

TRANSPORT FOR LONDON

SAFETY, HEALTH AND ENVIRONMENT ASSURANCE COMMITTEE

**SUBJECT: ASSURANCE OF HSE AUDIT PROCESSES**

**DATE: 17 NOVEMBER 2009**

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**1 PURPOSE AND DECISION REQUIRED**

- 1.1 The Committee's Terms of Reference address the requirement for the consideration of audits of Health, Safety and Environmental Management Systems and the progress with implementation of recommendations arising from audits. In the light of this, the Committee's Advisers have reviewed selected audit processes and reports.
- 1.2 The Committee is asked to note the appended Report from the Advisers.

**2 BACKGROUND**

- 2.1 TfL manages Health Safety and Environment in a structured manner through the use of documented HSE Management Systems (HSEMSs). These HSEMSs address the requirements for audits to be carried out and aspects of the auditing process and audit reports are communicated to SHEAC through established reporting mechanisms.
- 2.2 The Advisers to the Committee recently reviewed a selection of audit reports from across the modes to provide an independent view on audit processes and the follow up on recommendations from audits.

**3 CONCLUSIONS OF THE ADVISERS' REVIEW**

- 3.1 From their review of HSE audits conducted during 2008/09, the Advisers concluded that the audit processes are generally working well. However, there were some opportunities for improvement, especially around progressing and tracking corrective actions, to meet the best audit practices which the Advisers had identified across TfL.
- 3.2 The Advisers made a small number of recommendations for each mode, with an overall recommendation that each mode should ensure that its audit processes meet the following best practice principles (recognising that the detailed arrangements may differ because of specific requirements of individual modes).
- 3.3 The best practice principles proposed are:
  - (a) An annual audit plan (which may be adapted in the light of circumstances as the year progresses);

- (b) Each audit report should include a simple prioritisation of recommendations (corrective actions);
- (c) After issue of each final audit report, setting of a realistic target date for closing out each corrective action; and
- (d) Regular tracking of the progress of each corrective action, bringing overdue actions to the attention of senior management.

3.4 The Advisers' Report is attached as Appendix 1.

#### **4 RECOMMENDATION**

4.1 The Committee is asked to NOTE the Report.

#### **5 CONTACT**

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**SUBJECT:            REVIEW OF SELECTED HEALTH, SAFETY AND ENVIRONMENTAL AUDIT REPORTS BY THE SHEAC ADVISERS**

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## **1        INTRODUCTION**

The Advisers have reviewed selected Health, Safety and Environment (HSE) audits which were conducted on the operations of TfL or its contractors during 2008/09, in line with one of the items in SHEAC's Terms of Reference, namely *"To review, and exceptionally to request, the carrying out of audits .... of health, safety and environmental management systems ....., as necessary, and to review progress with the implementation of recommendations arising from such audits"*.

## **2        LONDON UNDERGROUND**

Advisers were provided with the LU:

- 2008/09 SQE & Technical Audit Schedule – period 13;
- Audit Process Guidance Notes;
- Audit Process Diagram; and
- Standards documents.

An annual LU risk-based Audit Work Plan is approved by London Underground's (LU) HSE Committee (HSEC) and published on the LU intranet. The work is undertaken within the framework set by TfL. The Work Plan is flexible and can be modified if LU's risk profile changes. New audits can be incorporated in the current or following year. In addition to its own audit programme LU carries out other audits on behalf of TfL e.g. bus stations, river piers. However LU does not follow up the audits; this is done by those audited, generally TfL Surface Transport.

The most recent audit process diagram shows how, over the last three months, the audit process has brought together the former Metronet and LU practice, endeavouring to adopt best practice from each.

Staff access the current audit information from LU intranet. Audits are normally undertaken by LU employees but external specialist skills are brought in if required. If LU needs to be audited by another party, eg for certification purposes, where possible, arrangements are co-ordinated with the internal programme.

Auditors are assigned on the basis of their competence and availability. Competence is regularly checked and training provided to aid staff progression. The preparation for, conduct of and reporting of an audit are clearly specified. Until recently there were two audit systems operating; in one the audit reports which identify non-conformity against requirements grade the risks as high, medium or low. Corrective Action Requirements [CARs] are prepared for high and medium risks. The auditee is expected to take corrective actions to prevent re-occurrence. These are tracked through to close-out. Low grade non-conformities are raised as 'Observations' which are not tracked through to close-out but reviewed in the next audit. In the other system a score is given against specific items. The scores are compared from one audit to the next. In the audits where a scoring system is used a CAR approach was not previously used but is now to be introduced.

Records of audit reports, CAR and close-out evidence are retained indefinitely.

The Advisers selected the following audits for examination from the LU 2008/09 SQE & Technical Audit Schedule – period 13:

- Property Maintenance by a PPP contractor - July 2008. The purpose of the audit was to assess whether the contractor could demonstrate that it had planned and implemented arrangements for ensuring adequate maintenance of certain buildings. The audit was undertaken by the LU SQE & Technical Audit Team. Resource and time limitations meant that only representative sampling could be carried out but the auditors considered that an objective assessment of the contractor's arrangements and the identification of areas requiring corrective action had been made. This is a sound audit report. It clearly identifies areas where action is needed and prioritises these. A corrective action plan matrix is given [high and medium priority] with nine action items. At the time of writing six of the CARs have been closed out, the remainder are scheduled for completion in 2009/2010.
- The purpose of this audit of an external training provider was to verify that the facilities used for training current and potential LU operational staff are broadly compliant with the location related aspects of Category 1 Standard – Operational & Customer Service Training: Establishment Trainer & Training Material Requirements. The audit was undertaken by the LU SQE & Technical Audit Team. This is a good audit report. It identified one corrective action which was quickly closed out.
- Train Operations Audit - 7 November 2008. The audit was undertaken by the LU SQE & Technical Audit Team. This is a very clear and comprehensive audit. It identifies several areas for improvement. A points scoring system is used and this was useful in making cross network comparisons and will aid in future audits. It would have been helpful to have had all the areas of concern and suggested actions listed in a single table at the end of the report. The report offers observations but risk priorities are not given, however it appears that some of the items identified could be classified as medium or even high risk priorities and it would have been beneficial to have had the CAR system in place [eg 'There is currently no safety action plan in place at West Ruislip to identify actions from identified risks, systems checks and audits....']. A response/action plan was requested but the Advisers have not seen this.

- This audit of an LU supplier was undertaken by the LU SQE & Technical Audit Team. The purpose of the audit was to verify the satisfactory application and overall effectiveness of the supplier's processes for the management and investigation of incidents, accidents and near-misses. This is a comprehensive audit. It identifies a substantial backlog of incidents awaiting review and closure and offers suggestions to improve the situation through a number of 'Detail of Observation' statements. It would have been useful to have had all the principal issues drawn together in a summary table. Some of these appear to be of medium risk priority and an approach using CAR would have been helpful. The Advisers have not seen any close-out comments on this audit.

The Advisers consider the LU audit arrangements to be well structured and effective overall. They are sufficiently flexible to respond to emerging risks in LU. Three different formats were used for the five LU audits examined by the Advisers.

Based on our review of several 2008-09 audits, we had intended to recommend that "all future LU audits should use a common format and these should identify risk issues within the Corrective Action Categories High, Medium and Low priorities. If necessary this could be in addition to and complementary to a scoring system. Priority: medium." However LU have since informed us that they are in the process of making such changes following the bringing together of Metronet and LU audit activities in July 2009.

The LU programme audits on behalf of TfL for surface transport and other departments are an historic arrangement. They appear to work well and there could be opportunities to expand to other modes. The capabilities of the auditors may well be enhanced by this broadening of their experience. However in the current regime of operating cost reductions, these 'outside' audits should not compromise the 'internal' audits for LU.

- **Recommendation LU-1:** the effectiveness of the current and any future arrangement for audits undertaken by the LU SQE & Technical Audit Team for businesses outside LU should be fully examined to ensure that it is cost-effective and does not compromise the audit process for LU departments. Priority: medium.

### 3 SURFACE TRANSPORT

ST provided a brief overview of the 2008-09 audit programme, which included the statement that "*we carry out Safety Management audits of all our contracted bus operators annually*".

We requested the audit report and action log for one of the largest of the 17 bus operators in London, and we were promptly supplied with the requested information. This audit was carried out by ST staff and covered a comprehensive range of topics, and the operator's Managing Director has provided a written response to the 16 audit recommendations showing that all of them are either complete, in progress for completion by the end of 2009, or the operator is satisfied with current arrangements so is taking no further action.

The audit report gives no information about the operator's safety performance in the previous year, which would be useful to put the audit comments into perspective – especially if there were a significant contrast between the audit findings and the

operator's performance. We understand that ST benchmarks nine performance indicators for each operator at the quarterly Bus Operators' Forum and we agree that it would be inappropriate to include that level of detail in audit reports.

- **Recommendation ST-1:** to assist in determining where audits and improvement efforts should be focussed, each bus operator's audit report should indicate the operator's safety performance for the previous year (e.g. better than the average of LBSL bus operators, average or worse than average), and the performance trend (e.g. improving, stable or deteriorating). Priority: medium.

ST provided a Final Audit Summary, which provides a useful overview of the common strengths and weaknesses of the different bus operators. We understand that this report is presented to the LBSL safety governance meeting, presented to bus operator MDs at the H & S sub-committee of the Bus Operators' Forum and sent to all operators individually. It is used to inform the audit programme for the next year, along with historical Driver Quality Monitoring reports from the performance team and bus company accident data from ATLAS/IRIS. These help ST decide what audit questions to ask and which garages to visit.

The Summary suggested "*a separate environmental audit to promote TfL environmental objectives*" but our experience is that operational managers find they use excessive resources to support separate audits and much prefer integrated audits.

- **Recommendation ST-2:** In the interests of efficiency, TfL environmental objectives should be strengthened in the HSE audits of bus operators, rather than undertaking a separate environmental audit. Priority: low.

Although we had not requested them, ST also provided the audit reports for another two of the largest bus operators. We were pleased to see that their reports followed the same format as before and that both operators had responded to the audit recommendations. For completeness, we asked to see audit reports and responses for two of the smallest operators. We received both audit reports, which followed the same format as for the largest operators. One operator responded positively to its audit recommendations. Despite reminders, the other did not respond to its audit (conducted in October 2008); ST tell us that they would normally escalate this to the Account Manager but the operator only had a single school route at the time of the audit (a very small service, 2 buses only) which has since been discontinued. However ST will be auditing the operator again this year (on a slightly different basis) as it has been decided to extend the audit programme to cover a number of bus operators who provide rail replacement services; the operator is scheduled to be among the first to be so audited and its failure to respond to its October 2008 audit will be reviewed in detail.

- **Recommendation ST-3:** ST should agree with the group of bus operators on a 'reasonable period' for them to respond after an audit, after which the matter will be escalated to the Account Manager. Priority: medium.
- **Recommendation ST-4:** ST should agree with the relevant operator on scheduled dates for each corrective action to be closed out, after which the action will be considered overdue. Priority: high.

We note that in some cases there is a substantial number of recommendations (they range from eight to 16, except for the small operator which failed to respond, where there are 24). A large number of recommendations can overload an operator's health, safety and environment team (particularly for the smaller operators).

- **Recommendation ST-5:** recommendations should be prioritised in a simple manner to assist operators to focus on those with highest priority. Priority: medium.

We conclude that ST's HSE audit programme for bus operators is professionally managed and that the operators are generally responding positively to the audit recommendations.

In reviewing LU's audit programme, we noted an audit being conducted by their team on behalf of ST:

- Operational Assurance Audit Report - 18 July 2008. The audit of one of the Surface Transport businesses was undertaken by the LU SQE & Technical Audit Team on behalf of Surface Transport. It continued the scoring format used in the last report. The audit process appeared reasonably thorough but it was concerning that certain areas occupied by tenants could not be inspected. Although the scores, compared with the last audit, have almost all improved there are several statements to the effect that unsatisfactory conditions, previously identified, had not been addressed. Some of these appear to be of medium risk priority. It would have been helpful had the auditors summarised items for improvement at the end of the report so that performance can be more readily checked in future. This audit would have benefited from the use of the CAR system which it is understood is now being introduced alongside the scoring arrangement.
- **Recommendation ST-6:** ST should ensure that the corrective actions are tracked for all audits in their mode. Priority: medium.

#### 4 LONDON RAIL

LR has told us that the audit processes are still being developed across the three businesses (London Overground, DLR and London Trams). In 2008-09 there was an overall structure for auditing aspects of work, but it was not consistently risk-based nor common across the businesses. Work is in hand to develop an overall plan (going out three years), to base it on a clear review of risks, and to develop a more consistent approach to audit methodology.

Meanwhile LR sent us a number of 2008-09 audit plans and audit reports, which had been selected by the businesses. Normally we would wish to make our own selection of reports from the audit plans but, on this first occasion, we have reviewed the documents supplied.

London Overground Infrastructure: we were supplied with:

- Internal Audit Programme and Suppliers Audit Programme 2008-2009
- Audit Register 2008-09

- Internal and Suppliers Audit Programme 2008/9 CAR Register
- Audit Summary – Quality. This 1-page document gives a useful overview of the quality management system for a major project, with a single ‘Issue arising’. However it does not cover safety nor does it describe the quality audit methodology.
- Internal Audit summary – Construction Site Safety. Although again only a 1-page document, the description provided is of a thorough audit of the duties of the Construction Safety Coordinator and whether they complied with the documented procedures. In a number of instances the procedures did not reflect the current practice and were not robust enough, in so far as the communications within the project were concerned; a corrective action had been raised. The Corrective Action Report (CAR) Register shows that this action is overdue and the progress report dated 18/09/09 shows this CAR still open and apparently is reviewed with the Project Director.

We conclude that London Overground Infrastructure has an extensive audit programme (which LR tells us is aligned with the development of the project deliverables), that certain deficiencies are being identified and that corrective action reports are being issued.

London Overground Operations: LOROL, the private sector operator which runs the Overground services, carry out their own audits. These are risk based and look at a range of compliance issues. The advisers were not able to see any examples of the actual audits, but did see samples of the 2009-10 topics and close outs. London Overground management monitor the close out of audit actions through the monthly concession meetings. LO management have not to date carried out audits themselves, but will be developing an audit protocol and a risk based audit plan as part of their safety improvement plan for 2010.

Docklands Light Railway Limited: LR tell us that DLRL carry out an annual Safety Management System / Railways and Other Guided Transport Systems (Safety) Regulations 2006 (ROGS) audit on themselves, Serco, City Greenwich Lewisham Rail, City Airport Rail Enterprises and Woolwich Arsenal Railway Enterprises. The last one was in December 2008 and the next one is planned for September 2009. This year DLRL also carried out a Competence Management Review across DLRL, and an Environmental Compliance gap analysis carried out at the beginning of 2009. Currently DLR are in the process of putting a combined audit programme together, capturing all audits planned by DLRL, Serco, CGLR, CARE and WARE to avoid duplication and add value. DLRL also carries out a number of “triggered” audits following incidents as part of the investigation process.

We were supplied with:

- Management Systems Audit by an external consultant. The purpose of this audit was to check whether the new organisational arrangements, required under ROGS, were in place. This was a thorough audit, with 17 findings from Phase 1, 25 findings from Phase 2, and 25 ‘observations’ listed in the Final Report dated 16 January 2009. DLR supplied its ‘Issue Overview Register’ dated 19 Sep 09, according to which 12 issues were in progress, 20 were completed (according to the accountable manager), 17 were verified (by

DLR's Safety, Assurance & Change Department), 17 were closed and 1 was rejected.

- Competence Management Review by an external consultant. This report *“describes the outcomes of a review into competence management practice ....and summarises current practice against guidance provided by the Office of Rail Regulation”* under ROGS. This was a thorough audit, with the report dated 21 March 2009 making 37 recommendations.
- Triggered audit of rolling stock, by an external consultant. This audit was *“requested by DLRL in response to the lack of visibility of systems and management arrangements in place for vehicle-related activities .... against the background of an apparent increase in both the number and breadth of incidents with rolling stock matters identified as a cause or contributor”*. This was a thorough audit, with the final report dated 27 April 2009 making 6 recommendations. The Issue Overview Register states that 5 recommendations are in progress and 1 has been rejected.

We conclude that DLRL has commissioned a number of external audits which have been thorough and have resulted in findings and recommendations, which are tracked in the Issues Overview Register. This lists Actions Overdue by accountable manager, but not by audit/investigation/review. Of the 257 open actions, 59 are overdue. We were told that the DLR Issues Management process has only recently been introduced and incorporates a number of incident reports and audits from recent years; it is expected that the backlog of overdue actions will be reduced significantly during 2009-10.

- **Recommendation LR-1:** in its Issue Overview Register, DLRL should define the criterion for an action being overdue, and should list Actions Overdue by audit/investigation/review as well as by accountable manager. Priority: medium.

London Trams: LR tell us that the audit programme in Trams is the least developed. There is an annual audit of Tram Operations Ltd as part of ROGS compliance checks, there have been smaller scale audits (principally of capability as part of the post take over activities), and some triggered audits following incidents. A proper risk based audit plan will not be rolled out in Trams until later in 2009-10.

We were supplied with a Track Replacement Overview Report, by an external consultant. TfL *“has planned the First Year Track Replacement as an essential improvement to the London Tramlink network. The audit was carried out to review work carried out so far, as concerns have been raised about the viability of completing all elements of the works within the proposed timescale, the viability of proposed phasing arrangements and the understanding of key project risks.”* The majority of the report is concerned with costs and schedule. Just a minor part concerns health & safety documentation and review against requirements of the Construction (Design and Management) Regulations 2007 (CDM), for which the report states *“It is not thought that the areas identified will prevent the work from going ahead, but the early identification of this information will aid the identification of any major CDM and/or health and safety issues that need resolution in time for any arrangements to be implemented.”* London Trams now tell us that *“A CDM co-ordinator/safety advisor was employed for the project from [an external consultant] and project oversight/assurance and further support to the project was provided by the LT SHEQ Manager as required.”*

We agree with the statement from LR that its HSE audit programmes need further development.

- **Recommendation LR-2:** LR should ensure that priority is given to its work to develop an overall health and safety audit plan (going out three years), to base it on a clear review of risks, and to develop a more consistent approach to audit methodology. Priority: high.

## 5 CROSSRAIL

As Crossrail Limited is newly established and only started reporting to SHEAC during 2009-10, we have not reviewed any audits of Crossrail or its contractors.

## 6 CORPORATE DIRECTORATES

None of the Corporate Directorates had an HSE audit during 2008-09. However the Advisers previously reviewed two external audit reports and the TfL action plans:

- TfL Corporate Directorates HSEMS Audit: 2007
- TfL Group HSEMS Audit Report: 2008

The Audit Recommendations and Actions log shows that the majority of actions are closed, some others are noted for future activities (without any deadlines) while a few others are vague. None of the actions are prioritised.

- **Recommendation CD-1:** for future audits, develop a Corrective Action Requirements log, with a priority and target date for completion of each action. Priority: medium.

## 7 CONCLUSIONS

From this review of HSE audits conducted during 2008-09, we conclude that the audit processes are generally working well. However there are some opportunities for improvement, especially around progressing and tracking corrective actions, to meet the best audit practices which we have identified across TfL.

- **Recommendation All-1:** each mode should ensure that its audit processes meet the following best practice principles (although the detailed arrangements may differ because of the specific requirements of individual businesses):
  - An annual audit plan (which may be adapted in the light of circumstances as the year progresses);
  - Each audit report should include a simple prioritisation of recommendations (corrective actions);
  - After issue of each final audit report, setting of a realistic target date for closing out each corrective action; and
  - Regular tracking of the progress of each corrective action, bringing overdue actions to the attention of senior management.

Priority: medium