

Date: 30 June 2022

Item: Assurance Framework for TTL Properties Limited

This paper will be considered in public

1 Summary

1.1 This paper sets out proposals for assurance activity for TTL Properties Limited (TTLP) based on a Three Lines of Defence (3LoD) model to provide an Integrated Assurance Framework (IAF) for this subsidiary company.

2 Recommendation

2.1 **The Committee is asked to note the paper and to approve the assurance proposals.**

3 Background

3.1 To achieve its assurance objectives, TfL operates a 3LoD model as follows:

- (a) First line of defence – control and monitoring arrangements carried out by the functions responsible for managing the risks / controls;
- (b) Second line of defence (LoD2) – typically assurance reviews, audit and inspection regimes carried out by teams separate from those responsible for managing the risks / controls; and
- (c) Third line of defence (LoD3) – fully independent audit and assurance activities, typically with a strategic focus.

3.2 This paper sets out proposals for how the 3LoD model will be set up for TTLP for LoD2 and LoD3.

4 Assurance Proposals

4.1 TTLP is evolving as an entity and is at an early stage of its development. Assurance proposals will reflect this and will be set up to ensure that the Directors of TTLP, TfL's Executive Committee and the Board's Committees and Panels can obtain the assurances needed that risk is being well managed, effective controls are in place, revenue is being maximised, value for money is being obtained and the right investment decisions are being made.

4.2 The key drivers are to ensure that assurance is delivered by the most appropriate party within the 3LoD model and that duplication is avoided.

4.3 The assurance proposals are set out below.

Enterprise Risk Management

- 4.4 It is proposed that TTLP will have its own Enterprise Risk Framework and set its own risk appetite. This will be linked to TfL's Enterprise Risk Framework but will enable TTLP to manage its strategic risks effectively and make business decisions accordingly. This will also facilitate the mapping of assurance activities against risks so that evidence can be provided that the risks are being managed and mitigated, and that the necessary corrective actions are in place.
- 4.5 Papers for the Enterprise Risks that are developed for TTLP will be submitted to the relevant TTLP executive meetings and this Committee. This will be in line with an agreed schedule so that every risk is seen once a year.
- 4.6 Updates on general Enterprise Risk matters will be included in the assurance paper to this Committee and TTLP executive meetings. An overview will also be provided to the Audit and Assurance Committee.
- 4.7 This work will be supported by the current Enterprise Risk team from the TfL Risk and Assurance Directorate.

Integrated Assurance Framework (IAF)

- 4.8 TTLP needs a robust IAF that avoids duplication of assurance work and where activities are undertaken on a risk-based approach. The intention therefore is for LoD2 and LoD3 activity to be aligned in order to minimise impacts on TTLP staff and management.
- 4.9 In practice this means that:
- (a) TTLP will have its own Integrated Assurance and Audit Schedule that will be updated quarterly and be presented to this Committee for approval and then it will be sent to the Audit and Assurance Committee for noting;
 - (b) management actions and recommendations will be made by LoD2 and LoD3, and the status of these and associated management responses will be monitored and reported as appropriate;
 - (c) the work of all the assurance providers will be co-ordinated to minimise overlap, and therefore assurance providers will meet regularly to discuss activities and identify issues and themes that need further consideration; and
 - (d) reports covering the work and outcomes of both LoD2 and LoD3 will be submitted to this Committee and TTLP executive meetings with an overview provided to the AAC.

LoD2 activities

- 4.10 The intention is, as far as practicable, to use existing TfL teams to undertake LoD2 work so that there is consistency in the way TTLP is assured and so good practice from elsewhere in TfL can be shared and applied in this area.
- 4.11 The proposal is that the following teams from within TfL's Risk and Assurance Directorate will undertake LoD2 activities:

- (a) Project Assurance will support investment decisions and project delivery associated with projects that interface with TfL assets and operational environment; and
- (b) Quality, Safety and Security Assurance will provide assurance to TTLP risk owners that their engineering, safety and security requirements are being met.

4.12 In relation to second-line assurance for general investment decisions, independent second-line assurance is currently procured from leading commercial property advisors, who have up-to-date commercial experience of such investment appraisals. As such, the intention is for LoD2 to use these appraisals as part of its overview assessment of value for money and to consider if there are any concerns with the proposed investments.

4.13 Joint venture proposals will also be reviewed by external commercial property advisors to again LoD2's understanding of the risks and to ensure that the arrangements are not detrimental to TTLP or TfL.

LoD3 activities

4.14 The Independent Investment Programme Advisory Group (IIPAG) carries out LoD3 assurance on the TfL Investment Programme. The intention is to set up a sub-group of IIPAG to cover TTLP's functions. It will have its own Chair and members who have experience in property development/housebuilding, retail management, joint ventures and investment appraisals.

4.15 This IIPAG sub-group will be overseen by the Chair of IIPAG and be supported by LoD2 in their activities. The sub-group will have its own Terms of Reference and the Chair will set out their areas of focus which will be included in the Integrated Assurance and Audit Schedule.

4.16 TfL Internal Audit will provide independent third-line assurance through risk based, objective, evidence-based audits of governance, internal control and risk management within TTLP.

5 Resources

5.1 Whilst the level of assurance activity needed for TTLP is being assessed and the IAF is being set up, existing staff in Risk and Assurance are supporting this work. Once requirements are better understood assessments will be made about whether additional resources are needed to cover the work or if it can continue to be undertaken by existing staff.

5.2 We are in the process of recruiting IIPAG members for the TTLP sub-group.

6 Funding

6.1 The costs of the assurance proposals set out in this paper will be covered by TTLP.

List of Appendices:

None

List of Background Papers:

None

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