

## Customer Service and Operational Performance Panel

**Date: 10 July 2024**

**Item: Risk and Assurance Report Quarter 4 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 06 (ER06) – ‘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 within Quarter 4 of 2023/24 (10 December 2023 to 31 March 2024) (Q4).
- 1.3 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 Discussions are ongoing with Operations colleagues to reassess ER06 in line with the new financial impact numbers agreed with Finance. The mitigations for ER06 are also being reviewed following the development of the Level 1 Asset Condition risk to ensure the right balance between both risks. ER06 is scheduled for review by the Executive Committee in December 2024 and the Safety, Sustainability and Human Resources Panel in March 2025.

#### **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 ER06.

- 4.2 Internal Audit and QSSA both concluded audit planning in Q4 in consultation with key stakeholders across TfL and owners of ER06 risks and controls. Confirmed plans are in place for the first half of 2024/25 and planning with be revisited with stakeholders ahead for the second half of 2024/25.

## **5 Work of Note this Quarter**

- 5.1 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.
- 5.2 Appendix 1 provides details of the Internal Audit and QSSA audits undertaken in Q4.

### **Internal Audit**

- 5.3 Internal Audit issued one audit against ER06 in Q4 – 'Engineering Resource Model – interaction between delivery lead and business' which was concluded as 'adequately controlled'. There were no internal audits in progress for ER06 at the end of Q4.

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

- 5.4 QSSA issued three audits against ER06 in Q4. Two of these audits were not rated as they assessed current alignment of TfL management systems with ISO55001 Asset Management, a standard TfL is not currently required to comply with. These audits are part of a programme of assurance work to inform future asset strategy and to what extent TfL will look to implement the requirements of ISO55001.
- 5.5 One audit was concluded as 'requires improvement' and has an agreed action plan in place (eight of 11 actions are closed, the remaining three are not due yet) - 'London Underground (LU) Rolling Stock Non-destructive Testing'. Non-compliances were raised regarding maintenance of documentation, work instructions and additional controls for wheelset over 10 years old.
- 5.6 Twelve QSSA audits against ER06 were in progress at the end of Q4: five in LU Engineering and Asset Performance; four assessing distance to go against ISO 55001 Asset Management; and three within Rail for London Infrastructure (RfLI).

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

- 5.7 The Counter-Fraud and Corruption (CFC) 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 ER06 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 CFC team continues to refer offenders for prosecution. A suspect, who was advertising the sale of concessionary Oyster cards on social media to ineligible members of the public, pleaded guilty to conspiracy to defraud TfL at the Inner London Crown Court on 22 February 2024. He was sentenced to three years

and two months' imprisonment, of which two years was suspended. He was also ordered to pay £60,750 compensation to TfL, cash that was seized on his arrest.

## **6 Cancelled and Deferred Work**

- 6.1 All cancellations and deferrals are undertaken in consultation with the relevant business teams. Three QSSA audits were deferred and one was cancelled in Q4:
- (a) RfLI ISO 55000 Asset Management Assessment –deferred to later in 2024 as RfLI have conducted their own assessment using consultants. QSSA will revisit this as part of the TfL programme after the actions have been implemented;
  - (b) LU Off-Track Drainage Management – deferred as the outstanding actions from a previous audit were completed late. All actions are now closed and the audit is now scheduled for Quarter 3 of 2024/25;
  - (c) LU Signals Incident Response – deferred to Quarter 1 of 2024/25 at the request of the Engineering Assurance Manager; and
  - (d) LU Inspection of Building Drainage Assets – cancelled as LU Asset Performance Directorate were already aware of the issues and are working through a plan to rectify them.

## **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.

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

- 7.2 Comparing the number of ER06 QSSA audits in the last four quarters with the four prior to that, there has been an increase in the number of audits completed from 11 in 2022/23 to 16 in 2023/24. The number of maintenance audits has stayed consistent, the biggest difference is the increase of four additional audits undertaken of TfL Engineering in 2023/24.
- 7.3 A comparison of audit conclusions shows that the breakdown by audit conclusion remained relatively consistent across the two years with one fewer 'poorly controlled' conclusion, but a small increase in the number of 'requires improvement' from two to five. The proportion of 'poorly controlled' reduced from 18 per cent to six per cent and the proportion of 'requires improvement' increased from 18 per cent to 31 per cent. The proportion of 'adequately/well controlled' remained relatively constant from 55 per cent to 44 per cent. The range of subjects and locations covered makes it difficult to draw a direct comparison, excluding the ISO 55001 audits, which are not rated, the difference is much smaller: 60 per cent 'adequately/well controlled' compared with 54 per cent.

7.4 Work continues on the close out of management of actions, particularly overdue actions with management teams and the relevant Chief Officers. At the end of Q4 for ER06 there were 26 actions open, seven of which were overdue and two of which by more than 100 days. At the time of reporting, there were 23 open actions, only three of which remained overdue - one by two days and two by 87 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 Quarter 4 of 2023/24 (ER06 Deterioration of operational performance)

Appendix 2: QSSA and Internal Audit Summary

A paper containing exempt supplementary information is included 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)

## Appendix 1 – Audits Completed in Quarter 4 of 2023/24 (ER06 Deterioration of operational performance)

### Internal Audit

Chief Officer	Ref.	Audit Title	Objectives	Conclusion	Summary of Findings
Chief Capital Officer	23 009	Engineering Resource Model – Interaction between delivery lead and business	Assess the adequacy of the resourcing process between- the engineering delivery lead and business areas	Adequately controlled	Whilst generally the resource model is operating effectively, with business stakeholders largely receiving the required outcomes, introduction of enhanced governance arrangements should provide senior management with detailed performance data that allows any weaknesses to be identified and addressed. Clear and accessible guidance to support the resource model process, including expectation of how SmartCore is used, should improve compliance and consistency.

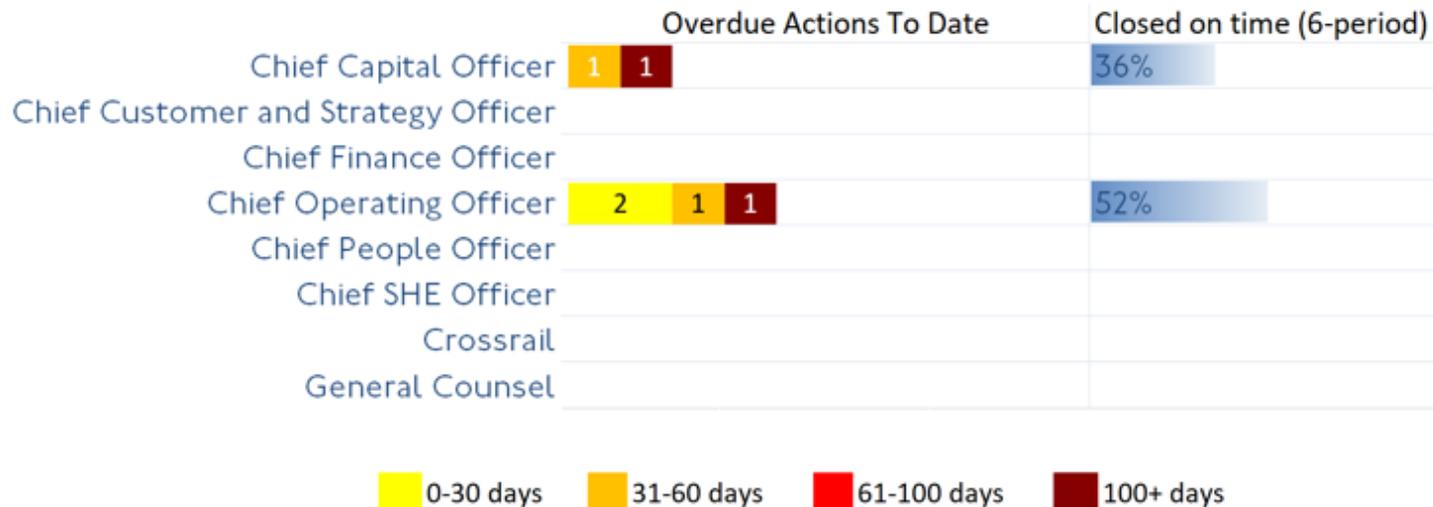
### Quality, Safety and Security Assurance Audits

Chief Officer	Ref.	Audit Title	Objectives	Conclusion	Summary of Findings
Chief Operating Officer	23 703	London Underground (LU) Rolling Stock Non-Destructive Testing	Test if the requirements of S2180 AA3.1.3 are being complied with regards preventing wheelset failures	Requires Improvement	A number of non-compliances have been raised regarding wheelset documentation that is required to be maintained. Issues were also identified with test record templates, additional controls for wheelsets greater than 10 years old, and the maintenance of work instructions.
Chief Operating Officer	23 721	LU ISO 55000 Asset Management Assessment	Assess the LU Asset Management System using the Institute of Asset Management Self Assessment Methodology Plus	Not Rated	The Quality, Safety and Security Assurance (QSSA) team were asked by TfL Asset Strategy to assess LU conformity to the ISO 55000 Asset Management Standard. This was carried out using the Institute of Asset Management Self-Assessment Methodology Plus tool.
Chief Operating Officer	23 768	Bus Stations, Stands and Garages ISO 55000 Asset Management Assessment	Assess the Buses Asset Management System using the Institute of Asset Management Self-Assessment Methodology Plus	Not Rated	The QSSA team were asked by TfL Asset Strategy to assess Bus Stations, Stands and Garages conformity to the ISO 55000 Asset Management Standard. This was carried out using the Institute of Asset Management Self-Assessment Methodology Plus tool.

Audit Progress against 2023/24 Plan



Action Management (ER6) - By Directorate by Overdue Days



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

	Q1 - Q4 22/23					Total	Q1 - Q4 23/24					Total
Chief Capital Officer							2	2				4
Chief Operating Officer	2	2	5	1	1	11	1	3	4	1	3	12

Poorly Controlled
  Requires Improvement
  Adequately Controlled
  Well Controlled
  Not Rated

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

	Q1 - Q4 22/23	Total	Q1 - Q4 23/24	Total
Chief Capital Officer			1	1
Chief Operating Officer	1	1	1	1

**Action Management (ER6) - By Directorate by Overdue Days**

