

Date: 4 June 2025

Item: Risk and Assurance Annual Report and Assurance Statement 2024/25

This paper will be considered in public

1 Summary

- 1.1 This is the annual report and assurance statement of the Risk and Assurance Directorate, which comprises the Enterprise Risk Management, Internal Audit, Quality, Safety and Security Assurance (QSSA), Project Assurance (PA) and Counter-fraud and Corruption (CFC) teams.
- 1.2 The Public Sector Internal Audit Standards (PSIAs) require that the Head of Internal Audit provides an annual Internal Audit opinion based on objective assessment of the framework of risk management, internal control and governance established by TfL management. It is based on a programme of work completed by Risk and Assurance, which has been endorsed and monitored by the Committee throughout the year. The assurances in this report are not limited because of a shortfall in resources, absence of skills, limitation of scope or any failure to comply with PSIAs overall.
- 1.3 The opinion can only be reasonable in the sense that no opinion can ever be absolute and reflects the evidence available at the time of drafting. The Internal Audit opinion does not provide any guarantee against material errors, loss or fraud.
- 1.4 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 report and the exempt supplementary information on Part 2 of the agenda.**

3 Internal Audit Opinion

- 3.1 In our opinion, TfL's overall framework of governance, risk management and internal control in the year ended 31 March 2025 again remains generally adequate for TfL's business needs and operates in an effective manner. However, we draw attention to the following:

- (a) TfL suffered a cyber incident during the reporting period and an independent review has been commissioned. The review has considered the work that Internal Audit had carried out in the technology and data area. Once the review is complete, we will determine any areas that we need to target for additional audit work. In response to the incident a manual workaround was put in place for making payments to suppliers. Internal Audit provided a review of the process to ensure that all key financial controls had been identified and addressed which did not identify any fundamental inaccuracies;
- (b) the CFC team continue to consider recruitment fraud as a significant risk to TfL, this spans new and existing employees, non-permanent labour, and consultants. This view is supported by the internal audits of the appointment of temporary workers and the use of consultants. Follow up work will be undertaken on recruitment processes in the second half of the 2025/26 financial year;
- (c) supplier contract audits conducted by the Internal Audit team continue to find areas of weakness in the evidence to support applications for payment from our suppliers. The CFC team are investigating issues with overtime payments and timesheet anomalies with the corresponding weaknesses in internal control identified in the work of Internal Audit; and
- (d) while we have identified areas where record keeping could be improved there has been a significant fall in the number of findings relating to the way in supporting information is evidenced, maintained and recorded.

3.2 We continue to be supported by senior management in closing management actions, particularly those over 100 days. We are seeing an improvement in closing actions first time and reducing the number of extensions. We will only close actions if there is robust evidence to support the action taken. This should result in improvements in the overall control environment which we will assess in the follow up work we do. Appendix 1 provides an analysis of management actions and recommendations by category and team.

3.3 As part of the Integrated Assurance Framework overseeing Places for London, activity has continued to see improvements in process and investment decisions as the Places for London team respond to the recommendations and actions from targeted assurance reviews, audits and continuous assurance activities. This includes a continued strengthening of first line assurance arrangements. All Places for London Enterprise Level risks have now been developed. The Enterprise Risk Management team are supporting Places for London to develop their risk appetite and tolerance approach. Work is also in progress to develop Level 1 and Level 2 risks.

3.4 The percentage of Internal Audit reports given a rating of 'poorly controlled' has stayed the same for this year at eight per cent. Those rated as 'requires improvement' has increased from 54 per cent to 62.5 per cent this year. This is not unexpected as we have done more work with our supply chain where potential weaknesses had been identified by other assurance providers and through our audit planning process. The QSSA team has seen a reduction in the number of 'poorly controlled' audits by eight per cent and an increase in 'requires

improvement' ratings by eight per cent, representing a small improvement. The total number of 'poorly controlled' and 'requires improvement' conclusions remain relatively consistent accounting for 24 per cent and 22 per cent of audits across the last two years respectively.

Basis of the Internal Audit Opinion

- 3.5 We are satisfied that sufficient audit and assurance work has been completed to allow us to form a reasonable conclusion on the adequacy and effectiveness of TfL's governance, risk management and control environment.
- 3.6 The 2024/25 Internal Audit opinion relies on:
- (a) the 46 audits carried out by Internal Audit including those for Places for London;
 - (b) the work of the Enterprise Risk team;
 - (c) project and programme reviews carried out by the PA team, and the Independent Investment Programme Advisory Group (IIPAG) – PA completed 12 annual programme reviews and 51 targeted project and programme reviews, IIPAG participated in all the annual programme reviews and 20 of the targeted project and programme reviews. Ongoing continuous assurance is also undertaken and underpins all these activities;
 - (d) the 76 audits of Safety, Health, and Environment (SHE), asset and engineering quality and operational compliance audits (including Places for London) carried out by the QSSA team;
 - (e) results of any follow up exercises undertaken in respect of previous years' Internal Audit work;
 - (f) control issues identified by the CFC team during their investigations; 40 new full fraud cases from 791 referrals received, and 56 others requiring further investigation; and
 - (g) assurance reviews and continuous assurance carried out by the PA team and the IIPAG Places for London sub-group (IIPAG-Places) as part of the Places for London Integrated Assurance Framework alongside an ongoing review of closed recommendations from previous assurance reviews to check that actions have been embedded.
- 3.7 There have been no additional matters arising from any of the work completed that need to be brought to the attention of the Committee.

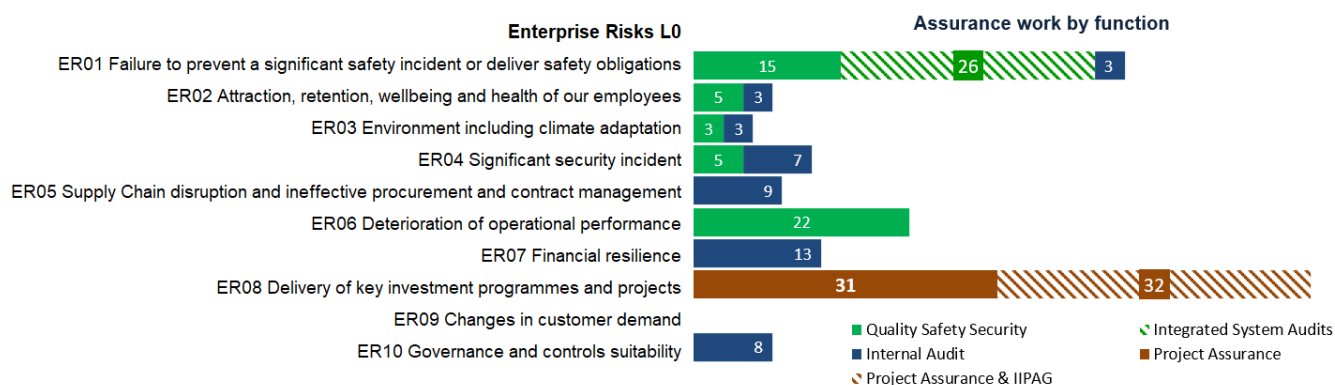
4 Risk Management

- 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 practical and understand our exposure. The Risk and Assurance Directorate supports the business with Enterprise Risk management at Enterprise (Level 0), Strategic (Level 1) and Tactical (Level 2).

- 4.2 We continue to see improved and increasing engagement with the Enterprise Risk management process by the business. Governance at the Board, Committees and Panels, Executive Committee and its sub-groups is working well with greater challenge of risk information such as risk exposure level, overall control effectiveness rating and risks that are outside of tolerance.
- 4.3 All Enterprise Risks continue to be reviewed by the Executive Committee and the relevant Committees and Panels during the year on a rolling 12-month programme. As a result of the cyber incident, it was agreed that the cyber aspects of Enterprise Risk 04 – ‘Significant security incident’ (ER04), would be extracted to form a new risk solely focused on cyber security. As a result, Enterprise Risk 11 – ‘Significant cyber security incident’ is being developed. Work is in progress to finalise content ahead of the risk being reviewed by the Executive Committee and the Safety and Security Panel in September 2025. Workshops are also planned to reassess the remaining aspects of ER04.
- 4.4 Level 1 workshops have been completed for all Vision and Value theme areas and the associated risk development is progressing well. A mapping exercise has been carried out of Level 1s to Level 0s and linkages made in Active Risk Manager (ARM). Engagement has also started with the relevant Executive Committee sub-groups who will have oversight of these risks.
- 4.5 All seven Places for London Enterprise Risks have been developed and presented at the Land and Property Committee in line with the Enterprise Risk Schedule. Places for London’s Level 1 (Strategic) risks have been identified and work is in progress to rationalise and further develop the Level 1 risks, as well as being included in ARM. In parallel, work is also in progress to rationalise the Level 2 (Tactical) risks and input these to ARM. This will provide greater visibility of the Places for London risk hierarchy.
- 4.6 Engagement with the London Transport Museum has increased. We have undertaken several risk workshops to refresh the Museum’s operational risks. The updated operational risks were presented at their Finance, Audit and Risk Committee. We expect to provide additional support to the Museum on their Strategic risks. This will result in alignment to the TfL risk management process.
- 4.7 TfL’s revised Risk Appetite and Tolerance approach has been agreed and operationalised. Reporting of risks within and outside of tolerance to the Executive Committee and to the Committee has commenced. Places for London has agreed to adopt the TfL approach and work is in progress to tailor TfL’s approach to Places for London.
- 4.8 A risk and opportunities risk workshop was held on 13 February 2025 with the Board and Executive Committee. A key theme from the discussion was that a technology related threat and opportunity should be developed (use of artificial intelligence (AI) in particular). We will be having further discussions with the AI Steering Group lead and the Innovation team to better understand the scope of the emerging threat and opportunity.

- 4.9 Horizon scanning information highlighting future challenges that may impact TfL's achievement of its objectives is presented to the Executive Committee on a six-monthly basis for discussion and decisions as appropriate. The top 10 risks identified in the 2025 Global Risks Report was discussed at the Board and Executive Committee risk workshop and generated good discussion on the emerging threats.
- 4.10 The Risk Management Awareness e-learning course was refreshed and launched on 22 October 2024 for all employees. The course provides colleagues with a broad introduction to risk management and how it is applied within TfL.
- 4.11 The CFC team continues to deliver a range of fraud awareness activities designed to prevent, deter, and detect fraud and corruption at TfL, educate the workforce about the risks of fraud in the workplace and at home, and to pursue those who commit fraud, bribery and corruption against TfL. The team reports on new and developing fraud themes affecting TfL and other organisations.
- 4.12 In 2024/25 the team focused their attentions on designing and developing the Fraud and Corruption Risk Assessment process and guidance, which will be trialled in early 2025/26, before a full pan-TfL rollout is considered. The team delivered regular 'fraud awareness' presentations to key stakeholders, including at senior leadership events and meetings, and other key areas of the business, where the risk of fraud and corruption was deemed most significant.
- 4.13 In collaboration with the TfL Learning and Development team, the CFC team has designed and introduced a new interactive Countering Fraud and Corruption at TfL e-learning awareness course for all employees. This approach supports our ongoing work with senior management to prevent and detect financial crime.
- 4.14 The chart below provides a summary of the work completed at the second and third line of assurance by our various Risk and Assurance teams, by Enterprise Risk. Detailed information of Risk and Assurance work completed against each of the Enterprise Risks is reported quarterly at each Committee meeting.

Figure 1 - Risk and Assurance Work By Risk By Function 2024/25



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. Within Risk and Assurance, we look to assess the appropriateness, effectiveness, and compliance with internal controls. Set out below are highlights of key areas of work undertaken this year and issues identified.

Finance

- 5.2 We found that there are robust financial controls over the general ledger access and master data allocation. There is an appropriate governance framework and processes in place for the correct and accurate recording and tracking of savings. We found that there is no evidence to suggest that TfL is not receiving the agreed revenue share from London River Services operators but there was scope for some improvements to the process. Most controls over supplier bank accounts were found to be adequately designed and operating effectively. Accounting for London Underground station cash sales was found to be well controlled. Our audit work continues to demonstrate that TfL has a sound financial control framework.

Procurement

- 5.3 The real time audit of the advertising concessions contracts followed the procurement from submission of supplier selection questionnaires to award. This was a high-profile contract, the outcome of which had the potential for challenge. The procurement exercise was found to be fair, transparent, and well controlled and a rigorous process was put in place to ensure that detailed feedback was provided on how the bids were evaluated.
- 5.4 Compliance with TfL's procurement policy demonstrates a commitment to procure efficiently, to the highest ethical standards, complying with all legal requirements and procurement regulations. We are working with the London Transport Museum to improve their performance in this area.
- 5.5 SAP Ariba is not always being used effectively, this was noted and addressed in the early stages of the advertising concessions procurement and quickly rectified. The completion of documents and tasks in the Source to Contract arrangements were not accurately recorded in SAP Ariba with work stored elsewhere. The importance of workflow and a clear audit trail needed to be strengthened.
- 5.6 Management of conflicts of interest in indirect procurements found gaps in the governance framework that need to be improved. This includes a clearer and more specific procedure, functionality issues with system used for recording submissions and consistency of record keeping. There are potentially wider Procurement and Commercial issues that will be examined as part of a wider conflicts of interest audit in the forthcoming year.
- 5.7 Our pan-TfL audit of the use of consultants found that there is no central oversight and accountability of the procurement, management and monitoring of consultants. This was acknowledged by the Chief Finance Office area and much work has been done in this area following the audit.

Contract Management

- 5.8 There have been mixed results for the five supplier audits undertaken this year, one was rated as 'poorly controlled', two were rated as 'requires improvement' and two were rated as 'adequately controlled'. Generally, we found that there is an over-reliance on suppliers to self-report performance with insufficient verification checks being undertaken by TfL. There is inconsistency in the way that checks and authorisation processes on applications for payment are made.
- 5.9 Following an IIPAG recommendation to strengthen second line assurance of high value procurements a regime is now in place where focused reviews are undertaken of procurement actions, both the strategic approach and the detailed documentation. Providing this type of assurance adds value to the procurement process, reducing the risk profile of significant procurements and providing reassurance to senior management that the processes are robust or that areas of improvement are identified and addressed. The Track Works and Resources framework was reviewed at key stages of the procurement process. Several concerns were identified which were satisfactorily addressed with PA's support. A similar review was undertaken on a significant programme in the Technology Programme, and another is ongoing in the Environment Programme.
- 5.10 This work has led to an increasing focus for PA on the assurance of works frameworks that will be used for capital expenditure. A series of new frameworks is in development across TfL and PA is in the process of putting appropriate assurance plans in place to ensure that suitable scrutiny is in place throughout the procurement process up to framework award.
- 5.11 As part of the integrated assurance approach for Places for London, Internal Audit has delivered three audits all of which have identified areas for improvement. We found that Places for London needed to complete an end to end review of key processes for new lettings to ensure they are fully documented and remain fit for purpose. We also found gaps in the documentation for new lettings, the arrangements for revenue and debt collection and the management of property voids with supporting documentation not readily available.

Safety

- 5.12 The Internal Audit on the use of body-worn cameras found that the roll out of essential kit had been successfully implemented and is supported by clear corporate policy and guidance. Levels of staff compliance are generally good but site visits identified areas of patchy use and monitoring of user dashboards.
- 5.13 Risk and Assurance supported an independent review of safety governance and decision making and the formal investigation reporting process in TfL in 2024/25. The findings were reported to the Executive Committee and the Safety and Security Panel. TfL continues to work on the actions that will enhance the robustness of safety governance in TfL. Approval has been given to create a sub-group of IIPAG responsible for safety, with a remit covering the whole of TfL. Recruitment is currently in progress for three roles for this sub-group with appointments expected in the second half of 2025.

- 5.14 The QSSA team continue to assess compliance with key SHE Management System (SHEMS) requirements across a sample of key operational and maintenance teams, providing actions to the business where legal or internal standards are not met. The revised means of recording audits means the assurance provided can be directly mapped back to management system components and therefore TfL's Enterprise Risks. This also informs planning by highlighting aspects of SHEMS or TfL teams that have not been recently assured.
- 5.15 In general, there has been a reduction of the number of QSSA 'poorly controlled' and 'requires improvement' audits in the last two years which is encouraging. A noted theme is that local first or second line assurance checks appear to be non-existent or ineffective, resulting in non-compliance remaining undetected until highlighted by an audit. SHE has begun work to address this, developing local checklists to assist in routine assurance. This has been noted in competence management audits where competence records are readily available, but the required assurance and verifications steps are missing.
- 5.16 QSSA have also delivered their programme of short and focused Integrated Systems Audits in London Underground Asset Performance and Operational teams. These audits test local compliance with asset specific requirements in addition to critical elements of the management system, including SHE, security, competence, and financial controls. There has been a small reduction in average scores in the last two years reducing from 71 per cent to 67 per cent. Scores can be particularly affected by periods when the manager is not available either due to sickness or staff turnover, temporary cover arrangements have been seen to be ineffective in maintaining high standards. The average score of 67 per cent still represents a significant proportion of routine non-compliance present in the business. Key trends have been shared with Operational teams and QSSA will be working with SHE in 2025/26 to use data to inform where action could be most effective.

People

- 5.17 Our People Leaders' Framework is embedding across the organisation and is supported by senior management at all levels. The framework is embedding mostly through actions listed in business areas' People Plans with responsibility assigned to appropriate people or teams and with processes for reporting on and monitoring implementation of the actions. There are effective key controls over the booking of external courses by Learning and Development advisers which aim to ensure compliance with commercial and financial requirements in the procurement of external training providers. We also found effective governance processes in place for the Action on Inclusion strategy with action being taken to implement the strategy's programme plan and deliverables.
- 5.18 Some weaknesses were found in the recruitment of temporary agency workers. Documentation for recruitment campaigns was not always complete which is essential to demonstrate that appointments are fair and objective.

Environment

- 5.19 Internal Audit undertook two audits of carbon reduction management in operations. The first audit looked at standards and plans and the second governance and responsibilities. We found that the carbon reduction plans are incomplete and vary in detail and quality. The audit reports have been well received and subject to robust discussion. Audit actions have been agreed across the business areas and are aimed at embedding carbon reduction into day-to-day performance management and controls of operations and maintenance.
- 5.20 IIPAG have undertaken a cross cutting review of how TfL takes account in the capital investment programme of targets to reduce carbon emissions. A draft report is currently under review.
- 5.21 QSSA conducted three audits of waste and pollution prevention in projects, maintenance, and operational locations. The results from this relatively limited sample show that waste is managed well in projects teams but there is a lack of familiarity with basic SHEMS requirements in operational environments.

Security

- 5.22 Internal Audit looked at the adequacy of controls for non-operational business continuity and, in a separate audit, the arrangements in place at the London Transport Museum. There were similarities in the lack of ownership and accountability which had resulted in 80 per cent of the TfL business areas and the Museum not having completed a Business Impact Analysis. This was quickly addressed with an executive sponsor for business continuity being nominated and the appropriate governance forum identified to provide oversight of business continuity management.
- 5.23 Work in the Technology and Data area included a review of station cabinets containing Wi-Fi equipment, the datacentre network refresh, the ransomware project, and the implementation of Microsoft tools with built in generative artificial intelligence. All the audits were rated as 'requires improvement'.

Counter-fraud and Corruption

- 5.24 The CFC team has seen an increase in new cases, but a slight reduction in new referrals. In 2024/25 referrals decreased to 791 compared with 985 in 2023/24 though we now have 40 new full fraud cases under investigation compared with 31 in 2023/24. The decrease in referrals was predominantly due to a decrease in Suspicious Activity Reports, received from the National Crime Agency, because of the TfL cyber incident that occurred in September 2024. There continues to be a willingness to report suspected wrongdoing to the CFC team.
- 5.25 Cases related to alleged fraud and corruption against TfL and internal breaches of TfL policies include targeting the Ultra Low Emission Zone scrappage scheme, allegations of undeclared conflicts of interest between employees and suppliers both pre and post contract award, and allegations of overtime fraud and the fraudulent claiming of sick pay while working elsewhere or actively running their own business.

- 5.26 Several TfL employees have been subject to disciplinary proceedings and the CFC team has prepared and referred evidence to the British Transport Police's Major, Serious and Organised Crime team and the Metropolitan Police Service for review and to support criminal investigations and prosecutions. Several former employees (including non-permanent labour), customers and organised criminals have been either arrested or interviewed under caution, charged and/or convicted at court in 2024/25.

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 its objectives. The Risk and Assurance teams look at how this is supported and works in practice at an organisational level. Common findings in audits have included poor records management, lack of clarity over roles and responsibilities and compliance with established procedures which are essential elements of good governance. To support this the Risk and Assurance leadership team continue to be involved in a range of steering groups and other governance forums. This involvement enables us to provide input on risk and assurance matters, as well as allowing observation of project and other governance processes.
- 6.2 We found that there are robust governance arrangements for compliance with the 2024 Pension Regulator's General Code of Practice, the Freedom of Information Act 2000 and the Environmental Information Regulations 2004 and reporting the TfL scorecard outturn results. There were moderate control weaknesses in the privacy and data protection for the Automatic Number Plate Recognition system.
- 6.3 In addition to the safety governance work noted in the Safety section above, it is positive that Engineering and Asset Strategy have started two governance related workstreams to look at 'Technical Governance' and alignment to ISO 55000 'Asset Management' as good practice. Risk and Assurance is supporting both contributing information on assurance and risk management principles and audit resource to measure alignment to ISO requirements.

Assurance of the Investment Programme

- 6.4 The primary source of assurance for the delivery of the TfL Investment Programme is through the work of the team and IIPAG. PA and IIPAG believe that there is sufficient scrutiny of the Investment Programme in TfL through the various portfolio meetings as well as the Executive Committee Investment sub-group and at the Programmes and Investment Committee.
- 6.5 A trend that has been visible for some time but has been particularly noteworthy in reviews this year and suggesting a worsening trend is poor-quality scheduling. This causes a risk to project delivery as schedules are not always meeting a sufficiently good standard to act as a robust management tool. In some areas schedule management is good. However, in some schedules that PA has reviewed, basic technical failings have been identified and there is a concern that first line processes are not robustly identifying and addressing these issues. Examination of schedules will continue to form a key aspect of PA reviews and

progress on project and programme level actions will be monitored as will the overall progression of improvement to scheduling support generally.

- 6.6 Business cases continue to be reviewed in detail in many PA reviews. The standard of these key documents has been a longstanding concern for PA and variations in quality continue to be observed in targeted reviews. Nonetheless there is evidence that this position is improving, and PA has raised fewer recommendations this year in this area. There has been extensive work undertaken preparing business cases for submission to the Department for Transport as part of funding applications. These have been prepared to a high standard and these have demonstrated effective collaboration across the whole TfL value chain including assurance.
- 6.7 IIPAG has undertaken two cross cutting reviews this year. The first review considered how TfL takes account of the reduction of carbon emissions in the Investment Programme. The second review looked at asset renewals, in particular the prioritisation of work and the development of workbanks. This followed an earlier review on renewals delivery. Draft reports have been produced detailing the findings of the recent work and are currently under review.
- 6.8 IIPAG have also undertaken follow up work looking at recommendation progress from earlier reviews on value for money, asset information and improvements in the Procurement and Commercial function.
- 6.9 Two members of IIPAG were appointed in December 2024, and one existing member retired. A recruitment campaign was launched and will aim to appoint new members for the main IIPAG group, IIPAG-Places and the newly formed IIPAG-Safety sub-group. It is anticipated that new members will commence roles in the second half of 2025.

Places for London Assurance Activity

- 6.10 The Places for London Integrated Assurance Framework is based on a Three Lines of Assurance model comprising: Line 1, management functions of Places for London and key interfaces; Line 2, PA and QSSA; and Line 3 Internal Audit and IIPAG-Places.
- 6.11 PA and IIPAG-Places have focussed on continuous assurance activities including major developments within the property development portfolio and other significant sectors. PA undertook a number of targeted assurance reviews including Victoria station feasibility, Southwark over station development and first line assurance. IIPAG-Places, supported by PA, are nearing completion of a review of the investment appraisal process and application of hurdle rates and findings, which will be reported to the 16 July 2025 meeting of the Land and Property Committee.
- 6.12 The PA review of first line assurance noted considerable progress in introducing and embedding first line assurance with a recognition that there is more to do to ensure consistent understanding and application across different parts of the business. This is an area that continues to develop and recommendations were accepted by the Places for London team and they now have a strategy in place.

- 6.13 The PA review of operational works to enable the Southwark over station development found while the delivery programme was challenging the project team were aware of the risk and working with the contractor to identify mitigations to ensure that the delivery milestones could be met.
- 6.14 PA noted positive progress on agreeing high level requirements and setting out how TfL and Places for London will work together as part of the Victoria station development assurance review. It was noted, however, that this is a highly complex project with significant risks. Assurance recommendations were accepted by the team.
- 6.15 PA and IIPAG-Places continue to monitor progress with a number of residential and commercial developments including Earl's Court, Edgware and Limmo, noting the complexity of many sites and challenges to delivery. We are keeping starts on site and progress with meeting homes and affordable homes targets under review and considering the emerging sector-based investment strategies.
- 6.16 The QSSA team completed a health and safety audit of asbestos management. The location of asbestos was known and recorded although procedural arrangements had remained in draft for an extended period increasing the likelihood of non-compliance. Audit actions were provided to address this.
- 6.17 We keep our approach to assurance under review to ensure that we are targeting the riskiest areas and providing the right level of information to the Land and Property Committee and the TfL Executive. In 2025/26 our work will include a series of sector focussed deep dives considering key risks and issues. We are also undertaking a review of closed actions from previous PA and IIPAG-Places assurance reviews to review how well the actions have been embedded.

7 Quality Assurance and Improvement

- 7.1 Internal Audit were subject to an External Quality Review undertaken by assessors from the Institute of Internal Auditors (IIA). The work of the Internal Audit team must comply with professional standards set out by the IIA and the Public Sector Internal Audit Standards. The standards require that we have an external quality assessment at least every five years provided by an independent assessor. After a competitive procurement exercise, we appointed the IIA to do the assessment, which included interviews with key stakeholders, a survey of wider stakeholders and members of the Internal Audit team and examination of our working practices and the outputs of our audit work.
- 7.2 The overall conclusion was that TfL Internal Audit generally conforms (the highest rating) with most of the Standards as well as the Definition Core Principles and the Code of Ethics.
- 7.3 The review found that the governance framework for Internal Audit is mature with well-established audit committee oversight. Stakeholders described how the Head of Internal Audit had implemented several improvements to the function and its work. The independence and objectivity of Internal Audit are highly rated and Internal Audit delivery was viewed positively. It also found that Internal Audit is participative and seeks to engage effectively with key stakeholders and auditees

who are appropriately engaged and involved in the development of Internal Audit plans.

- 7.4 Areas for improvement include a need for more specialist business knowledge, review of the quality of recommendations and management actions and the formalisation of Internal Audit quality assurance and improvement plan. The team are working through an action plan which will address the issues raised and will report on progress to this Committee.

List of appendices to this report:

Appendix 1: Analysis of Management Actions and Recommendations by category.

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

List of Background Papers:

None

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