

Date: 28 November 2024

Item: Risk and Assurance Report Quarter 2 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. The paper covers the work during Quarter 2 of 2024/25 (23 June to 14 September 2024) (Q2).
- 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 paper and the exempt supplementary information on Part 2 of the agenda.**

3 TfL Enterprise Risks

- 3.1 ER06 has been reviewed and reassessed in accordance with the updated Enterprise Risk Assessment Matrix and in line with the new financial impact numbers agreed with Finance. The mitigations for ER06 have also been reviewed and streamlined 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 on 13 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 and will be updated as appropriate to facilitate any additional audits that might be required as a result of the cyber incident. 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 Internal Audit and QSSA audits undertaken in Q2.

Internal Audit

- 5.3 There were no Internal Audits issued against ER06 in Q2 and there were none in progress for ER06 at the end of Q2.

Quality, Safety and Security Assurance

- 5.4 QSSA issued two audits against ER06 in Q2. One audit 'Rail for London Infrastructure Risk Management Process' was concluded as 'requires improvement' and has an agreed action plan in place. 'London River Services ISO 55001 Asset Management Assessment' was not rated as it was a benchmarking review against a standard that TfL is not currently required to comply with (see below).
- 5.5 Eight QSSA audits against ER06 were in progress at the end of Q2, 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). Summaries of significant new and ongoing fraud and corruption 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.

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 Q2.

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 a small increase in the number of audits completed from 14 to 17. The majority of the 17 audits were undertaken in the London Underground Asset Performance Directorate (14 audits) with three undertaken in 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 consistent across the two years in the number of 'poorly controlled' conclusions (one in each year) and increased from three to seven 'requires improvement' conclusions. Three of the audits concluded as 'requires improvement' were undertaken in London Underground Track teams and is consistent with the increased investment and improvement work underway within this area. The remainder of the audits address different business units, procedures and asset disciplines which makes direct comparisons limited. However, all related to the implementation of and compliance with management systems controls that relate to ER06.
- 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 Q2 for ER06 there were 25 open audit actions, none of which were overdue. There has been a significant improvement on action management in the past year. All actions that are overdue by more than 100 days are reported to the Audit and Assurance Committee and are discussed with Chief Officers.

Internal Audit

- 7.5 From the ER06 audits undertaken by Internal Audit in the last 12 to 24 months there are no identifiable trends.

List of appendices:

Appendix 1: Audits Completed in Quarter 2 of 2024/25 against ER06

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

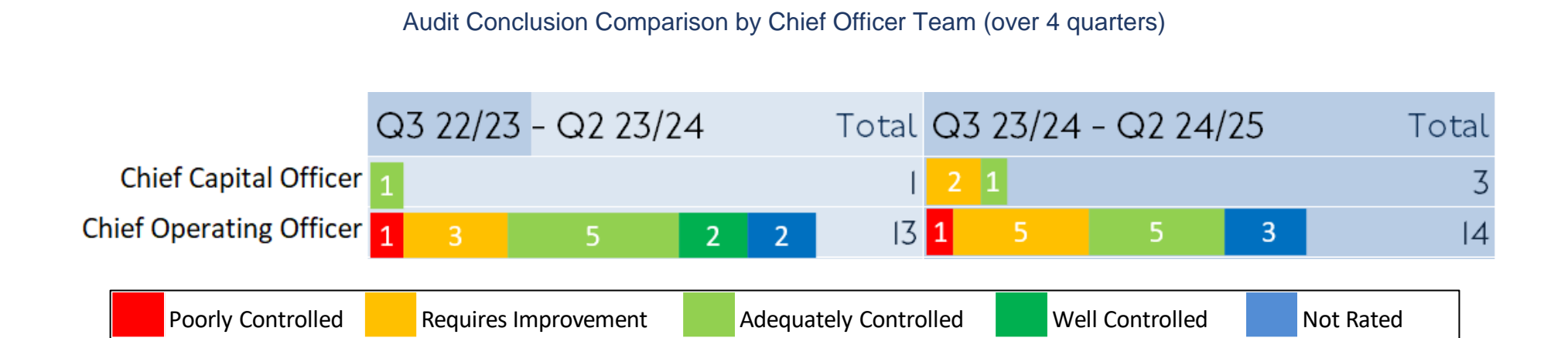
Appendix 1 – Audits Completed in Quarter 2 of 2024/25 (ER06 Deterioration of operational performance)

Internal Audit

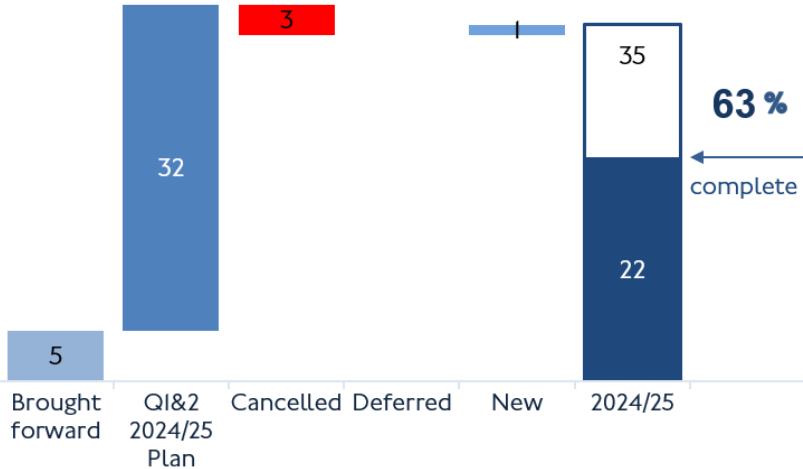
None to report

Quality, Safety and Security Assurance Audits

Chief Officer	Ref.	Audit Title	Objectives	Conclusion	Summary of Findings
Chief Operating Officer	24 754	Rail for London Infrastructure (RfLI) Risk Management Process	To ensure the Risk Management process, RfLI-BUS-BM-PRO-0002, is fit for purpose and can demonstrate that the asset engineer at a discipline level are managing risk associated with their assets.	Requires Improvement	Records missing for some specific activities, albeit not of a critical nature.
Chief Operating Officer	24 725	London River Services ISO 55000 Asset Management Assessment	To assess the London River Services Asset Management System using the Institute of Asset Management (IAM) Self-Assessment Methodology Plus.	Not Rated	The asset management system for London River Services was found to be overall below the IAM Tool Benchmark of '3'-competent, indicating ISO 55000 non-compliance in most areas. The criteria for each of the ISO 55000 clauses was not met. Recommendations are made outlining the work needed to reach ISO 55000 compliance.



Audit Progress against Q1 & Q2 2024/25 Plan



Actions management (ER06) by Directorate by Overdue days

There were no overdue actions at the end of Q2 2024/25

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

	Q3 22/23 - Q2 23/24	Total	Q3 23/24 - Q2 24/25	Total
Chief Capital Officer			1	1
Chief Operating Officer	2	2		

Poorly Controlled Requires Improvement Adequately Controlled Well Controlled Not Rated