

Date: 5 June 2023

Item: TTL Properties Limited Assurance Update

This paper will be considered in public

1 Summary

- 1.1 This paper reports on progress with assurance activity across TTL Properties Limited (TTLP) during Quarter 4 of 2022/23 (11 December 2022 to 31 March 2023) (Q4).
- 1.2 A paper is included on the Part 2 agenda which contains exempt supplementary information that is exempt from publication by virtue of paragraph 3 of Schedule 12A of the Local Government Act 1972 in that it contains information relating to the business affairs of TfL. Any discussion of that exempt information must take place after the press and public have been excluded from this meeting.

2 Recommendation

- 2.1 **The Committee is asked to note the paper and the exempt supplementary information in Part 2 of the agenda.**

3 Background

- 3.1 The TTLP Integrated Assurance Framework is based on a Three Lines of Defence model comprising:
 - (a) Line 1 – Management functions of TTLP and key interfaces;
 - (b) Line 2 (LoD2) – Project Assurance (PA) and Quality, Safety and Security Assurance (QSSA); and
 - (c) Line 3 (LoD3) – TfL Internal Audit and a sub-group of the Independent Investment Programme Advisory Group (IIPAG-TTLP).
- 3.2 This paper reports specifically on Line 2 (PA and QSSA), Line 3 (Internal Audit) and Line 3 (IIPAG-TTLP) assurance activities. Work in progress for LoD2 and LoD3 is set out in Appendix 1 and work starting in Quarter 1 of 2023/24 (1 April to 24 June 2023) (Q1) is in Appendix 2.
- 3.3 The LoD2 and LoD3 teams meet periodically to ensure that assurance is carried out by the right team at the right time and to avoid duplication.

4 Line 2 (PA) Assurance

- 4.1 LoD2 continues to provide assurance on an ongoing basis as well as carrying out Targeted Assurance Reviews (TARs) on key areas.
- 4.2 Five TARs were in progress or completed in Q4. More detail is contained in Appendix 1 and 2 and further targeted reviews will be undertaken as required to support any significant investment decisions.
- 4.3 Resourcing and procurement and commercial reviews completed in Q4 and reports will be provided to the next meeting of the Land and Property Committee.

5 Line 2 (QSSA) Assurance

- 5.1 The final report from the QSSA audit of tenant safety compliance was issued with a conclusion of 'adequately controlled' and all actions have been agreed by TTLP. Significant improvements were noted since the last audit.

6 Line 3 (Internal Audit) Assurance

- 6.1 Two audits were completed in Q4, Property Transfer Accounting and Accounting and Cash Management. Two further audits are planned for Q1 and more detail is contained in Appendix 1 and 2. There are currently no overdue actions from previous audits.
- 6.2 The Property Transfer Accounting audit found that there were gaps in the audit trail supporting the assets transferred from TfL to TTLP. This included asset descriptions not matching the live asset, inconsistencies in asset values across documentation, discrepancies in financial posting in SAP and Asset Values, assets not found on TTLP asset register and legal documentation not in the standard format. We also identified weaknesses in planning the delivery of activities as neither a project team nor consideration of the resources required for the delivery of property transfer accounting from TfL to TTLP were established at the outset.
- 6.3 We worked with TTLP in real time on the accounting and cash management processes and while a high-level Financial Readiness plan was in place the detailed work required to deliver the plan had not been developed or shared with the Executive Leadership Group. As with property transfer accounting there was also no project resource plan with reliance placed on existing staff. Key stakeholders had not been formally or consistently identified or documented as part of a stakeholder management plan and there was an absence of a communications plan.
- 6.4 The risk log for accounting and cash management processes in TTLP had not been systematically thought through. The severity of the risk/issues had not been assessed using the standard methodology, leaving the project exposed to uncertainties materialising and management having to direct scarce resources to manage the consequences.

7 Line 3 (IIPAG-TTLP) Assurance

- 7.1 IIPAG-TTLP work for Q4 and Q1 is set out in Appendix 1 and 2. Three reviews were underway in Q4 focussed on retail income forecasts up to 2031, delivery confidence in the short- and longer-term housing objectives and Joint Venture structuring and management.
- 7.2 The retail review report will be presented to the next meeting of the Land and Property Committee.
- 7.3 As IIPAG-TTLP obtain an even more detailed understanding of the business they will add additional workstreams to the Integrated Assurance and Audit Schedule.

8 Enterprise Risk Management

- 8.1 The first Level 0 (L0) risk (TTLP-L0-06) was reviewed at workshop facilitated by the Enterprise Risk Management team in January 2023. Work on reassessing Level 1 risks is now being planned.
- 8.2 Details of the seven TTLP L0 Risks are set out in Appendix 3.

List of Appendices:

Appendix 1: Integrated Assurance and Audit Schedule – work in progress
Appendix 2: Integrated Assurance and Audit Schedule – forward plan
Appendix 3: TTLP Enterprise Risks

Exempt supplementary information is contained in a paper on Part 2 of the agenda.

List of Background Papers:

None

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