

Customer, Sustainability and Operations Panel

Date: 2 October 2024

Item 8: Risk and Assurance Report Quarter 1 2024/25

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 1 of 2024/25 (1 April to 22 June 2024) (Q1).

2 Recommendation

- 2.1 **The Panel is asked to note the report.**

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 this 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 last quarter in consultation with key stakeholders across TfL and owners of ER06 risks and controls. The Internal Audit plan for the second half of 2024/25 was approved by the Audit and Assurance Committee on 18 September 2024. The QSSA audit plan has been shared with all risk owners and audit sponsors for consultation in line with our process.

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 Q1.

Internal Audit

- 5.3 There were no Internal Audits issued against ER06 in Q1 and there were none in progress for ER06 at the end of Q1.

Quality, Safety and Security Assurance

- 5.4 QSSA issued six audits against ER06 in Q1. Two audits were concluded as 'requires improvement' and have agreed action plans in place: 'London Underground (LU) Track Quality Management' and 'LU Escalator Material Inspection' (see Appendix 1 for more details). Four audits were concluded as 'adequately controlled'.
- 5.5 Four QSSA audits against ER06 were in progress at the end of Q1, two of which are assessing alignment to ISO 55001 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 ISO 55001.

Counter-Fraud and Corruption

- 5.6 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). 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. No ER06 Internal Audits or QSSA audits were deferred or cancelled in Q1.

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 13 to 18. The majority of these 18 audits are undertaken in the LU Asset Performance Directorate (15) with three undertaken of TfL Engineering. The increase in audits is mostly explained by the programme of alignment to ISO 55001 audits that have been undertaken in the last year.

- 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 (from two to one) and one more 'requires improvement' conclusion (from three to four). This difference is not considered significant. The range of subjects and locations covered makes it difficult to draw a direct comparison.
- 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 Q1 for ER06 there were 21 actions open, two of which were overdue (both have since been closed), which is a substantial reduction on the seven overdue actions in the previous quarter. At the time of reporting, there were 25 open actions, none of which are overdue. All actions that are overdue by more than 100 days are reported to the Audit and Assurance Committee

Internal Audit

- 7.5 From the two ER06 audits undertaken by Internal Audit in the last 12 months there are no identifiable trends.

List of appendices:

Appendix 1: Audits Completed in Quarter 1 of 2024/25 (ER06 Deterioration of operational performance)

Appendix 2: QSSA and Internal Audit Summary

Background papers:

None

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Appendix 1 – Audits Completed in Quarter 1 of 2024/25 (ER06 Deterioration of operational performance)

Internal Audit

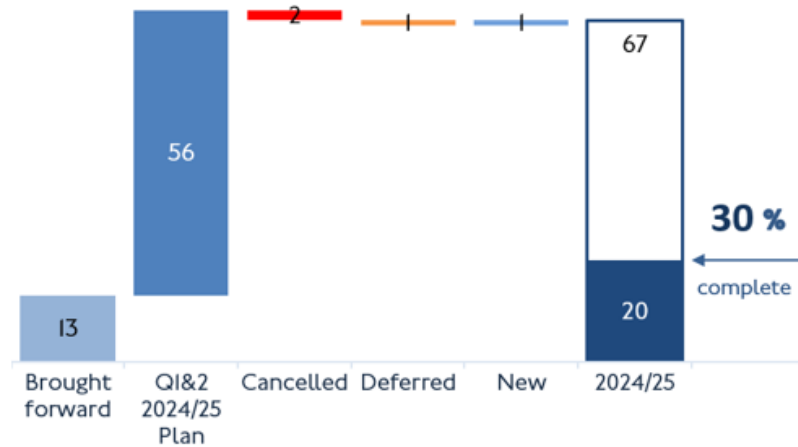
None to report

Quality, Safety and Security Assurance Audits

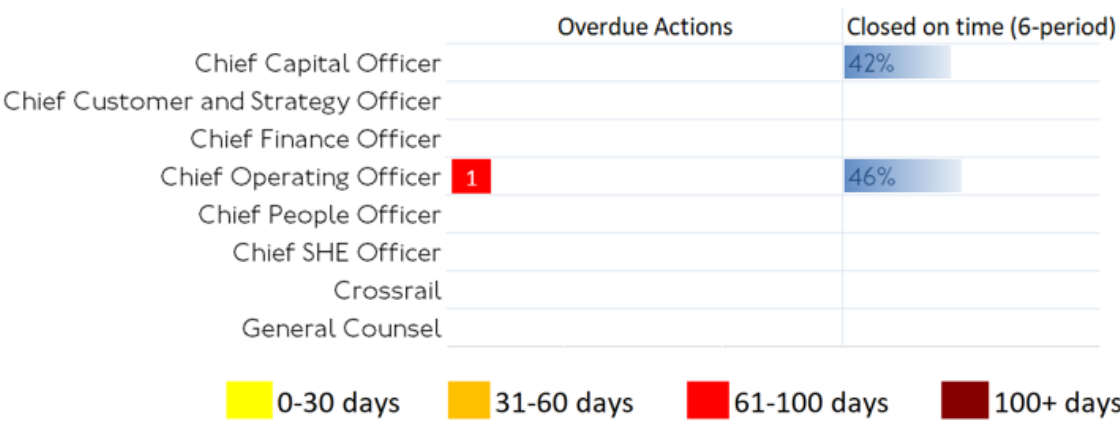
Chief Officer	Ref.	Audit Title	Objectives	Conclusion	Summary of Findings
Chief Operating Officer	23 808	London Underground (LU) Track Quality Management	To seek assurance that arrangements for the management of track quality and associated processes are being effectively applied.	Requires Improvement	While reactive action was seen to have been taken to address safety faults, targets for the maximum permitted values for track quality were routinely not achieved at locations on all lines. A combination of human and rail vehicles resource constraints meant the requirements to proactively manage whole life improvements to track condition were not met for the areas sampled.
Chief Operating Officer	24 717	LU Escalator Material Inspection	To assess compliance with PR0439 'Escalator Material Inspection' and S1097 'Escalators and Moving Walks' regards inspection of materials.	Requires Improvement	Important parts of the escalator material inspection procedure were not implemented in practice which meant that inspections of materials could be missed. This was being mitigated by manual intervention by the Escalator Quality Assurance Manager with the aid of the Escalator Stores Manager.
Chief Operating Officer	23 810	Rail for London Infrastructure (RfLI) Fire Doors Inspection and Maintenance	To assure that RfLI Fire door inspections and maintenance are in accordance with RfLI Asset Management plans and RfLI Stewardship Plans. To assess required competency for undertaking inspections for fire doors in line with RfLI procedure, RFLI-MTC-CV-SDD-0001, Competence Standard for Maintenance of Civil Structure and Premises assets.	Adequately Controlled	There has been significant improvements made since the Engineering Intervention Notice was issued in 2023. Inspections and maintenance are performed by competent individuals. However, timeframes for inspections within the procedure require review.
Chief Operating Officer	24 721	LU Signals Incident Response	To test compliance with Pr0540 'Signals – Incident Management Fault Finding and Rectification' regards management of signals incidents.	Adequately Controlled	The incident management, fault finding and reporting process was shown to be managed. However, procedure PR0540 will need to be updated as it no longer accurately reflects the way in which this activity is being conducted and includes a number of out of date references to teams and forms.

Chief Operating Officer	24 752	RfLI Product Acceptance Process	To assure that new products are being correctly reviewed and approved before being installed on the railway. In line with the current product acceptance process, RFLI-ENG-AS-PRO-0001.	Adequately Controlled	The sample of evidence showed that the Product Acceptance Process has been followed for all seven applications sampled. Requirements of the process had been well communicated and were being followed, excluding the one medium and two low priority issues raised.
Chief Operating Officer	24 753	RfLI Management of Space Allocation	To assure that new space allocation requests are being correctly reviewed and approved before any installation on the railway. In line with the current space allocation process.	Adequately Controlled	Management of space allocation was well organised with evidence of applications being reviewed and approved in line with the current procedure. One medium priority finding showed that applicants do not communicate occupation of the space after approval as required, meaning space may potentially be allocated but not used.

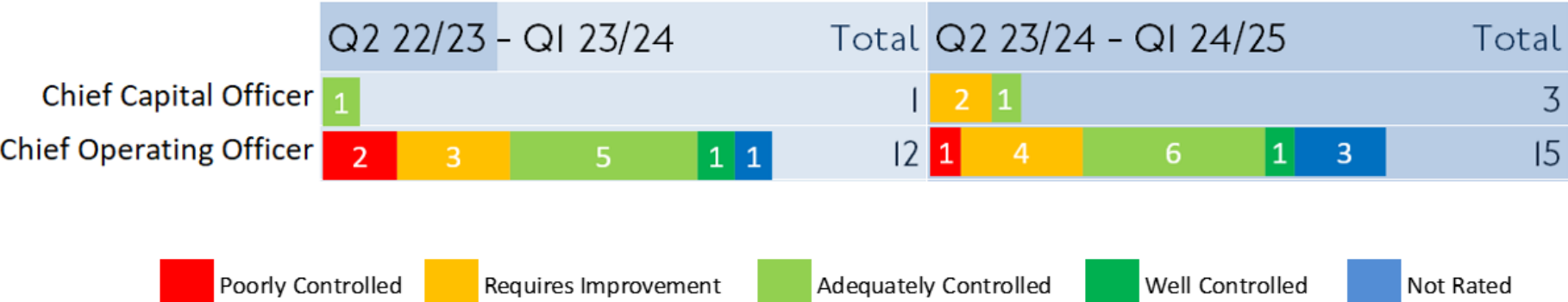
Audit Progress against Q 1 & 2 2024/25 Plan



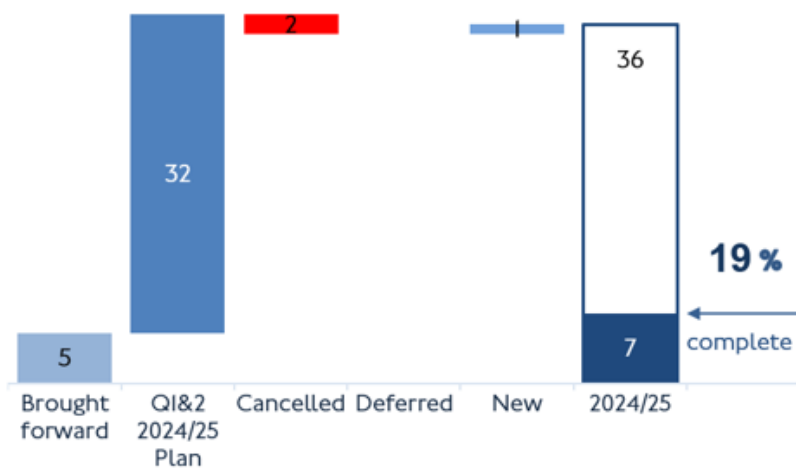
Action Management (ER6) - By Directorate by Overdue Days



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



Audit Progress against Q 1 & 2 2024/25 Plan



Action Management (ER6) - By Directorate by Overdue Days

There is currently 1 action against Chief Operating Officer that is overdue between 61-100 days at the end of Q1, there is no 6 periods rolling trend from Internal Audit team on ER6.

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

	Q2 22/23 - Q1 23/24	Total	Q2 23/24 - Q1 24/25	Total
Chief Capital Officer			Adequately Controlled 1	1
Chief Operating Officer	Requires Improvement 1	1	Requires Improvement 1	1

Poorly Controlled
Requires Improvement
Adequately Controlled
Well Controlled
Not Rated