

**Date: 5 March 2024**

**Item: Risk and Assurance Report Quarter 3 2023/24**

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## **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 6 (ER6) – ‘Deterioration of Operational Performance’.
- 1.2 This report also summarises the findings from the assurance activity associated with this risk, 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 of 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 A series of risk workshops have been held to develop ER6 and ER6 was discussed and endorsed by the Executive Committee in December 2023. An update on ER6 is elsewhere on the agenda for this meeting.

### **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 ER6 (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 ER6 risks and controls.

## **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 No internal audit reports were issued against this risk in Q3 and there was one internal audit in progress for ER6.

### **Quality, Safety and Security Assurance**

- 5.3 Twenty two second line QSSA audits were delivered in Q3, taking the total to 54 per cent of the annual plan. Six of these audits were against ER6.

- 5.4 Two of these audits were concluded as 'adequately controlled':

- (a) Signals Maintenance of Highgate Service Control Centre; and
- (b) Railway Structures Assurance - Piccadilly Line Upgrade Programme.

- 5.5 One of the audits was concluded as 'poorly controlled':

London Underground (LU) Track Work Bank Management – Issues were raised with the identification, categorisation and updating of track defects that affected the quality of the information in the track work bank and the prioritisation of resulting maintenance work. A programme of actions is underway.

- 5.6 Three of the audits were concluded as 'requires improvement' and all have tracked action plans in place:

- (a) LU Concessions Management – There were a number of areas where concession conditions were not correctly managed in terms of being correctly recorded, updated, evidence for closure and conditions maintained;
- (b) Project Management of Redundant Assets – Project management documentation was available, although issues were identified with documenting the scope of assets being made redundant or left in situ with potential impact on future asset management decisions; and
- (c) LU Track Supervisory and Management Inspections – Most supervisory and manager inspections were undertaken as required.

### **Counter-Fraud and Corruption**

- 5.7 The Counter-Fraud and Corruption team investigates all allegations of fraud and corruption involving TfL employees, non-permanent labour and third parties (including suppliers, customers and organised criminal groups). Summaries of

significant new and ongoing cases related to ER6 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.

- 5.8 The team continues to refer offenders for prosecution. A former employee of a supplier was sentenced for an offence of fraud by abuse of position for processing fraudulent refunds through the online Oyster refunds system while working in her role as a Customer Service agent. She was sentenced to six months imprisonment, suspended for two years, to undertake 300 hours of unpaid work in the next 12 months, and to pay compensation of £8,831. This compensation, when received, will be paid to the supplier because TfL has already received full compensation from the supplier, under contractual terms.

## **6 Cancelled and Deferred Work**

- 6.1 All cancellations and deferrals are undertaken in consultation with the relevant business teams. There were no Internal Audit or QSSA audits cancelled or deferred in Q3.

## **7 Performance and Trends**

- 7.1 Performance data is provided in Appendix 1 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.

### **Quality, Safety and Security Assurance**

- 7.2 Comparing the number of ER6 QSSA audits in the last four quarters with the four quarters prior to that there has been an increase in the number of audits completed from nine in Quarter 4 2021/22 – Quarter 3 2022/23 to 18 for Quarter 4 2022/23-Quarter 3 2023/24. There is no single reason for the increase in ER6 audits in the last four quarters compared with the four quarters prior to that, other than this reflects assurance requests from key stakeholders within TfL.
- 7.3 A comparison of audit conclusions shows that the breakdown by audit conclusion remained relatively consistent across the two periods of four quarters: the proportion of 'poorly controlled' stayed at 11 per cent, 'requires improvement' varied from 33 to 27 per cent and 'adequately/well controlled' varied from 56 to 50 per cent. None of the changes in percentage is considered significant.
- 7.4 Work continues on the management of actions, particularly overdue actions with management teams and the relevant Chief Officers to resolve this. For ER6, at the end of Q3 there were 35 open audit actions, 10 of which were overdue including two 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 to this report:**

Appendix 1: Quality, Safety and Security Assurance and Internal Audit Summary

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

**Background papers:**

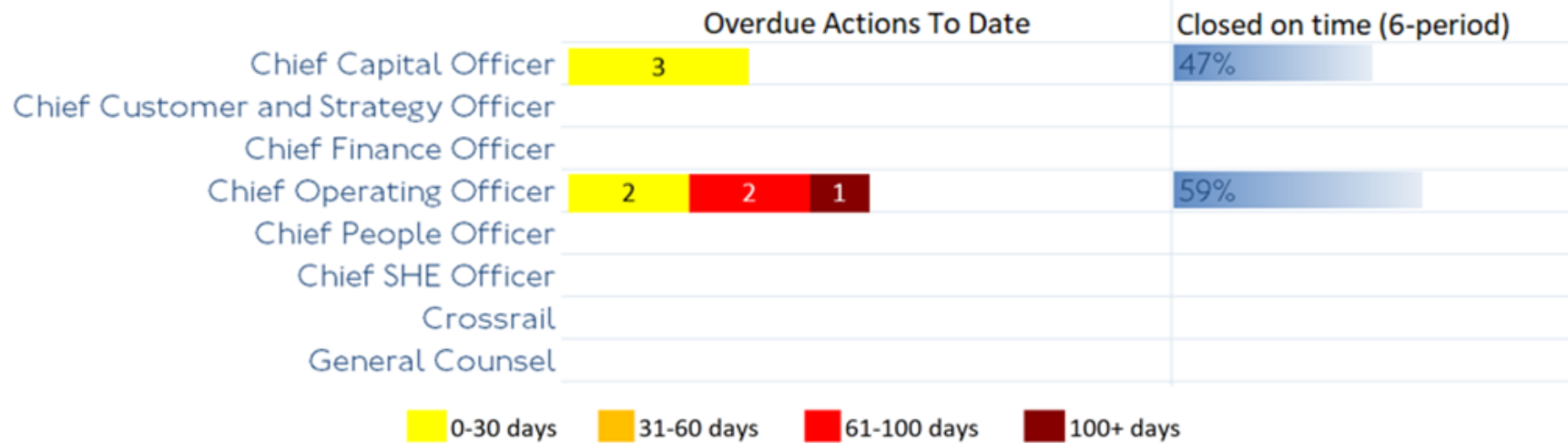
None

Contact Officer: Lorraine Humphrey, Director of Risk and Assurance  
Email: [Lorraine.Humphrey@tube.tfl.gov.uk](mailto:Lorraine.Humphrey@tube.tfl.gov.uk)

Audit Progress against 2023/24 Plan

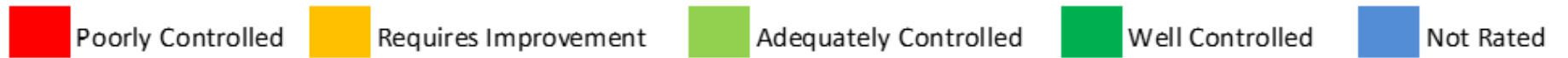


Action Management (ER6) - By Directorate by Overdue Days



**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 Capital Officer			1 2	3
Chief Operating Officer	1 3 5	9	2 4 5 2 2	15



Internal Audit have issued two Requires Improvement audits to Chief Operating Officer area in the last 4 quarters

- **Obsolescence of Critical Operational Systems – Requires Improvement (Q4 2022/23)**
- **Elizabeth Line Transition from Capital Programme to Business as Usual - Requires Improvement (Q2 2023/24)**

Action Management (ER6) - By Directorate by Overdue Days

