

Date: 26 February 2025

Item: Risk and Assurance Report Quarter 3 2024/25

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 03 (ER03) – ‘Environment including climate adaptation’, Enterprise Risk 05 (ER05) – ‘Supply chain disruption and ineffective procurement and contract management’, Enterprise Risk 07 (ER07) – ‘Financial resilience’ and Enterprise Risk 09 (ER09) – ‘Changes in customer demand’.
- 1.2 This report also summarises the findings from the assurance activity associated with these risks, based on third line assurance work by the Internal Audit team. The report covers Quarter 3 of 2024/25 (15 September to 7 December 2024) (Q3).
- 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 financial or business affairs of TfL and information relating to any action taken or to be taken in connection with the prevention, investigation or prosecution of crime. Any discussion of that exempt information must take place after the press and public have been excluded from the 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 TfL Enterprise Risks

- 3.1 Risk review workshops have been undertaken for ER03, ER05, ER07 and ER09. The updates have been discussed with the relevant Chief Officers. ER03 and ER09 are scheduled to be reviewed by the TfL Executive Committee on 10 April 2025 and papers will be submitted to this Committee on 14 July 2025.

4 Annual Audit Plans

- 4.1 The rolling Internal Audit plan contains a series of third line audits that address all TfL Enterprise Risks. The annual Quality, Safety and Security Assurance audit plan contains a series of second line reviews that include ER03 and ER05. 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. Audit planning for 2025/26 has commenced in consultation with key stakeholders in TfL.

5 Work of Note for Quarter 3

Internal Audit

- 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. A memo, rather than an audit report, is usually issued for real-time reviews and provides more flexibility in how information is reported.
- 5.2 Internal Audit issued four reports in Q3. Two had a 'requires improvement' rating against ER03: 'Carbon Management – Standards and Plans' and 'Carbon Reduction Management – Governance and Responsibilities'. The other two reports were issued against ER07: 'Revenue Controls in London River Services' was rated as 'requires improvement' and 'Supplier Bank Accounts' was rated as 'adequately controlled'.
- 5.3 Two memos were issued in Q3, both of which were against ER07: 'Supplier Payments Workaround Process' and 'Grant Certification Review – Network North Funding'.
- 5.4 No audits were issued against ER09 in Q3.
- 5.5 Appendix 1 provides further details of these audits and memos.

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). Themes identified during procurement related investigations and control environment improvements (implemented or recommended) in Q3, are set out in the paper on Part 2 of the agenda. Individual cases are part of the wider fraud reporting that is submitted to the Audit and Assurance Committee.

6 Cancelled and Deferred Work

- 6.1 No audits were cancelled or deferred in Q3 against ER03, ER05, ER07 and ER09.

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.

Internal Audit

- 7.2 There were 26 ER03, ER05, ER07 and ER09 audits completed in the last four quarters, which is three more than were delivered in the previous four quarters. The number of 'requires improvement' conclusions has increased from 10 to 13 and 'poorly controlled' has increased from one to two. This is a trend across all Enterprise Risks as we continue to undertake audits on high-risk areas of the business. The number of memos issued has increased from five to seven over the past four quarters. The number of audits rated as 'adequately controlled' or 'well controlled' has decreased from seven to four.
- 7.3 Work continues on the management of actions. For ER03, ER05 and ER07 at the end of Q3 there were 104 open audit actions, 12 of which were overdue: one by less than 30 days, two by 31-60 days and nine by 61-100 days. There were no open audit actions for ER09. All overdue actions are regularly discussed with Chief Officers and there is a focus on ensuring more actions are closed on time.

List of appendices to this report:

Appendix 1: Internal Audits Completed in Quarter 3 2024/25

Appendix 2: Internal Audit Summary Quarter 3 2024/25

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

List of background papers:

None

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