

Date: 11 July 2024

Item: Risk and Assurance Report Quarter 4 2023/24

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**This paper will be considered in public**

**1 Summary**

- 1.1 This report provides the Committee with an overview of the status of and changes to Enterprise Risk 5 (ER05) – Efficient and high performing supply chains and effective procurement, Enterprise Risk 7 (ER07) – Financial resilience and Enterprise Risk 9 (ER09) – Changes in customer demand in Quarter 4 (10 December 2023 to 31 March 2024) (Q4).
- 1.2 This report also summarises the findings from the assurance activity associated with these risks, based on work by TfL’s Risk and Assurance Directorate.
- 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 Committee is asked to note the report and the exempt supplementary information on Part 2 of the agenda.**

**3 TfL Enterprise Risks**

- 3.1 Risk review workshops have been undertaken for ER05, ER07 and ER09. ER05 and ER07 have been discussed by the Executive Committee and are scheduled to be presented at the next meeting of the Committee on 9 October 2024.

**4 Annual Audit Plan**

- 4.1 The rolling Internal Audit plan contains a series of third line audits that address all TfL Enterprise Risks. Audits against other Enterprise Risks are now reported to the applicable Committee or Panel. The Internal Audit six month plan and forward look was agreed at the March meeting of the Audit and Assurance Committee and contains audits against ER05 and ER07. Discussions are taking place internally about what audits should be undertaken on ER09 going forward.

## **5 Work of Note for Quarter 4**

### **Internal Audit**

- 5.1 Appendix 1 provides details of the Internal Audit audits undertaken in Q4. Audit reports issued are rated as either 'well controlled', 'adequately controlled', 'requires improvement' or 'poorly controlled'. Individual findings within audit reports are rated as high, medium or low priority.
- 5.2 Internal Audit issued six reports against ER07 in Q4. The audit of Group Treasury was rated as well controlled, Journals and the National Rail Reimbursement Scheme (PAYG) were rated as adequately controlled and Management of Property Voids, Ultra Low Emission Zone Extension Scrappage Scheme and Cost of Change were rated as requires improvement.
- 5.3 Two audits against ER05 are in progress, Procurement of the TfL Advertising contract and Management of the Lifts and Escalator Contract. There are also two audits against ER07, Use of Consultants and an Arts Council England grant review.

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

- 5.4 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 relating to supply chain and procurement activities 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. Three internal audits were deferred in Q4, two are against ER07 and related to grant certification work at the London Transport Museum where expenditure is yet to be incurred. These will be rescheduled for 2024/25. The Readiness for the new Procurement Act is against ER05 and has been moved to Quarter 1 of the 2024/25 audit plan to allow more progress to be made within Procurement and Commercial in this area.

## **7 Performance and Trends**

- 7.1 Performance data is provided at 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 Eighteen ER05, ER07 and ER09 audits were completed in the last four quarters, which is the same number as were delivered in the previous four. The number of 'requires improvement' has increased from four to eight and 'poorly controlled' remains at one for both periods. The number of memos issued has reduced from nine to two over the past four quarters, with a greater number of rated reports

being issued. This is because we have changed our approach to how memos are used and want to apply more ratings to aid trend analysis. Six reports in the last four quarters were rated as 'adequately controlled' with one rated as 'well controlled'.

- 7.3 Work continues with management teams and the Chief Officers on closing audit actions, particularly overdue actions. For ER05 and ER07 at the end of Q4 there were 57 open audit actions, only one of which was overdue by less than 30 days. There were no open audit actions for ER09. 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: Internal Audits Completed in Quarter 4 of 2023/24 against ER05, ER07 and ER09

Appendix 2: Internal Audit Summary Quarter 4 2023/24

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

**List of Background Papers:**

None

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