the approaches adopted to ensure that assurance is done in the best place, at the right time and on the right things.

At the heart of TfL's approach to assurance is the concept of an Integrated Assurance Plan, incorporating (at an appropriate level) all of the assurance activity under way at any time. The Framework describes how such an Integrated Assurance Plan for TfL is developed, reported against and maintained.

To assist in promoting a common comprehension of assurance-related terms, some definitions are provided in Section 4.

## **2. BACKGROUND**

### **Benefits of integrated assurance**

The benefits to TfL of taking an integrated approach to assurance are as follows:

- Assurance is based on a comprehensive and shared view of risk, enabling the Leadership Team, the TfL Board and its Committees, and other customers of assurance to identify their assurance needs more effectively;
- The assurance needs of the Leadership Team, and the TfL Board and its Committees are mapped to the various sources of assurance, avoiding gaps and overlaps;
- In expressing an opinion on the whole of management's framework of governance, risk management and internal control, TfL will be able to place reliance on a well structured assurance regime;
- The visibility of internal assurance processes, and ready availability of comprehensive assurance information, should reduce the demand for external scrutiny.

In developing this Framework, we have drawn upon the work of a number of professional bodies, to ensure that it has a sound basis of industry best practice.

### **The three lines of assurance**

Assurance can be defined as the means by which an organisation's management and stakeholders gain confidence in the appropriateness of the organisation's decision making, and the effectiveness of internal control. It also provides an important mechanism for facilitating improvement in internal control across the organisation.

TfL's approach is to consider three lines of assurance, as follows, with increasing levels of independence from the day-to-day activities of the business:

*First line* – this is the risk and control environment that the organisation's management has established to control day-to-day activities. It includes the overall framework of policies, procedures, processes and controls in place.

*Second line* – this includes the oversight functions within the organisation that co-ordinate, facilitate and provide assurance over the risk and control environment. Within TfL, this includes the risk management, some HSE review and project assurance functions.

*Third line* – this is predominantly the organisation's Internal Audit function, which provides independent assurance in respect of the effectiveness of governance, risk management and control, including activities carried out by the first and second lines.

TfL also receives assurance from external bodies, including the external auditors, and health and safety regulators. Assurance functions may draw on the work of external assurers in determining the level of assurance work that is required. Conversely, external assurance providers are encouraged to place reliance on the work of TfL's internal assurance providers where appropriate, in order to ensure that assurance is provided efficiently.

### **3. SCOPE OF THE FRAMEWORK**

This framework document covers all assurance review activities that are undertaken within the TfL Group and overseen by the Assurance Delivery Group (ADG), which reports to the TfL Value Group. Specifically, this covers four areas:

- Internal Audit
- Project Assurance
- HSE and Technical reviews
- Risk

The framework is applicable across all areas of the TfL Group, including London Transport Museum, London Transport Insurance (Guernsey) Limited and Crossrail (but see below).

#### *Crossrail Ltd*

Crossrail Ltd (CRL) is part of the TfL Group and, as such, assurance over its activities falls within the remit of the TfL Audit and Assurance Committee. However, CRL has a unique governance structure, with its own Audit Committee. It also has a complex framework of assurance provision, delivered both in-house and by contractors and industry partners. Internal Audit, as well as carrying out its own assurance reviews, co-ordinates the reporting from the various assurance providers to the CRL Audit Committee. CRL falls outside the remit of the IIPAG and the TfL Programme Management Office (PMO).

CRL does fall within the scope of this assurance framework. However, in view of the standalone nature of CRL's assurance arrangements, reporting to the TfL Audit and Assurance Committee and the Leadership Team on assurance activities in CRL will be delivered through Internal Audit.

#### *Pension Funds*

Pension funds within the group fall outside the scope of this framework.

## **4. DEFINITIONS, PRINCIPLES AND STANDARDS**

### **Definitions**

*Assurance* – the means by which a party responsible for a business activity and its stakeholders gain confidence in the appropriateness of the organisation's decision making and the effectiveness of internal controls. (Project Horizon)

*Audit* – A systematic, independent and documented process for obtaining audit evidence and evaluating it objectively to determine the extent to which audit criteria are fulfilled". (ISO 9000:2005)

### **Common Assurance Principles**

Each of the functions within TfL involved in the provision of assurance has established its own processes and procedures for delivery of its work, in line with relevant statutory requirements and professional standards, and aligned with the nature of the work it carries out.

The following basic principles apply to all of TfL's assurance review work, including self-assurance processes.

*Proportionality* – the volume of assurance work carried out should be proportionate to the risk associated with the area under review, having regard, as appropriate, to financial impact, health and safety, operational continuity, reputation, and legal and regulatory compliance.

*Risk based planning* - Assurance work should be planned so as to focus attention on areas of highest risk to the organisation.

*Independence* – All assurance engagements should include an adequate element of independence from the management responsible for the area under review

*Competence* - Assurance engagements should be carried out by staff with appropriate qualifications, knowledge, skills and experience commensurate with the nature of the engagement

*Engagement planning* - Assurance engagements should be properly planned, including defining the engagement's objective, scope, timing and resource allocation

*Documentation of evidence* - There should be sufficient documented evidence to support the findings from assurance engagements. Documentation will include notes

of meetings, details of key documents reviewed, details of items tested and explanations of the rationale for all matters of judgement.

*Reporting* – The results of assurance engagements should be communicated to members of management responsible for the area under review, and to others as appropriate, and a management response obtained.

*Action* - All remedial actions arising out of assurance engagements should be defined by the accountable manager, and have a defined owner and agreed timescale for completion.

*Follow up* - There should be a process of follow up to confirm that all significant agreed actions are implemented.

*Spreading good practice* – Areas of good practice identified through assurance activity should be communicated to other areas of the business as appropriate with the aim of improving control across the organisation.

*Quality control* – All assurance providers should have in place appropriate procedures to review the quality of their work to ensure that appropriate standards are maintained. At appropriate intervals this should include a process of external or peer review.

## **5. PROTOCOLS AND BEHAVIOURS**

For an integrated approach to assurance to work within an organisation, as well as adhering to common principles for assurance, it is also necessary for assurance providers to work collaboratively. This entails not only openness and transparency but also trust between them and working arrangements that facilitate co-operation.

With this in mind, and to encourage integration at the working level, protocols may be drawn up between providers, covering such things as: preparation of work scopes, gathering of evidence, use of tools, and reporting. Where possible, this will lead to joint working on specific reviews, and joint reports.

In addition, as well as attendance at meetings of the ADG, other regular liaison meetings between providers will take place.

## **6. ROLES AND RESPONSIBILITIES**

### **Providers of assurance**

The four assurance functions within TfL are shown and described within Section 3.

Each function has its own requirements to meet in terms of:

- its role in respect of the ADG;
- the type of assurance it provides (in some cases to meet statutory and regulatory requirements – see Appendix); and
- its reporting lines.



### Internal Audit

Internal Audit led on behalf of the ADG on the development of this Assurance Framework, and leads the development, maintenance and progress reporting against the annual Integrated Assurance Plan.

Internal Audit carries out its work in compliance with the Public Sector Internal Audit Standards. It reports to the TfL Audit and Assurance Committee, to which it is responsible for providing comprehensive assurance across all TfL activities in respect of the organisation's risks, and an overall opinion of the state of its internal controls.

### HSE and Technical

The TfL HSE common support team provides professional HSE advice and assistance to line managers, who are responsible for managing activities across TfL such that HSE aspects are properly catered for in accordance with statutory requirements and TfL policies and standards. To do this the HSE function leads on the provision and continuous improvement of the TfL management systems and monitors, audits and reviews line managers' HSE performance and adherence to the management systems.

The TfL HSE common support team is led by the Director of HSE who reports to the Managing Director (Rail and Underground) and for assurance purposes to the TfL General Counsel.

The HSE & Technical Audit team was formed from the two audit functions of London Underground and Tube Lines, and reports into the Director of Internal Audit. It carries out risk-based audits and reviews of HSE & technical activities across TfL. A number of embedded auditors within the business supplement it.

### Project Assurance

The Project Assurance Function comprises the TfL PMO and major projects and programme support offices which are distributed throughout TfL.

In addition, the IIPAG provides independent assurance and expert advice to the Mayor of London concerning TfL's Investment Programme as published from time to time; including all maintenance, renewal upgrades and major projects, but not operational issues or the activities of Crossrail. The IIPAG considers issues of economy, efficiency and value for money in preparing its advice, The Secretary of State for Transport also wishes to be assured that the financial support provided to TfL delivers value for money to the taxpayer, and will be consulted in relation to the work of the Group and will receive copies of reports and other materials that are provided to the Mayor. It does this in accordance with its Terms of reference.

The TfL PMO reports to the Managing Director of Finance and Director of Capital Projects in London Underground. It has a broad role in supporting TfL in the delivery of all of its projects and programmes, and providing assurance over that delivery through guidance, including the use of a common project and programme methodology, combined with gateway and other reviews. In particular, it facilitates

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independent reviews of projects and programmes at key points. The TfL PMO draws upon the work and expertise of project and programme teams in fulfilling its function.

### Risk

The risk function facilitates the operation of sound risk management processes across the organisation, with accurate and adequate registers of TfL's strategic risks, such that appropriate and effective mitigation measures are in place to address those risks.

It does not carry out any assurance reviews itself but it ensures that there is a sound basis for all of the assurance activities carried out by the other functions. All TfL assurance activity is risk-based, and the Integrated Assurance Plan takes as its basis the various strategic risk registers that are overseen by the Risk function.

To promote good risk management, the Risk function also sponsors risk management training and seeks to raise the awareness of risk generally.

### **Audit**

Audits will be planned and undertaken in a manner that is consistent across TfL, by competent auditors and to common standards.

### **Customers of assurance**

The executive management of TfL, represented by the Leadership Team, the Value, People and Customer Groups, the Surface Transport Board and the Rail and Underground Board who have executive responsibility for all of TfL's activities, need to know that their management arrangements are operating effectively at every level and that any deficiencies in these arrangements, that might occur from time to time, are being addressed.

The TfL Board and its Committees and Panels hold TfL's executive management to account using assurance evidence to question and challenge the efficacy and probity of TfL's management arrangements.

## **7. DERIVATION**

### Statutory and regulatory requirements

As a public-sector employer and provider of transport services to the public, TfL is subject to a range of statutory and regulatory requirements. Some of the assurance work carried out is to check for satisfactory compliance against these requirements.

### TfL Business Plan

All risk and assurance activity within TfL relates to the activities described in the Business Plan.

As a part of the business planning process, TfL's strategic risks are reviewed and the risk registers are updated, at least annually, to reflect the latest strategic objectives, priorities and plans.

## TfL Risk Management

All assurance activity within TfL is risk-based. The starting point for any assurance planning is therefore TfL's risk registers and the mitigation plans for each risk.

## Assurance Mapping

To check that adequate and appropriate assurance exists for its strategic risks, TfL has adopted the use of Assurance Maps.

Assurance Maps provide a simple means of mapping sources of assurance to strategic risks and indicating the strength of the available assurance, thereby highlighting areas of potential under or over-assurance.

The preparation and use of Assurance Maps is an intrinsic element of TfL's processes for strategic risk management.

## Planning Approaches

In preparing individual assurance plans, and the overall Integrated Assurance Plans, a number of different approaches are taken. These are outlined here.

## **Internal Audit**

The starting point for the development of the Internal Audit plan is consideration of the business risks identified in the strategic risk registers, from which a preliminary list of areas for audit is developed.

The Director of Internal Audit and Senior Audit Managers then meet with a wide range of senior managers from across TfL to obtain their input into the plan. The Audit and Assurance Committee is also asked whether there are any areas it wishes to see covered by the plan.

Care is taken to ensure that there is adequate coverage within the plan of core financial processes, including staff-related control areas, and governance activities, which would not necessarily be picked up by a strict focus on the risk registers.

A draft plan is shared with Chief Officers, the Chief Finance Officer and the Commissioner. Also, workshops are run for senior managers, to obtain their buy-in to their sections of the plan.

## **HSE and Technical**

The HSE & Technical audit plan forms part of the Internal Audit plan. Audit requests are considered on a risk basis, and are collated from risk registers, previous audit findings and the concerns of senior management. The plan takes into account the audit activities of embedded auditors and the need to gain assurance from TfL suppliers.

TfL's HSE function supports the Internal Audit team in planning the necessary HSE assurance activities on an annual basis using a risk prioritised approach based on analysis of HSE performance information, previous audit results and any areas of concern identified by line managers in each area of the organisation. This is done

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collaboratively with the other assurance areas to ensure there are no significant gaps or duplication of assurance activity. The HSE function monitors HSE performance of all our business and reports on performance at least quarterly to each business unit.

## **Project Assurance**

The Project Assurance function provides assurance in the following ways:

- Gateway and progress update reviews
- Development and issue of standards and guidance for project management
- Reviews of individual projects and programmes at project gateways co-ordinated
- Control of granting of project authority
- Ongoing and regular challenge to progress reporting against financial and milestone targets, changes to milestones, use of risk and contingency funds, and highlighting issues
- Reviews of systemic elements of Investment Programme delivery

Gateway reviews are carried out at the time when a project or programme approaches a gated decision point in the standard TfL project lifecycle. In addition progress updates are undertaken when there is a period of over 12 months between gateway reviews. The plan for these reviews is therefore driven by the individual plans for the projects and programmes in TfL's portfolio.

Project Assurance follows industry best practice, and is completely aligned with other relevant parts of the TfL Integrated Assurance Framework. Project and programmes are required to complete, and have agreed, an Integrated Approvals and Assurance Plan (IAAP) that maps out all assurance and approvals activity. The Integrated Assurance Review (IAR) – with its set of key challenges at specific points – provides the basis for every stage gate as well as higher-level assurance reviews.

## **Risk**

As the Risk function does not carry out assurance review activity, there is no Risk assurance plan.

## **8. ASSURANCE PLAN STRUCTURE**

The Assurance Plan is structured around the requirements of the customers for assurance. In each case, the plan describes:

- The strategic risks against which the assurance is to be provided
- The functional sources of that assurance
- A high-level schedule of assurance reviews

### Assurance to the Operating Boards

This is based upon the strategic risk maps for the operating businesses, i.e. Rail and Underground, and Surface Transport.

### Assurance to the Safety and Sustainability Panel

This is a summary of HSE-related assurance extracted from the reports to the Operating Boards, as well as upon activities relating to Sustainability and Resilience.

### Assurance to the Audit Committee

This is a high-level summary of the assurance provided in respect of TfL's strategic risks.

## **9. FRAMEWORK AND PLAN APPROVAL AND MAINTENANCE**

Internal Audit is responsible for developing, obtaining approval for, and maintaining both this Framework and the associated Integrated Assurance Plan.

The Leadership Team is responsible for approving both.

Prior to submission to the Leadership Team for approval, both are first reviewed by the ADG, the Value Group and the Operating Boards.

The Framework will be reviewed biannually.

The Plan and progress against it will be reviewed quarterly.

## **10. REFERENCES**

The following sources were used in the development of this Integrated Assurance Framework:

"Assurance for High Risk Projects", NAO report, June 2010

"Guide to Integrated Assurance", Association for Project Management (APM), *(in development)*

"Coordination of assurance services", Chartered Institute of Internal Auditors (IIA), July 2010

## **APPENDIX – STATUTORY AND REGULATORY REQUIREMENTS**

### **Internal Audit**

The Accounts and Audit (England) Regulations 2011 include a requirement that:

“A relevant body must undertake an adequate and effective internal audit of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control”.

TfL is a relevant body for this purpose.

CIPFA, in association with other ‘Relevant Internal Audit Standard Setters’ and the Chartered Institute of Internal Auditors, has produced a set of Public Sector Internal Audit Standards. These define the way in which the internal audit service of a relevant body should undertake its functions.

Paragraph 1.2.1 of the Code of Practice states that:

“The provision of assurance services is the primary role for internal audit in the UK public sector. This role requires the chief audit executive to provide an annual internal audit opinion based on an objective assessment of the framework of governance, risk management and control.”

### **HSE**

Generally TfL, meets the requirements of the HSAW Act and all the Regulations made under it by ensuring the principles outlined in the Health and Safety Executive’s HSG 65 Guidance are built into its management system. In essence, this guidance requires that appropriate assurance is obtained by structured monitoring, audit and review of TfL’s health and safety performance and adherence to its health and safety management system.

For TfL’s rail businesses, the Rail and Other Guided Systems (ROGS) Regulations impose additional requirements. Formally in these Regulations, ‘assurance’ is referred to as Safety Verification, which only applies in certain high risk situations. However, while the regulations and guidance generally do not use the word ‘assurance’ they make many references to what ‘duty holders must make sure’ of.

The Office of Rail Regulation (ORR) accept that LU’s and LR’s assurance standard and safety verification standard, which are part of LU’s and LR’s safety management system, meet all relevant HSE regulatory requirements in this respect.

Technical Audits are carried out against standards and procedures relevant to the audit activity.

### **Civil Contingencies Act 2004**

Under the Civil Contingencies Act 2004, TfL is a Category 2 responder in relation to planning for and responding to major incidents, particularly in relation to transport matters. As a “cooperating body”, there is, under the Act, a requirement for TfL to co-

operate, share relevant information and have arrangements in place for ensuring the confidentiality of sensitive information with Category 1 and other Category 2 responders, and to come together with them in Local Resilience Forums, ensuring that TfL is represented at these forums.



## TfL Integrated Assurance Framework

Version ~~4~~2

~~November 2011~~  
December 2013

Howard Carter,  
General Counsel



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## 1. PURPOSE AND OVERVIEW OF THE FRAMEWORK

The purpose of this Integrated Assurance Framework is to describe the overall regime within TfL for the efficient and effective generation and provision of assurance over all of its activities.

It describes the types of assurance functions that exist, their particular roles and responsibilities, the various customers for assurance, and the approaches adopted to ensure that assurance is done in the best place, at the right time and on the right things.

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### Definitions

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### Internal Audit

Internal Audit led on behalf of the ADG on the development of this Assurance Framework, and ~~will lead in~~leads the development, maintenance and progress reporting against the annual Integrated Assurance Plan.

Internal Audit carries out its work in compliance with ~~relevant CIPFA and IIA standards and guidance.~~the Public Sector Internal Audit Standards. It reports to the TfL Audit and Assurance Committee, to which it is responsible for providing comprehensive assurance across all TfL activities in respect of the organisation's risks, and an overall opinion of the state of its internal controls.

### HSE and Technical

The TfL HSE common support team provides professional HSE advice and assistance to line managers, who are responsible for managing activities across TfL such that HSE aspects are properly catered for in accordance with statutory requirements and TfL policies and standards. To do this the HSE function leads on the provision and continuous improvement of the TfL management systems and monitors, audits and reviews line managers' HSE performance and adherence to the management systems.

The TfL HSE common support team is led by the Director of HSE who reports to the Managing Director (Rail and Underground) and for assurance purposes to the TfL General Counsel.

~~Tube Lines is a major supplier to LU and, as such, its performance on all matters, including HSE, is overseen by LU as is the case with other LU suppliers. Tube Lines and LU organise their HSE assurance arrangements on a joint coordinated risk prioritised basis to ensure it is done effectively and efficiently between the two companies.~~

### Project Assurance

~~The HSE & Technical Audit team was formed from the two audit functions of London Underground and Tube Lines, and reports into the Director of Internal Audit. It carries out risk-based audits and reviews of HSE & technical activities across TfL. A number of embedded auditors within the business supplement it.~~

### Project Assurance

The Project Assurance Function comprises the TfL PMO and major projects and programme support offices which are distributed throughout TfL.

In addition, the IIPAG provides independent assurance and expert advice to the Mayor of London concerning TfL's Investment Programme as published from time to time; including all maintenance, renewal upgrades and major projects, but not operational issues or the activities of Crossrail. The IIPAG considers issues of economy, efficiency and value for money in preparing its advice, The Secretary of State for Transport also wishes to be assured that the financial support provided to TfL delivers value for money to the taxpayer, and will be consulted in relation to the

work of the Group and will receive copies of reports and other materials that are provided to the Mayor. It does this in accordance with its Terms of reference.

The TfL PMO reports to the Managing Director of Finance and Director of Capital Projects in London Underground. It has a broad role in supporting TfL in the delivery of all of its projects and programmes, and providing assurance over that delivery through guidance, including the use of a common project and programme methodology, combined with gateway and other reviews. In particular, it facilitates independent reviews of projects and programmes at key points. The TfL PMO draws upon the work and expertise of project and programme teams in fulfilling its function.

### Risk

The risk function facilitates the operation of sound risk management processes across the organisation, with accurate and adequate registers of TfL's strategic risks, such that appropriate and effective mitigation measures are in place to address those risks.

It does not carry out any assurance reviews itself but it ensures that there is a sound basis for all of the assurance activities carried out by the other functions. All TfL assurance activity is risk-based, and the Integrated Assurance Plan takes as its basis the various strategic risk registers that are overseen by the Risk function.

To promote good risk management, the Risk function also sponsors risk management training and seeks to raise the awareness of risk generally.

### Audit

Audits will be planned and undertaken in a manner that is consistent across TfL, by competent auditors and to common standards.

### **Customers of assurance**

The executive management of TfL, represented by the Leadership Team, the Value, People and Customer Groups, the Surface Transport Board and the Rail and Underground Board who have executive responsibility for all of TfL's activities, need to know that their management arrangements are operating effectively at every level and that any deficiencies in these arrangements, that might occur from time to time, are being addressed.

The TfL Board and its Committees and Panels hold TfL's executive management to account using assurance evidence to question and challenge the efficacy and probity of TfL's management arrangements.

## **7. DERIVATION**

### Statutory and regulatory requirements

As a public-sector employer and provider of transport services to the public, TfL is subject to a range of statutory and regulatory requirements. Some of the assurance work carried out is to check for satisfactory compliance against these requirements.



### TfL Business Plan

All risk and assurance activity within TfL relates to the activities described in the Business Plan.

As a part of the business planning process, TfL's strategic risks are reviewed and the risk registers are updated, at least annually, to reflect the latest strategic objectives, priorities and plans.

### TfL Risk Management

All assurance activity within TfL is risk-based. The starting point for any assurance planning is therefore TfL's risk registers and the mitigation plans for each risk.

#### Assurance Mapping

To check that adequate and appropriate assurance exists for its strategic risks, TfL has adopted the use of Assurance Maps.

Assurance Maps provide a simple means of mapping sources of assurance to strategic risks and indicating the strength of the available assurance, thereby highlighting areas of potential under or over-assurance.

The preparation and use of Assurance Maps is an intrinsic element of TfL's processes for strategic risk management.

### Planning Approaches

In preparing individual assurance plans, and the overall Integrated Assurance Plans, a number of different approaches are taken. These are outlined here.

#### **Internal Audit**

The starting point for the development of the Internal Audit plan is consideration of the business risks identified in the strategic risk registers, from which a preliminary list of areas for audit is developed.

The Director of Internal Audit and Senior Audit Managers then meet with a wide range of senior managers from across TfL to obtain their input into the plan. The Audit and Assurance Committee is also asked whether there are any areas it wishes to see covered by the plan.

Care is taken to ensure that there is adequate coverage within the plan of core financial processes, including staff-related control areas, and governance activities, which would not necessarily be picked up by a strict focus on the risk registers.

A draft plan is shared with Chief Officers, the Chief Finance Officer and the Commissioner. Also, workshops are run for senior managers, to obtain their buy-in to their sections of the plan.

### **HSE and Technical**

The HSE & Technical audit plan forms part of the Internal Audit plan. Audit requests are considered on a risk basis, and are collated from risk registers, previous audit findings and the concerns of senior management. The plan takes into account the audit activities of embedded auditors and the need to gain assurance from TfL suppliers.

TfL's HSE ~~support~~ function ~~lead~~s supports the Internal Audit team in planning of the necessary HSE assurance activities on an annual basis using a risk prioritised approach based on analysis of HSE performance information, previous audit results and any areas of concern identified by line managers in each area of the organisation. This is done collaboratively with the other assurance areas to ensure there are no significant gaps or duplication of assurance activity. The HSE function monitors HSE performance of all our business and reports on performance at least quarterly to each business unit.

### **Project Assurance**

The Project Assurance function provides assurance in the following ways:

- Gateway and progress update reviews
- Development and issue of standards and guidance for project management
- Reviews of individual projects and programmes at project gateways co-ordinated
- Control of granting of project authority
- Ongoing and regular challenge to progress reporting against financial and milestone targets, changes to milestones, use of risk and contingency funds, and highlighting issues
- Reviews of systemic elements of Investment Programme delivery

Gateway reviews are carried out at the time when a project or programme approaches a gated decision point in the standard TfL project lifecycle. In addition progress updates are undertaken when there is a period of over 12 months between gateway reviews. The plan for these reviews is therefore driven by the individual plans for the projects and programmes in TfL's portfolio.

Project Assurance follows industry best practice, and is completely aligned with other relevant parts of the TfL Integrated Assurance Framework. Project and programmes are required to complete, and have agreed, an Integrated Approvals and Assurance Plan (IAAP) that maps out all assurance and approvals activity. The Integrated Assurance Review (IAR) – with its set of key challenges at specific points – provides the basis for every stage gate as well as higher-level assurance reviews.

### **Risk**

As the Risk function does not carry out assurance review activity, there is no Risk assurance plan.

## **8. ASSURANCE PLAN STRUCTURE**

The Assurance Plan is structured around the requirements of the customers for assurance. In each case, the plan describes:

- The strategic risks against which the assurance is to be provided
- The functional sources of that assurance
- A high-level schedule of assurance reviews

#### Assurance to the Operating Boards

This is based upon the strategic risk maps ~~and assurance matrices~~ for the operating businesses, i.e. Rail and Underground, and Surface Transport.

#### Assurance to the ~~Leadership Team~~Safety and Sustainability Panel

This is ~~based upon the strategic risk maps and a summary of HSE-related~~ assurance ~~matrices for TfL and for the corporate directorates.~~

~~The TfL strategic risk map and assurance matrix may include some elements of those of the operating businesses where the Leadership Team needs visibility of them as a result of their potential significance.~~

#### Assurance to the Finance & Policy Committee

~~This is based upon a risk map and assurance matrix comprising the most significant risks relating to the Investment Programme extracted from the risk maps relating reports~~ to the Operating Boards ~~and the Leadership Team.~~

#### Assurance to the SHEAC

~~This is based upon a risk map and assurance matrix comprising the most significant health, safety and environment risks extracted from the risk maps relating to the Operating Boards and the Leadership Team,~~ as well as upon activities relating to Sustainability and Resilience.

#### Assurance to the Audit Committee

This is a high-level summary of the assurance provided ~~to the Leadership Team~~ in respect of TfL's strategic ~~risk map~~risks.

## 9. FRAMEWORK AND PLAN APPROVAL AND MAINTENANCE

Internal Audit is responsible for ~~the development~~developing, obtaining approval ~~for,~~ and ~~maintenance of~~maintaining both this Framework and the associated Integrated Assurance Plan.

The Leadership Team is responsible for approving both.

Prior to submission to the Leadership Team for approval, both are first reviewed by the ADG, ~~the Value Group~~ and the Operating ~~Board~~Boards.

The Framework will be reviewed ~~annually~~biannually.

The Plan and progress against it will be reviewed quarterly.

## 10. REFERENCES

The following sources were used in the development of this Integrated Assurance Framework:

"Assurance for High Risk Projects", NAO report, June 2010

"Guide to Integrated Assurance", Association for Project Management (APM),  
*(in development)*

"Coordination of assurance services", Chartered Institute of Internal Auditors  
(IIA), July 2010

## APPENDIX – STATUTORY AND REGULATORY REQUIREMENTS

### Internal Audit

The Accounts and Audit (England) Regulations ~~2003 (as amended)~~2011 include a requirement that:

“A relevant body ~~shall maintain~~must undertake an adequate and effective ~~system of~~ internal audit of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control”.

TfL is a relevant body for this purpose.

~~CIPFA has produced a ‘Code of Practice for Internal Audit in Local Government in the United Kingdom 2006’. This defines CIPFA, in association with other ‘Relevant Internal Audit Standard Setters’ and the Chartered Institute of Internal Auditors, has produced a set of Public Sector Internal Audit Standards. These define~~ the way in which the internal audit service of a relevant body should undertake its functions.

Paragraph 1.2.1 of the Code of Practice states that:

~~“The scope provision of Internal Audit’s remit includes assurance services is the organisation’s entire control environment. In determining where effort should be concentrated, primary role for internal audit in the HeadUK public sector. This role requires the chief audit executive to provide an annual internal audit opinion based on an objective assessment of Internal Audit should take account the framework of the organisation’s assurance and monitoring mechanisms, including governance, risk management arrangements, for achieving the organisation’s objectives and control.”~~

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### HSE

Generally TfL, meets the requirements of the HSAW Act and all the Regulations made under it by ~~following~~ensuring the principles outlined in the Health and Safety Executive’s HSG 65 Guidance ~~as the definitive guide to sound H&S are built into its~~ management system. In essence, this guidance requires that appropriate assurance is obtained by structured monitoring, audit and review of TfL’s health and safety performance and adherence to its health and safety management system.

For TfL’s rail businesses, the Rail and Other Guided Systems (ROGS) Regulations impose additional requirements. Formally in these Regulations, ‘assurance’ is referred to as Safety Verification, which only applies in certain high risk situations. However, while the regulations and guidance generally do not use the word ‘assurance’ they make many references to what ‘duty holders must make sure’ of.

The Office of Rail Regulation (ORR) accept that LU’s and LR’s assurance standard and safety verification standard, which are part of LU’s and LR’s safety management system, meet all relevant HSE regulatory requirements in this respect.

Technical Audits are carried out against standards and procedures relevant to the audit activity.

### **Civil Contingencies Act 2004**

Under the Civil Contingencies Act 2004, TfL is a Category 2 responder in relation to planning for and responding to major incidents, particularly in relation to transport matters. As a “cooperating body”, there is, under the Act, a requirement for TfL to cooperate, share relevant information and have arrangements in place for ensuring the confidentiality of sensitive information with Category 1 and other Category 2 responders, and to come together with them in Local Resilience Forums, ensuring that TfL is represented at these forums.