

**Date: 27 November 2024**

**Item: Risk and Assurance Quarter 2 Report 2024/25**

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**This paper will be considered in public**

## **1 Summary**

- 1.1 This paper informs the Committee of the work completed by the Risk and Assurance Directorate during Quarter 2 of 2024/25 (23 June to 14 September 2024) (Q2) and other information about the Directorate's activities. This paper excludes work undertaken on Places for London as that is covered elsewhere on the agenda.
- 1.2 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 paper, and the exempt supplementary information on Part 2 of the agenda.**

## **3 Director Update**

- 3.1 This is the second quarterly report for 2024/25 setting out the work undertaken by the teams within the Risk and Assurance Directorate.
- 3.2 As a result of the cyber incident various systems that support the work of all the teams have not been available. This will have an impact on delivery of the internal audit plan during quarter three as there are some inflight audits where the working papers and supporting evidence cannot be accessed. To counter this, we have pulled some audits forward and are able to deliver them with the workarounds that have been put in place. We will have a better view of delivery impacts by the next Committee meeting in March 2025.
- 3.3 The Internal Audit team delivered fifteen audit reports in Q2, details of these audits are included at Appendix 1. One audit was rated as 'well controlled, ten 'requires improvement', two 'poorly controlled' and two memos were issued. While the number of 'requires improvement' audits appears high, when compared to the

previous year's figures this rating is currently running at 50 per cent compared with 63 per cent last year.

- 3.4 The Quality, Safety and Security Assurance (QSSA) team delivered seven second line audits in Q2. Three were concluded as 'requires improvement', two concluded as 'adequately controlled' and two were not rated. No QSSA audits were concluded as 'poorly controlled'.
- 3.5 During Q2, the Counter-fraud and Corruption (CFC) team received 183 referrals, all of which were assessed and disseminated within the 10 working days target. As a result, 10 new fraud cases are under investigation. A further nine are miscellaneous cases that require the team to carry out further enquiries to assess whether any should become a full case. Four cases were closed during Q2.
- 3.6 A breakdown of current fraud cases by Chief Officer area and their status is shown in the table below:

Chief Officer Area	Start Q2	New Q2	Close Q2	Under investigation by CFC	With Line Management	With Law Enforcement
Operations	<b>23</b>	<b>8</b>	<b>2</b>	<b>7</b>	<b>10</b>	<b>12</b>
Capital	<b>0</b>	<b>1</b>	<b>0</b>	<b>1</b>	<b>0</b>	<b>0</b>
Customer and Strategy	<b>20</b>	<b>1</b>	<b>1</b>	<b>9</b>	<b>3</b>	<b>8</b>
People	<b>1</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1</b>
General Counsel	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Finance	<b>1</b>	<b>0</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>0</b>
Total	<b>45</b>	<b>10</b>	<b>4</b>	<b>17</b>	<b>13</b>	<b>21</b>

- 3.7 During Q2 the CFC team has recruited a permanent Fraud Researcher/Analyst role. We also have recruitment campaigns in flight within the Enterprise Risk and Internal Audit teams and are supporting a recruitment campaign for new members of the main Independent Investment Programme Advisory Group (IIPAG) and the new IIPAG Safety sub-group.

## **4 Risk Management**

- 4.1 Understanding and managing risk at all levels within TfL is essential to ensure that we can mitigate the risks as far as is practicable and understand our exposure. The Risk and Assurance Directorate supports the business with Enterprise Risk (ER) management at Enterprise (Level 0), Strategic (Level 1) and Tactical (Level 2).

- 4.2 Enterprise Risks continue be reviewed in line with the agreed schedule and presented to the Executive Committee and the assigned Committee or Panel. Due to the recent changes in Committees and Panels, ER04 'Significant security incident including cyber security' will be presented at the Safety and Security Panel instead of this Committee for its annual review.
- 4.3 The Risk Awareness training is currently being refreshed and updated to reflect updates to the risk management process and organisational changes. The course is expected to go live in the next quarter.
- 4.4 QSSA conducted an audit of the Rail for London Infrastructure risk management process in Q2 which was concluded as 'requires improvement': the procedure was in need of review and updating, some data was missing from the registers and risks were not communicated and escalated as per the procedure. An agreed action plan is in place.
- 4.5 A list of the Level 0 risks is included at Appendix 2.

## **5 Internal Control**

Effective internal control is essential to ensure that TfL realises its stated aims and objectives. This is achieved through an internal control system that promotes adherence with policies and procedures, the safeguarding of assets, the prevention and detection of fraud and error, and the accuracy and completeness of financial and non-financial records. The Risk and Assurance Directorate assess the appropriateness and effectiveness of, and compliance with, internal controls.

### **Finance and Procurement**

- 5.1 Four Internal audits were completed; the use of consultants and procurement at the London Transport Museum (LTM) audits were rated as poorly controlled and the fraud controls in the Licencing and Regulation area and SAP Ariba source to contract audits were rated as 'requires improvement'.
- 5.2 In the use of consultants audit, we found that there is a lack of central oversight and clarity of roles and responsibilities for individuals and teams with no central policy over the use of consultants across TfL. There is also an inconsistent approach to contract management and monitoring arrangements of consultants across TfL.
- 5.3 For the procurement at the LTM we were unable to obtain evidence of quotations or contracts both within and above the £25,000 threshold. LTM management are also unaware of the supplier contracts they have in place when they are due to expire or whether performance is managed or location of the related documents. Actions have been agreed and are being addressed.

### **Technology and Data**

- 5.4 Three technology and data related internal audits were completed in this quarter: business continuity, datacentre network refresh (non-operational) and ransomware cyber vault project all of which were rated as 'requires improvement'.

- 5.5 The non-operational business continuity policy and strategy has yet to be approved and communicated via the TfL Management System, resulting in a lack of compliance across the organisation. Improved governance and stronger messaging should provide the structure for accountability and improve compliance.
- 5.6 We found that strategy for migration of key applications and services from the legacy network to the new data centre network has not been defined or implemented. The datacentre network refresh needs to define a structured assurance framework to review the supplier's delivery, testing and outputs.
- 5.7 Our review of the ransomware project found that good progress had been made in the delivery of the cyber vault project and associated infrastructure. However, there are some risks and challenges to be addressed. Actions have been agreed and are being addressed.

## **Safety and Health**

- 5.8 Internal Audit looked at the programme management arrangements for delivery of the bus safety programme retrofit programme which was rated 'requires improvement'. The programme project team in the Buses Directorate was recruited between late 2023 and 2024, funding had been agreed with the focus to deliver the programme swiftly and as a result project management arrangements were not fully documented. This is essential to ensure all stakeholders have a clear understanding of the objectives, deliverables, timelines and progress. The team acknowledged that programme and project products, a change control process and improvements to the reporting mechanisms need to be put in place.
- 5.9 In Q2, QSSA completed three audits in this area, one was concluded as 'adequately controlled' – 'Victoria Coach Station SHE Compliance', one was concluded as 'requires improvement' – 'Dial-a-Ride Management of Fatigue' and one was not rated 'Hainault Traincrew Integrated Systems Audit'. All have agreed action plans in place.
- 5.10 Two audits of management of legionella risk to health were also conducted. The audit of Network Management and Resilience: Asset Operations Management of Legionella Risk was concluded as 'requires improvement', the audit of LU Asset Performance Management of Legionella Risk was concluded as 'adequately controlled'. Both have agreed action plans in place.

## **6 Governance**

- 6.1 Governance is the combination of processes and structure that the Board puts in place to inform, direct, manage and monitor TfL's activities to ensure the achievement of objectives. The Risk and Assurance Directorate look at how this is supported and works in practice at an organisational level.
- 6.2 We continued our real time audit of the TfL advertising concessions contract concluded that the procurement up to contract award recommendation stage had been adequately managed.

- 6.3 Effective contract management is essential for TfL to meet its delivery objectives. We looked at the arrangements in place for operating the Lift Asset Management Services (LAMs) contract and it was rated 'requires improvement'. Delivery of planned preventive maintenance services and fault repair under LAMs is closely monitored by the TfL lifts, pumps and vents team however supplier information but reporting does not accurately reflect site records and access logs. Key contract deliverables have not been delivered by the supplier. This reduces TfL's ability to forward plan, assess the effectiveness of preventative maintenance and fully understand the condition of its lift assets.

### **Assurance and Investment Programme**

- 6.4 The primary source of assurance for the delivery of the TfL Investment Programme continues to be through the work of the PA team and IIPAG. PA and IIPAG consider that there is sufficient scrutiny of the Investment Programme in TfL through the various programme meetings as well as the Executive Committee Investment sub-group, and at the Programmes and Investment Committee.
- 6.5 PA completed a programme of targeted assurance reviews including the annual programme submissions to the 3 October 2024 meeting of the Programmes and Investment Committee, plus other targeted assurance and ongoing continuous assurance activity. From this work, recommendations have been made and themes identified and collated; these are reported to the Programmes and Investment Committee.
- 6.6 A trend that has PA has been monitoring for some time but has become increasingly notable are concerns over the rigour of project cost forecasting. The lack of understanding of likely outturn costs limits the ability to manage to budget and can impact the ability to put reliable financial plans in place. This issue has been most often observed during project design phases. A series of actions have been put in place to reduce the likelihood of recurrence including a requirement as part of the change control process to identify when scope changes are significant enough to require a cost plan update.
- 6.7 Standards of project scheduling remains an area of focus for PA and the consequential risk to project delivery where there are weaknesses, and this has formed the basis of several recent improvement recommendations. We are continuing to see the benefits of the appointment of the Planning Professional Lead. A long-standing overdue recommendation to create an integrated schedule in one of the portfolios in the Environment Programme has now been completed.
- 6.8 IIPAG has worked with PA on programme reviews and reviews of higher value projects, and they have continued to progress their programme of cross-cutting reviews this quarter. A review of the prioritisation and planning of capital renewals is progressing with fieldwork now complete. In addition, a review investigating how TfL investment decisions are taking into consideration the need to reduce whole life carbon emissions is also underway. IIPAG are currently undertaking a series of interviews with key individuals and there will be deep dives on several projects and programmes commencing shortly. An Internal Audit of carbon management is underway in Operations. The IIPAG review and the audit are running in parallel, and the remits have been drafted and agreed to ensure alignment and to avoid duplication.

## 7 Programme Changes

- 7.1 The Internal Audit Plan was agreed at the last meeting of the Committee, and the Committee asked that we revisit the plan in the light of the recent cyber security incident. Since the last meeting of the Committee audits have been completed on the ransomware project, business continuity and the datacentre network refresh and the findings have been detailed above.
- 7.2 The restoration of all systems impacted by the cyber incident is resource intensive and to help with the recovery efforts, and in line with direction from TfL's senior managers Technology and Data audit work (current and planned) has been put on hold until late November 2024. This impacts one carry-over audit (in fieldwork) from Q2 – "Effectiveness of Monitoring and Patching of TfL's Supply Chain (Capita)" – and to two audits planned for Q3 – "Effectiveness of Monitoring and Patching of TfL's Supply Chain (Cubic)" and "Cubic Risk Management".
- 7.3 One QSSA audit, 'SHE Governance, Leadership, Culture and Improvement' was deferred in Q2 to next year's audit plan to avoid duplication with a similar business review that was taking place at the same time.

## 8 Management Actions/Recommendations

- 8.1 A breakdown of overdue management actions and recommendations across Chief Officers and the Risk and Assurance teams is included at Appendix 4. We continue to work with the management teams and the relevant Chief Officers to resolve these and a number have been closed since period end.
- 8.2 Appendix 5 provides an analysis on a rolling four quarter basis of management actions from Internal Audit, QSSA work and PA recommendations.

## 9 Customer Feedback

- 9.1 In Q2, the QSSA team received three customer feedback responses out of five sent out (60 per cent response rate), with a 100 per cent satisfaction score. In the last 12 months QSSA has received 37 responses out of 80 sent with an average score of 99 per cent. Internal Audit issued four customer feedback forms, two were returned (50 per cent response rate), with an average score of 100 per cent. In the last 12 months the satisfaction score for internal audit has been 92.7 per cent.

## 10 Mayoral Directions

- 10.1 There has been one Mayoral Direction since the last Committee meeting.

[MD3299](#)  
16/10/24

### **Further financial support fund for Seven Sisters Market traders**

Seven Sisters Market is an indoor market consisting of 38 traders and plays a vital role in London's Latin American community as a specialist, culturally specific amenity. The market was housed in a TfL owned building that had to close. As the traders were unable to trade, [MD2724](#) directed TfL to provide financial assistance to traders until a temporary market opened at Apex Gardens, as part of the Seven Sisters regeneration project. The developer withdrew from the regeneration

	<p>project and <a href="#">MD2868</a> directed TfL to provide further financial support while TfL progressed new plans. <a href="#">MD3097</a> directed TfL to provide further financial support across all traders as they were unable to trade until a temporary market opened. <a href="#">MD3097</a> confirmed that TfL had planning permission for a temporary indoor market, which was expected to open in July 2023, and was applying to open a temporary outdoor market in October 2023.</p> <p>The opening of a temporary market has been delayed due to unforeseen flaws in the fabric of the building, which must be resolved to make the market safe; and is not now expected until 2025. The Mayor has directed TfL to make a fourth hardship payment to traders to support them until the temporary market opens.</p>
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### **List of appendices to this report:**

- Appendix 1: Internal Audit reports issued in Q2 2024/25
- Appendix 2: Level 0 Enterprise Risks
- Appendix 3: Overdue Actions and Recommendations by Team at end of Quarter 2
- Appendix 4: Analysis of Management Actions and Recommendations by Category and Team

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

### **List of Background Papers:**

None

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