

Date: 4 June 2025

Item: Risk and Assurance Report Quarter 4 2024/25

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 4 of 2024/25 (8 December 2024 to 31 March 2025) (Q4) 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 financial or business affairs of TfL and 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 Director Update

- 3.1 This is the fourth quarterly report for 2024/25 setting out the work undertaken by the teams within the Risk and Assurance Directorate.
- 3.2 The Internal Audit team delivered 12 audit reports in Q4, details of these audits are included at Appendix 1. One audit was rated as 'well controlled', six were rated as 'adequately controlled', and five rated as 'requires improvement'. All have agreed actions plans in place that are tracked to completion.
- 3.3 The Quality, Safety and Security Assurance (QSSA) team delivered 28 second line audits in Q4. None were concluded as 'poorly controlled', six were 'requires improvement', three as 'adequately controlled', two as 'well controlled' and 17 'not rated'.
- 3.4 During Q4, the Counter-fraud and Corruption (CFC) team received 266 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 20 are miscellaneous cases that require the team to carry out further enquiries to assess whether any should become a full case. Nine cases were closed during Q4.

3.5 A breakdown of current fraud cases by Chief Officer area and their status is shown in the table below:

Chief Officer Area	Start Q4	New cases Q4	Closed cases Q4	Under investigation by CFC	With Line Management	With Law Enforcement
Operations	29	6	6	13	6	10
Capital	0	2	0	2	0	0
Customer and Strategy	20	2	3	9	2	8
People	2	0	0	1	0	1
General Counsel	0	0	0	0	0	0
Finance	0	0	0	0	0	0
Total	51	10	9	25	8	19

3.6 An anonymous allegation was received by the CFC team that a TfL employee had provided false documents at the time of their original recruitment to TfL in December 2016. Evidence showed the employee had failed to declare a name change and previous convictions on two police vetting forms, one to gain employment and one on promotion. He was also found to have defrauded the TfL season ticket loan scheme on three occasions, by claiming refunds for the tickets soon after purchase and keeping the money from the loans. The employee resigned on 24 November 2022. The case was referred to the Metropolitan Police Service, who charged the employee with two counts of fraud by false representation. On 11 March 2025, after pleading guilty to both charges, the former employee was sentenced to 12-months' imprisonment suspended for one year, to undertake 75 hours of unpaid work, and to pay compensation to TfL of £9,453, the majority of which was paid through the forfeiture of their TfL pension. This is the first time this method of compensation has been applied for and granted and we will continue to pursue in future cases.

3.7 As reported previously, we are running a recruitment campaign for new members of the Independent Investment Programme Advisory Group (IIPAG). We are aiming to appoint a new member with a procurement and commercial skillset. As part of the same campaign, we are intending to make three appointments to the new IIPAG Safety sub-group and a replacement member for the IIPAG Places sub-group who has corporate finance experience. The outcome of the campaign will be known in early summer with appointments being made following the relevant approval process shortly thereafter.

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). A list of the Level 0 risks is included at Appendix 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.
- 4.3 ER01 risk title has changed from 'Inability to deliver safety objectives and obligations' to 'Failure to prevent a significant safety incident or deliver safety obligations'. A full update on ER01 was presented at the 19 May 2025 meeting of the Safety and Security Panel.
- 4.4 Workshops have been undertaken to develop ER11 – 'Significant cyber security incident'. ER11 will be reviewed by the Executive Committee and submitted to the 2 September 2025 meeting of the Safety and Security Panel. Workshops have been scheduled to reassess the remaining elements of ER04 – 'Significant security incident'. The updated ER04 will be reviewed by the Executive Committee and submitted to the 12 November 2025 meeting of the Safety and Security Panel.

5 Internal Control

- 5.1 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 assesses the appropriateness and effectiveness of, and compliance with, internal controls.

Finance and Procurement

- 5.2 Six internal audits were completed in Q4. Phase 3 of the procurement of the new advertising contract, a real time audit, was found to be well controlled and we confirmed that detailed feedback was provided to all bidders on how the bids were evaluated.
- 5.3 The supplier contract audits of Dyer and Butler and Otis and the audit of the general ledger were rated as 'adequately controlled'. The supplier contract audit of Kone, and the savings validation and tracking audits were rated as 'requires improvement'. Our reviews of two lift and escalators suppliers found that there are regular reviews of the work undertaken, periodic technical meetings and evaluation of Key Performance Indicators but the checks and balances on the Applications for Payment need to be improved with identified differences and their resolution documented. Arrangements for managing maintenance activities by TfL for one of the suppliers need to be put in place.

- 5.4 We found that most controls over the general ledger are adequately designed and operating effectively. There are also generally robust controls over the processing of payroll within the Employee Payments Delivery team. There is the opportunity to introduce robust controls and processes across TfL over the management, administration and processing of overtime payments and staff allowances to ensure consistency and accuracy.
- 5.5 The audit of savings validation and tracking found that the appropriate governance framework and processes are in place, but we identified that two Chief Officer areas had been using the wrong baselines to calculate savings. This was immediately resolved and will have no impact on the TfL scorecard.
- 5.6 Ongoing Project Assurance (PA) work has identified five new works frameworks in development that will be used for capital expenditure. Discussions are taking place to agree a plan to ensure the appropriate assurance is undertaken by PA and IIPAG in 2025/26.
- 5.7 The award of a minor works civil engineering and building framework has been cancelled by the Procurement and Commercial senior lead following a PA review which identified several areas of concern which are now being rectified.

Safety and Health

- 5.8 In Q4, QSSA completed 16 audits related to health and safety risk controls. One was concluded as 'well controlled' ('London Underground (LU) Signalling Competence Institution of Railway Signal Engineers'), two were concluded as 'adequately controlled' ('Woolwich Safety Health and Environmental Compliance' and 'Docklands Light Railway (DLR) Management of Asbestos') and three were concluded as 'requires improvement' ('DLR Safety Authorisation Compliance: Maintenance', 'Places for London Asbestos Management' and 'Trams Fleet Management of Fatigue'). Ten Integrated Systems Audit were completed of LU operational and maintenance teams and are not rated. All have agreed action plans in place.

Asset Management

- 5.9 QSSA completed seven audits against ER06 – 'Deterioration of operational performance' in Q4, three were concluded as 'requires improvement' ('Trams: Competence Management System', 'LU Off-Track Drainage Management' and 'LU Fleet Concessions Management'). Four reviews of alignment with the requirements of ISO 55000 'Asset Management' were completed for DLR, 'CCTV and Traffic Signals', 'Trams' and 'Walking and Cycling' to inform decision making on TfL's strategic management of assets. These reviews are not given an audit rating as ISO 55000 is not a current requirement for TfL to adhere to.

Technology, information, and security

- 5.10 Our audit of 'Artificial Intelligence (AI) (implementation of Microsoft tools with built in AI)' focused on controls implemented to ensure ethical, safe, and secure adoption of AI digital assistants. We found that technical controls to enforce the requirements of TfL's Generative AI policy need to be improved.

- 5.11 Following on from the earlier business continuity audit the arrangements in place at the London Transport Museum were also reviewed. Some weaknesses in processes were identified and the management actions agreed following this audit will address these.

6 Environment

- 6.1 IIPAG completed a cross-cutting review considering how TfL investment decisions are taking into consideration the need to reduce whole life carbon emissions as part of the pathway to Net Zero. The report is expected to be presented to the Programmes and Investment Committee on 2 July 2025. An audit was undertaken in parallel considering carbon in TfL Operations, the findings of which were presented to the last Committee meeting. The IIPAG and Internal Audit remits were drafted in parallel to ensure alignment and to avoid duplication.
- 6.2 QSSA conducted two audits in Q4 against ER03 – ‘Environment including climate adaption’. One was concluded as ‘well controlled’ (‘Greenwich Generating Station Gas Monitoring’) and one as ‘adequately controlled’ (‘Waste Management in TfL Projects’).

7 Governance

- 7.1 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 looks at how this is supported and works in practice at an organisational level.
- 7.2 We confirmed that there is an appropriate governance framework and processes in place for the correct and accurate recording of savings in our internal audit of savings validation and tracking. This included documented procedures for the calculation and recording of savings as well as a central savings tracker. Responsibilities for those involved in the process have been allocated and there is periodic reporting of savings against target in the TfL scorecard.
- 7.3 We found that the Our People Leaders’ Framework is well supported by senior management and is being embedded across TfL. The framework has been well communicated with tools and resources provided. The framework has also been incorporated into the recruitment and development of people leaders.
- 7.4 The Freedom of Information (FOI) team has established a well-defined and documented process that has evolved over time to support the timely response to public requests for information. The FOI audit identified some user accounts in the application user database that should be removed.
- 7.5 The Pensions Regulator issued a revised Pensions Code of Practice (PCoP) which came into force in March 2024. In response to the new code, the TfL pensions operations team has developed a single document known as the Effective System of Governance (ESOG) to ensure compliance with the PCoP. Our audit found that most policies and procedures required under the PCoP were already in place. The scheme could benefit further from the introduction of a robust document review, version control and records management processes and

obtaining additional assurance on the completed ESOG from a pensions specialist.

- 7.6 Risk and Assurance is supporting the Engineering and Asset Strategy led review into 'Technical Governance' using risk and assurance principles and good practice from across TfL to contribute to workshops. The output from this working group will strengthen governance in this area.

Assurance and Investment Programme

- 7.7 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.
- 7.8 PA completed a programme of targeted assurance reviews including the annual programme submissions to the 11 December 2024 and 5 March 2025 meetings 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.
- 7.9 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 has now been completed and a draft report is currently under review. As noted in paragraph 6.1, the IIPAG review investigating how TfL investment decisions are taking into consideration of the need to reduce whole life carbon emissions has also concluded. Reports detailing the findings of both reviews are expected to be presented to the Programmes and Investment Committee in July 2025.

8 Programme Changes

- 8.1 There were two additions to the Internal Audit plan in Q4 and six deferred audits. Two of the deferrals were real time audits where the timetable within the business area has changed. There were two that were deferred due to the cyber incident and had been recognised as 'at risk' in the Quarter 3 2024/25 report to this Committee. The final two were deferred with the agreement of the business areas.
- 8.2 Four QSSA audits against the Payment Card Industry Data Security Standard that relate to ER04 have been cancelled in Q4 as changes to the payment systems means this assurance is no longer required.
- 8.3 Three QSSA audits against ER01, ER04 and ER06 have been cancelled as other work has either provided the required assurance or has meant the assurance is no longer required. The audits were: an integrated systems audit, 'Strategic Communications Plan' and 'Rail for London Infrastructure Competence Management within the Supply Chain'.

- 8.4 Seventeen QSSA audits have been deferred to 2025/26 in consultation with the business, the majority are due to staff turnover within the team. However, six have been deferred to align with other activity at the request of the business. Four ER01 audits, six ER04 audits, two ER05 – ‘Supply Chain disruption and ineffective procurement and contract management’ audits, and five ER06 audits have been deferred.
- 8.5 Where audits are shown as completed against ER04 in 2024/25, this refers to the former ER04 - ‘Significant security incident including Cyber Security’. ER04 will be split into two Level 0 risks: ER04 – ‘Significant security incident’ and ER11 – ‘Significant cyber security incident’. This Committee will receive separate updates on assurance work related to ER11 from reporting undertaken from April 2025.

9 Management Actions/Recommendations

- 9.1 A breakdown of overdue management actions and recommendations across Chief Officers and the Risk and Assurance teams is included at Appendix 3. We continue to work with the management teams and the relevant Chief Officers to resolve these and a number have been closed since the end of Q4.

10 Customer Feedback

- 10.1 Due to the cyber incident in September 2024, we have been unable to provide customer feedback data for Q4, reporting will resume when the system and data is available. Our audit system will be available again in the middle of Q1 but in the interim we have put a manual process in place to ensure we can collect the customer feedback.

List of appendices to this report:

Appendix 1: Internal Audit reports issued in Quarter 4 2024/25

Appendix 2: Level 0 Enterprise Risks

Appendix 3: Overdue Actions and Recommendations by Team at End of Quarter 4

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

List of Background Papers:

None

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