

Date: 21 February 2024

Item: Risk and Assurance Report Quarter 3 2023/24

This paper will be considered in public

1 Summary

- 1.1 This report provides the Panel with an overview of the status of and changes to Enterprise Risk 1 (ER1) – 'Inability to deliver safety objectives and obligations', Enterprise Risk 2 (ER2) - 'Attraction, retention, wellbeing and health of our employees' and Enterprise Risk 3 (ER3) – 'Environment including climate adaptation'.
- 1.2 This report also summarises the findings from the associated assurance activity of these risks based on second line of defence audit work by the Quality, Safety and Security Assurance (QSSA) team and third line of defence work by the Internal Audit team within TfL's Risk and Assurance Directorate.
- 1.3 As of Quarter 3 2023/24 (17 September to 9 December 2023) (Q3), we have revised reporting to the Board's Committees and Panels to provide a more consistent and comprehensive report on TfL risks and assurance activity. The revised reports are aligned to the risks within the remit of each Committee and Panel and address all applicable Risk and Assurance work.
- 1.4 A paper is included on Part 2 of the agenda, which contains supplementary information that is exempt from publication by virtue of paragraphs 3 and 7 of Schedule 12A of the Local Government Act 1972 in that it contains information relating to the business and financial affairs of TfL that is commercially sensitive and likely to prejudice TfL's commercial position; and information relating to ongoing fraud and criminal investigations and the disclosure of this information is likely to prejudice the prevention or detection of crime and the apprehension or prosecution of offenders. 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 Panel is asked to note the report and the exempt supplementary information on Part 2 of the agenda.**

3 TfL Enterprise Risks

- 3.1 Following an internal review and revisions made to the scope and risk ratings, an update on ER1 was presented at the 15 November 2023 meeting of the Panel. Further internal reviews of ER1, ER2 and ER3 are scheduled to take place before the end of this financial year (31 March 2024). Following which, updates on ER2 and ER3 will be discussed with the Executive Committee in March 2024 and, in line with the rolling 12 month schedule, will then be brought to the next meeting of the Panel.

4 Annual Audit Plans

- 4.1 The annual QSSA and Internal Audit plans contain a series of audits at the second line and third line respectively that address ER1, ER2 and ER3 (audits against other Enterprise Risks are now being reported to the applicable Committee or Panel).
- 4.2 Internal Audit and QSSA both started audit planning in Q3 in consultation with key stakeholders across TfL and owners of ER1, ER2 and ER3.

5 Work of Note this Quarter

- 5.1 Appendix 1 provides details of the Internal Audit and QSSA audits undertaken in Q3. Audit reports issued are given a conclusion of 'well controlled', 'adequately controlled', 'requires improvement' or 'poorly controlled'. Individual findings within audit reports are rated as high, medium or low priority.

Internal Audit

- 5.2 In Q3, Internal Audit issued two audits against ER2: 'Attraction and Retention of Staff in Tech and Data' (memo); and 'myJourney' ('adequately controlled'). Further details are provided in Appendix 1.
- 5.3 Five internal audits are in progress at the end of Q3: 'Safety Complaints Process' (ER1); 'Headcount Controls Process' (ER2); 'Impact of Extreme Weather – Wind' (ER3); 'Impact of Extreme Weather – Heat' (ER3); and 'Impact of Extreme Weather – Extreme Heat Followed by Heavy Rain and Flooding' (ER3).

Quality, Safety and Security Assurance

- 5.4 A total of 12 second line QSSA audits were delivered in Q3, taking the total to 54 per cent of the annual plan. Ten of these audits were against ER1 and two were against ER3.
- 5.5 None of the 12 QSSA audits were concluded as 'requires improvement' or 'poorly controlled'. Seven of the ER1 audits were Integrated Systems audits which are not rated as they cover multiple subjects and risks.

Counter-Fraud and Corruption

- 5.6 The Counter-Fraud and Corruption team investigate all fraud matters involving TfL employees and non-permanent labour. Summaries of significant new and ongoing staff cases are set out in the paper on Part 2 of the agenda. These cases are part of the wider fraud reporting that is submitted to the Audit and Assurance Committee.

6 Cancelled and Deferred Work

- 6.1 All cancellations and deferrals are undertaken in consultation with the relevant business teams. QSSA cancelled two audits in Q3:
- (a) Supplier Audit: Mental Health Services – this was cancelled as there are monthly performance reviews to assure the provision against the contract; and
 - (b) Surface Transport Fire Risk Assessments – this was previously audited in 2021/22 and it was agreed that a re-visit was not required so soon.
- 6.2 One QSSA audit was deferred to next year's audit plan:
- (a) Planning for SHE Improvements – this has been deferred to prevent duplication with the action programme arising from the outcome of the sentencing hearing in relation to the Sandilands tram tragedy to identify further opportunities and actions to strengthen our safety management and embed lessons in our existing ways of working.

7 Performance and Trends

- 7.1 Performance data is provided in Appendix 2 on progress against the audit plan, audit ratings, rating trends by Enterprise Risk and business unit and progress against actions, with comparisons provided across the last two years.

Internal Audit

- 7.2 Seven ER1, ER2 and ER3 internal audits were completed in the last four quarters compared with eight in the preceding four quarters. There is little difference in internal audit conclusions with three rated as 'requires improvement'.
- 7.3 Specific programmes of work have been conducted assuring the climate change risk this financial year. This is reflected in the audit breakdown by the TfL team audited (Chief Operating Officer area for climate change) and the risks audited.

Quality, Safety and Security Assurance

- 7.4 Comparing the number of ER1, ER2 and ER3 QSSA audits in the last four quarters with the preceding four quarters, there has been a reduction in the number of audits undertaken from 59 to 49. This is due to fewer audits of the Safety, Health and Environment Management System being undertaken in 2023/24 while it was being revised and reissued. Proportionally, the split between audits against ER1 and ER3 remains consistent. No audits have been undertaken by QSSA against ER2 in Q3, although audits of health risks (e.g. legionella, health surveillance, asbestos) from prior years were previously assigned to the legacy ER1 covering health and safety risks and will now be allocated to the revised ER2.
- 7.5 Work continues on the management of actions, particularly overdue actions with management teams and the relevant Chief Officers to resolve these. For ER1, ER 2 and ER3 at the end of Q3 there were 81 open audit actions, 44 of which were overdue and 20 that were overdue by more than 100 days. All actions that are overdue by more than 100 days are reported to the Audit and Assurance Committee.

List of appendices:

Appendix 1: Audits Completed in Q3 against ER1, ER2 and ER3

Appendix 2: QSSA and Internal Audit Data

A paper containing exempt supplementary information is included on Part 2 of the agenda.

Background papers:

None

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Appendix 1 – Audits Completed in Quarter 3 of 2023/24 against ER1, ER2 and ER3

Quality, Safety and Security Assurance Audits

ER1 Inability to deliver safety objectives and obligations

Directorate	Ref.	Audit Title	Objectives	Conclusion	Summary of Findings
Asset Performance Delivery	23 767	Protection Supplier Audit	To provide assurance that the supplier are providing competent protection staff in accordance with contractual, Quality, Environmental, Safety and Health (QUENSH) and London Underground (LU) Standards requirements	Adequately Controlled	The supplier were found to be managing and providing competent protection staff/support activities in accordance with the contract QUENSH conditions and LU Standards. One issue was raised regarding internet access to the TfL Standards and Rule.
Asset Performance Delivery	23 754	LU Civil Engineering Competence Management	To assess if actions have been effectively embedded following the previous Poorly Controlled audit of the management of civils competence	Well Controlled	The previous audit (ref 22 717) identified that several key activities were not being undertaken with regards to the management and verification of assessments in compliance the management system. Internal Verifiers were in place and suitably qualified. All assessment records seen were completed and signed off as required. It was demonstrated that the process is now robust and effectively managed.
Asset Performance Delivery	23 712	LU protection of station and shaft fire precautions when changes are made through the Essential Works process	To establish whether the fire safety precautions for LU stations and shafts are being considered, in accordance with the Essential Works process when essential works requests are submitted and processed	Memo	This consultancy review arose from a management request made by the Principal Engineering Lead - Fire, to review an issue identified during the Fire Risk Assessment process that highlighted some changes made on LU stations that affected stated fire precautions. These changes should have been controlled through the application process. The information gained from the review has been used to devise five recommendations. These recommendations have been formulated to provide the relevant TfL Operational Managers with additional knowledge,

Directorate	Ref.	Audit Title	Objectives	Conclusion	Summary of Findings
					skills and information to apply for and manage changes to their stations in compliance with the Essential Works process.

Integrated Systems Audits

Directorate	Ref.	Audit Title	Objectives	Conclusion	Summary of Findings
Customer Operations - LU	23 732	Hendon Central Area Integrated Systems Audit	To provide assurance that key requirements contained in the management system are being met	Not Rated	61 per cent Conformance, 30 Green, 2 Amber, 20 Red (compliant, minor non-compliance, major non-compliance)
Customer Operations - LU	23 739	Golders Green Traincrew Integrated Systems Audit	To provide assurance that key requirements contained in the management system are being met	Not Rated	67per cent Conformance, 24 Green, 2 Amber, 10 Red (compliant, minor non-compliance, major non-compliance)
Customer Operations - LU	23 770	South Kensington Area Integrated Systems Audit	To provide assurance that key requirements contained in the management system are being met	Not Rated	74per cent Conformance, 42 Green, 3 Amber, 12 Red (compliant, minor non-compliance, major non-compliance)
Customer Operations - LU	23 771	Bounds Green Area Integrated Systems Audit	To provide assurance that key requirements contained in the management system are being met	Not Rated	83per cent conformance, 48 Green, 0 Amber, 10 Red (compliant, minor non-compliance, major non-compliance)
Customer Operations - LU	23 773	Greenford and White City Area Integrated Systems Audit	To provide assurance that key requirements contained in the management system are being met	Not Rated	62per cent conformance, 32 Green, 1 Amber, 19 Red (compliant, minor non-compliance, major non-compliance)
Asset Performance Delivery	23 740	Jubilee, Northern and Piccadilly Signals Integrated Systems Audit	To provide assurance that key requirements contained in the management system are being met	Not Rated	64 per cent conformance, 32 Green, 1 Amber, 17 Red (compliant, minor non-conformance, major non-compliance)
Asset Performance Delivery	23 769	Piccadilly Track Integrated System Audit	To provide assurance that key requirements contained in the management system are being met	Not Rated	59per cent Conformance, 27 Green, 2 Amber, 18 Red (compliant, minor non-conformance, major non-compliance)

ER3 Environment including climate adaptation

Directorate	Ref.	Audit Title	Objectives	Conclusion	Summary of Findings
Network Management and Resilience (NM and R)	23 757	NM and R Estates Management Compliance with Fluorinated Greenhouse Gases Regulations 2015	To seek assurance that the management and monitoring regimes for TfL Estates Mechanical Equipment that uses fluorinated gases complies with the Fluorinated Greenhouse Gases Regulations 2015	Adequately Controlled	The statutory requirements were being met through contractual requirements, records and monitoring. Assurance needed strengthening regarding the competence of sub-contractors and risk assessments.
Network Management and Resilience	23 776	Surface Asset Operations Compliance with Fluorinated Greenhouse Gases Regulations 2015	To seek assurance that the management and monitoring regimes for Surface Asset Operations equipment that uses fluorinated gases complies with the Fluorinated Greenhouse Gases Regulations 2015	Adequately Controlled	The requirements of the Regulations were understood and an effective system via the competent contractor was in place.

Internal Audit draft reports issued in Quarter 3 of 2023/24

ER2 Attraction, retention, wellbeing and health of our employees

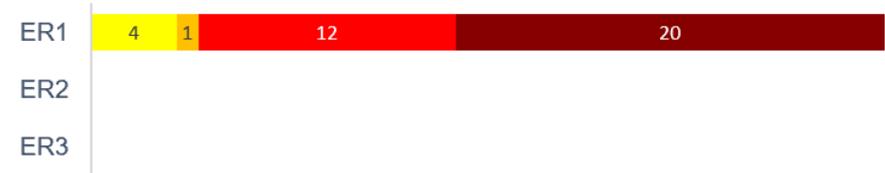
Chief Officer	Ref	Audit Title	Objectives	Conclusion	Summary of Findings
Chief Customer and Strategy Officer	23 002	Attraction and Retention of Staff in Technology and Data (Tech and Data)	The original objective of the audit was to assess the adequacy of the HR controls supporting attraction and retention of Tech and Data staff (however limitations were placed on the scope which limited the work to Tech and Data only)	Memo	The most significant findings audit related to the need for Tech and Data to define and document its local attraction roadmap, aligned with TfL policies and local initiatives. Further, Tech and Data needs to determine its resourcing model, clearly defining how each capability should be resourced (including improvements to local headcount planning and forecasting processes).

Chief People Officer	23 003	myJourney	To provide assurance on the adequacy and effectiveness of processes governing performance management and development using myJourney	Adequately Controlled	myJourney is TfL’s platform for career conversations, development, feedback, and performance and readiness reviews. It is widely available to TfL staff as a result of an effective communication strategy that accompanied its introduction in late 2021. This resulted in a take-up of the system, which is now an integral part of the talent strategy. While the system supports the performance, talent and development processes, and action has been taken to address issues identified with myJourney, there are areas where improvements can be made. Organisational Development and Leadership management is aware of this and has agreed actions in this respect. There is also a need to improve myJourney’s governance processes, in order to ensure that the system effectively supports TfL’s Talent Strategy.
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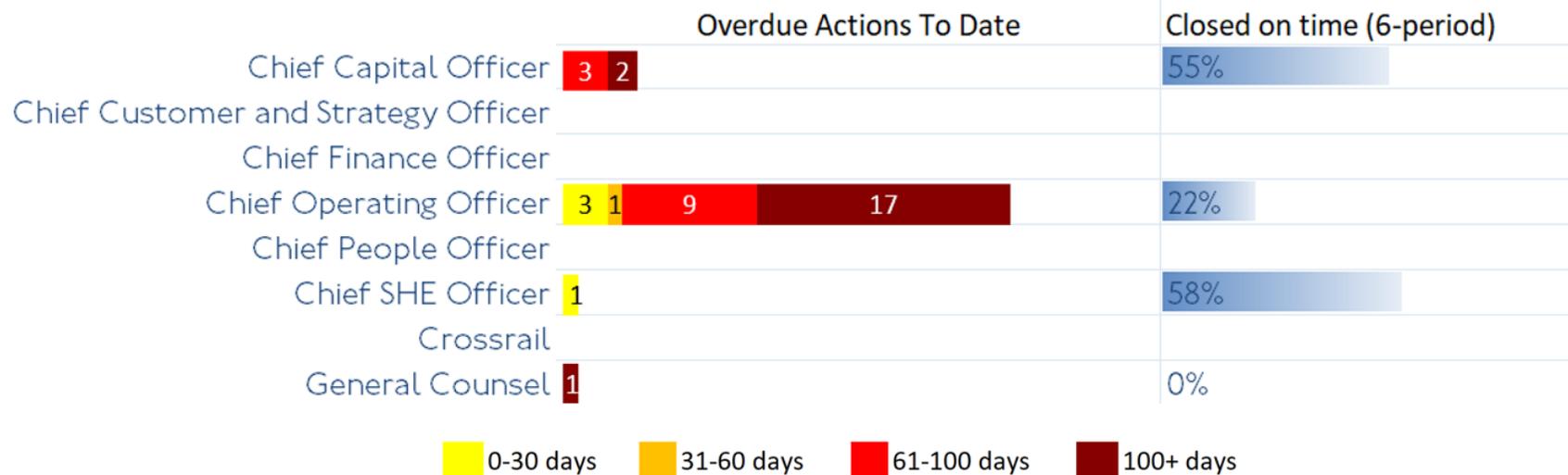
Audit Progress against 2023/24 Plan



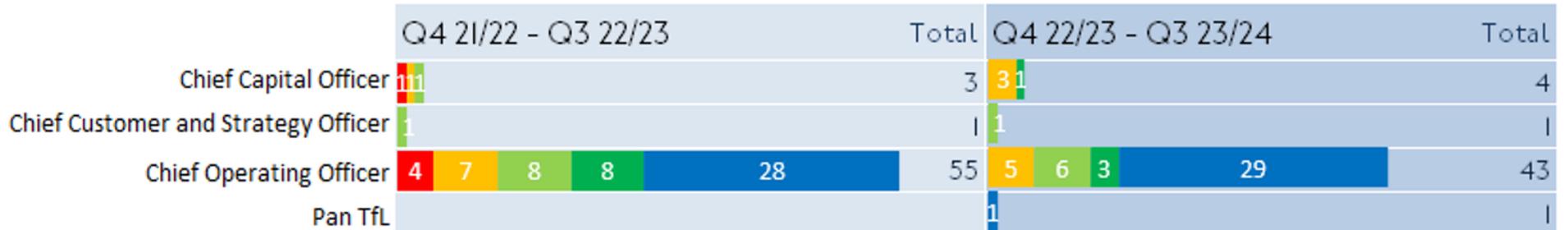
Action Management (ER1, 2 & 3) - By Enterprise Risk by Overdue Days



Action Management (ER1, 2 & 3) - By Directorate by Overdue Days



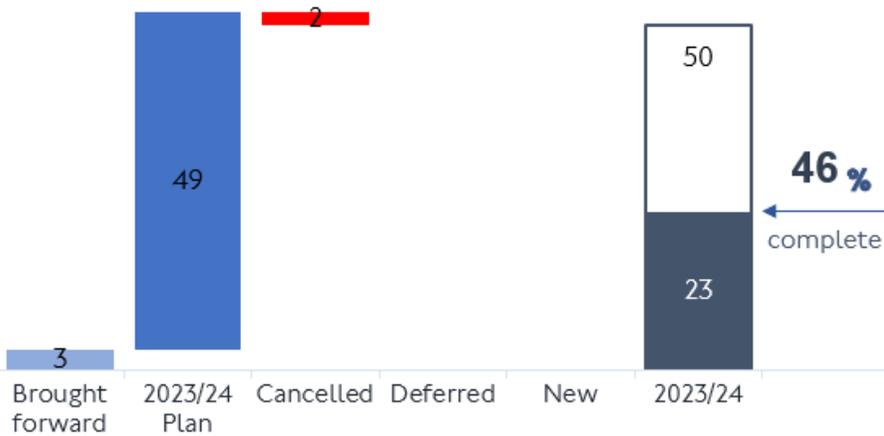
Audit Conclusion Comparison by Chief Officer Team (over 4 quarters)



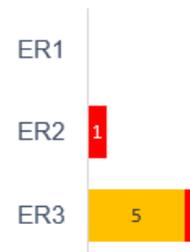
Audit Conclusion Comparison by Enterprise Risk (over 4 quarters)



All Audit Progress against 2023/24 Plan



Action Management (ER1, 2 & 3) - By Enterprise Risk by Overdue Days



Action Management (ER1, 2 & 3) - By Directorate by Overdue Days

Directorate	Overdue Actions To Date	Closed on time (6-period)
Chief Capital Officer	0	0%
Chief Customer and Strategy Officer	1	25%
Chief Finance Officer	1	0%
Chief Operating Officer	5	0%
Chief People Officer	0	0%
Chief SHE Officer	0	0%
Crossrail	0	0%
General Counsel	0	0%

■ 0-30 days
 ■ 31-60 days
 ■ 61-100 days
 ■ 100+ days

Audit Conclusion Comparison by Chief Officer Team (over 4 quarters)

	Q4 21/22 - Q3 22/23	Total	Q4 22/23 - Q3 23/24	Total
Chief Customer and Strategy Officer	1 1	2	1	1
Chief Operating Officer			1	1
Chief People Officer			1	1
Chief SHE Officer	1 4	5	2	2
Pan TfL	1	1		

Audit Conclusion Comparison by Enterprise Risk (over 4 quarters)

	Q4 21/22 - Q3 22/23	Total	Q4 22/23 - Q3 23/24	Total
ER01 Inability to deliver safety objectives and obligations	3	3	1	1
ER02 Attraction, retention, wellbeing and health of our employees	1 1	2	1 1	2
ER03 Environment including climate adaptation	2 1	3	1 1	2

■ Poorly Controlled
 ■ Requires Improvement
 ■ Adequately Controlled
 ■ Well Controlled
 ■ Not Rated