Customer, Sustainability and Operations Panel

Date: 4 December 2025

Item: Risk and Assurance Report Quarter 2 2025/26

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 assurance audit work by the Quality, Safety and Security Assurance (QSSA) team and third line of assurance work by the Internal Audit team within TfL's Risk and Assurance Directorate. The paper covers the work during Quarter 2 of 2025/26 (22 June to 13 September 2025) (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 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 Panel is asked to note the paper and the exempt supplementary information on Part 2 of the agenda.**

3 TfL Enterprise Risks

3.1 ER06 has been reviewed and updated ahead of the risk being presented to the Executive Committee on 26 January 2026 and to the first available meeting of the Committee in 2026. Managing this risk effectively will remain challenging if asset condition continues to deteriorate. Associated Level 1 risks such as deteriorating asset condition and worsening service quality have been reviewed in line with the six-month review cycle.

3.2 There has been no change to the risk assessment for Enterprise Risk 09 (ER09) – 'Changes in customer demand'. We continue to monitor delivery of the agreed mitigations. Updates on ER09 continue to be reported to Finance Committee in line with the agreed schedule.

4 Annual Audit Plans

4.1 The Internal Audit and QSSA audit plans contain a series of audits at the third line and second line respectively that address ER06.

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.

Internal Audit

5.2 Two Internal Audits were issued against ER06 in Q2: ‘Closure and Possession Planning’ was rated as ‘requires improvement’; and ‘Materials Management’ was issued as a ‘memo’. Appendix 1 provides a summary of findings for these audits.

Quality, Safety and Security Assurance

5.3 QSSA issued four audits against ER06 in Q2: ‘Rail for London Infrastructure (RfLI) Asset Management Maturity (ISO 55000) Assessment’ ‘not rated’; ‘London Underground (LU) Asset Performance Directorate Control of Signalling Drawings’ rated as ‘adequately controlled’; ‘Management of LU Escalator Condition Assessments’ rated as ‘requires improvement’; and ‘RfLI Flood defence, sustainable drainage schemes and emergency plans’ rated as ‘poorly controlled’. Appendix 1 provides details of the findings of these audits and all audits have agreed action plans in place.

Counter-Fraud and Corruption

5.4 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.

6.2 No Internal Audits or QSSA ER06 audits were cancelled in Q2.

6.3 QSSA deferred two audits in Q2: both were industry benchmark reviews against ISO55001 (Asset Management Systems) for LU and London Overground. These were deferred to allow further development work to take place following last year’s review. No Internal Audits were deferred for ER06 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.

Internal Audit

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

Quality, Safety and Security Assurance

7.3 Comparing the number of ER06 QSSA audits in the last four quarters with the four quarters prior to that, there has been an increase in the number of audits completed from 15 to 20. The largest contributor to this is the programme of assessments against ISO 55001 (Asset Management) that the business requested we undertake as a benchmarking review, these are recorded as ‘not rated’ as it is not a certification TfL currently holds.

7.4 A comparison of audit conclusions shows that the key difference between the two years for all audit conclusions is an increase from one to three ‘poorly controlled’ audits. These relate to LU Fleet Material Storage, RfLI stewardship management plans and RfLI flood defences. Some RfLI standards have not been assured since first written and these audits have provided useful feedback on effectiveness and implementation.

Management of Actions

7.5 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 20 open audit actions, two of which were overdue: one by 105 days and one by 15 days. Both overdue actions have been closed since the end of the quarter. As previously reported there has been a significant improvement on closing overdue actions in the past year.

List of appendices to this report:

Appendix 1: Audits Completed in Quarter 2 2025/26 against ER06 (Deterioration of operational performance)
Appendix 2: QSSA and Internal Audit Summary

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

List of Background papers:

None

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Appendix 1: Audits Completed in Quarter 2 2025/26 against ER06 (Deterioration of operational performance)

Quality, Safety and Security Assurance Audits

Chief Officer	Ref.	Audit Title	Objectives	Conclusion	Findings (high/medium/low)			Summary of Findings
					H	M	L	
Chief Operating Officer	24 765	Rail for London Infrastructure (RfLI) Flood defence, sustainable drainage schemes and emergency plans	Assess the inspection and maintenance of flood defences in line with RfLI Engineering Asset Management Plans. Seek assurance of competence management including supply chain.	Poorly Controlled	5	1	0	There were substantial non-conformances identified with the planning, management, and general awareness of all maintenance activities of drainage assets on the stations and suppliers sampled.
Chief Operating Officer	25 706	London Underground (LU) Asset Performance Directorate Control of Signalling Drawings	Assess the control of signalling drawings in accordance with TfL requirements.	Adequately Controlled	0	2	0	The signalling drawings for installation and testing purposes were adequately managed and controlled by the project delivery team. During the audit fieldwork, it was found the applicable engineering procedures required revision to reflect current practices.
Chief Operating Officer	25 717	RfLI Asset Management Maturity (ISO 55000) Assessment	Assess compliance with ISO 55001 - Asset Management System Requirements.	Not Rated	0	0	0	The asset management system for RfLI was found to be overall below the Benchmark of ‘3’- competent, indicating ISO 55001 non-compliance in most areas. The report provided further detail of compliance status for each clause of the standard.

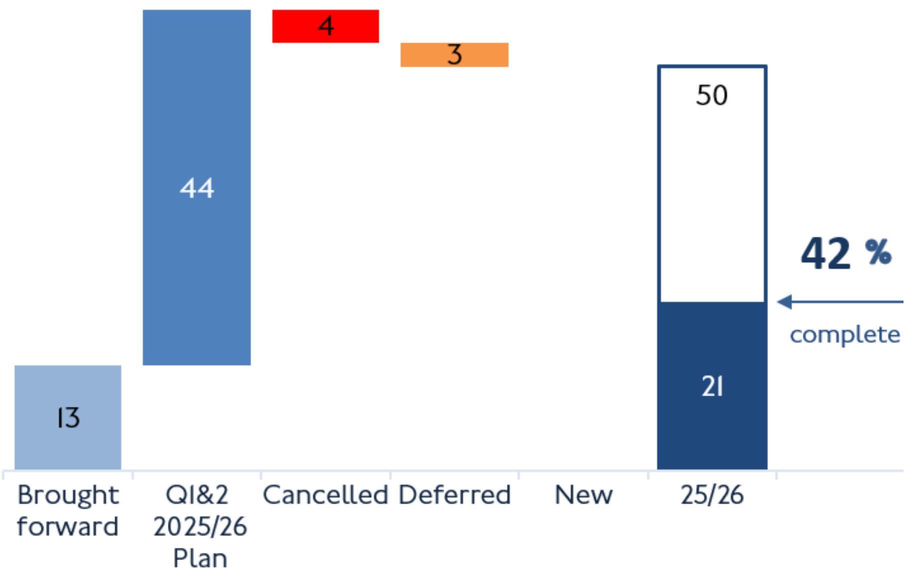
Chief Officer	Ref.	Audit Title	Objectives	Conclusion	Findings (high/medium/low)			Summary of Findings
					H	M	L	
Chief Operating Officer	25 752	Management of LU Escalator Condition Assessments	Assess the process for assessing the condition of escalators in accordance with attachment 7 of S1097.	Requires Improvement	0	2	0	Condition Assessments were being carried out, however there was insufficient evidence available to demonstrate that all the aspects, including measurements and assessments, were being undertaken as required by the controlling standard.

Internal Audits

Chief Officer	Ref.	Audit Title	Objectives	Conclusion	Findings (high/medium/low)			Summary of Findings
					H	M	L	
Chief Operating Officer	25 018	Materials Management	Provide assurance on the effectiveness of key governance controls for materials management.	Memo	0	0	0	The reasons for nil-stock occurrence appear largely internal, with supplier and technical issues impacting but to lesser degree. Most issues noted have been identified by previous assessments. The key task of developing and agreeing business interfaces needs completion and successful filling of currently vacant roles will aid in the delivery of process improvements as intended by the original transformation activity.
Chief Operating Officer	25 019	Closure and Possession Planning	Provide assurance on the adequacy and effectiveness of controls in place for closures and possessions related to the capital programme.	Requires Improvement	0	4	0	The process works well overall. However, there are several factors which together put pressure on the process, including historic reductions in key resource, prolongation of train and systems testing on two major projects both requiring significant access, backlog of renewals work from prior year budget constraints. As a result, closure requesters do not have the necessary controls to ensure that they follow the process.

Appendix 2: Quality, Safety and Security Assurance Audit Summary Q2 2025/26

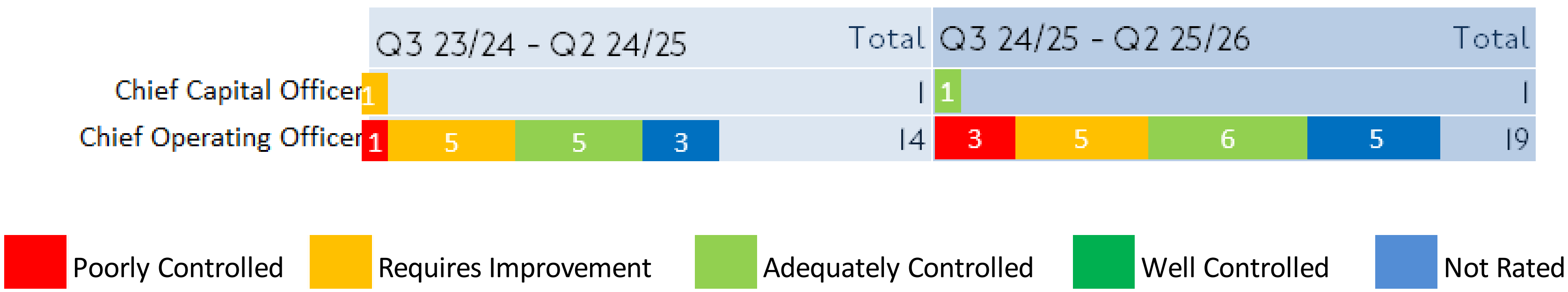
Audit progress against Q1 and Q2 2025/26 Plan



Actions management (ER06) by overdue days

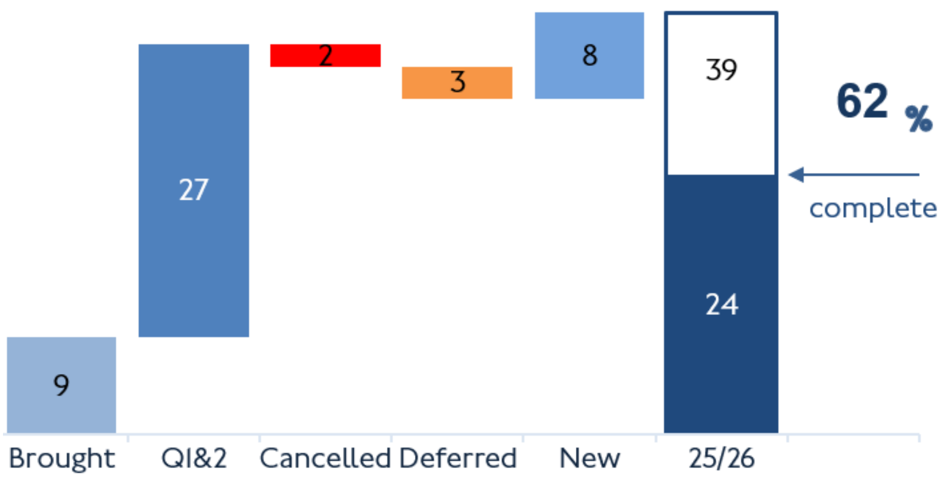
Actions related to ER06 'Deterioration of operational performance' by the Quality, Safety and Security Assurance team at the end of Q2: there were 19 open actions, two overdue actions (both have been closed since end of Q2).

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



Internal Audit Summary   Q2 2025/26

Audit progress against Q1 and Q2 2025/26 Plan



Actions management (ER06) by overdue days

Actions related to ER06 ‘Deterioration of operational performance’ by the Internal Audit team at the end of Q2: there was one open action which was not overdue.

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