

Agenda

Meeting: Audit and Assurance Committee

Date: Thursday 29 November 2018

Time: 10.00am

**Place: Conference Rooms 1&2,
Palestra, 197 Blackfriars Road,
London, SE1 8NJ**

Members

Anne McMeel (Chair)

Dr Lynn Sloman (Vice-Chair)

Kay Carberry CBE

Dr Mee Ling Ng OBE

Dr Nelson Ogunshakin OBE

Copies of the papers and any attachments are available on [tfl.gov.uk How We Are Governed](http://tfl.gov.uk/How-We-Are-Governed).

This meeting will be open to the public, except for where exempt information is being discussed as noted on the agenda. There is access for disabled people and induction loops are available. A guide for the press and public on attending and reporting meetings of local government bodies, including the use of film, photography, social media and other means is available on www.london.gov.uk/sites/default/files/Openness-in-Meetings.pdf.

Further Information

If you have questions, would like further information about the meeting or require special facilities please contact: Sue Riley, Secretariat Officer; telephone: 020 7983 4392;.

For media enquiries please contact the TfL Press Office; telephone: 0845 604 4141; email: PressOffice@tfl.gov.uk

Howard Carter, General Counsel
Wednesday 21 November 2018

**Agenda
Audit and Assurance Committee
Thursday 29 November 2018**

1 Apologies for Absence and Chair's Announcements

2 Declarations of Interests

General Counsel

Members are reminded that any interests in a matter under discussion must be declared at the start of the meeting, or at the commencement of the item of business.

Members must not take part in any discussion or decision on such a matter and, depending on the nature of the interest, may be asked to leave the room during the discussion.

**3 Minutes of the Meeting of the Committee held on 14 September 2018
(Pages 1 - 6)**

General Counsel

The Committee is asked to approve the minutes of the meeting of the Committee held on 14 September 2018 and authorise the Chair to sign them.

4 Matters Arising and Actions List (Pages 7 - 10)

General Counsel

The Committee is asked to note the updated actions list.

External Audit Items

5 EY Report on Non-Audit Fees for Six Months Ended 30 September 2018 (Pages 11 - 14)

Statutory Chief Finance Officer

The Committee is asked to note the fees.

6 External Audit Plan TfL, TTL and Subsidiaries - Year Ending 31 March 2019 (Pages 15 - 64)

Statutory Chief Finance Officer

The Committee is asked to note the Plan.

Audit, Risk and Assurance

7 Risk and Assurance Quarter 2 Report 2018/19 (Pages 65 - 100)

General Counsel

The Committee is asked to note the report.

8 Enterprise Risk Policy (Pages 101 - 104)

General Counsel

The Committee is asked to approve the Policy.

9 Independent Investment Programme Advisory Group (IIPAG) - Quarterly Report (Pages 105 - 114)

General Counsel

The Committee is asked to note the second IIPAG Quarterly report and the Management Response.

10 Crossrail Assurance Arrangements (Pages 115 - 118)

General Counsel

The Committee is asked to note the paper.

Accounting and Governance

11 Crossrail Transition Update (Pages 119 - 122)

Director – Elizabeth Line Operations

The Committee is asked to note the paper.

12 Critical Accounting Policies (Pages 123 - 128)

Statutory Chief Finance Officer

The Committee is asked to note the paper.

13 National Fraud Initiative Update (Pages 129 - 138)

Statutory Chief Finance Officer

The Committee is asked to note the paper.

14 Register of Gifts and Hospitality for Members and Senior Staff
(Pages 139 - 144)

General Counsel

The Committee is asked to note the paper.

15 Legal Compliance Report (1 April 2018 - 30 September 2018)
(Pages 145 - 164)

General Counsel

The Committee is asked to note the report.

16 Cyber Security Update (Pages 165 - 166)

Director of Strategy & Chief Technology Officer

The Committee is asked to note the update.

17 Transformation Programme Update (Pages 167 - 168)

Transformation Director

The Committee is asked to note the update.

18 Member suggestions for future agenda discussions (Pages 169 - 172)

The Committee is asked to note the forward programme and is invited to raise any suggestions for future discussion items for the forward programme and for informal briefings.

19 Any Other Business the Chair Considers Urgent

The Chair will state the reason for urgency of any item taken.

20 Date of Next Meeting

Thursday 14 March 2019, at 10.00am

21 Exclusion of Press and Public

The Committee is recommended to agree to exclude the press and public from the meeting, in accordance with paragraphs 3 & 5 of Schedule 12A to the Local Government Act 1972 (as amended), in order to consider the following items of business.

22 Risk and Assurance Quarter 2 Report 2018/19 (Pages 173 - 198)

Exempt supplemental information relating to the item on Part 1.

23 Cyber Security Update (Pages 199 - 204)

Exempt supplemental information relating to the item on Part 1.

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Transport for London

Minutes of the Audit and Assurance Committee

**Committee Rooms 1 and 2, Ground Floor, Palestra,
197 Blackfriars Road, London, SE1 8NJ
2.00pm, Friday 14 September 2018**

Members

Anne McMeel	Chair
Dr Lynn Sloman	Vice Chair
Kay Carberry CBE	Member
Dr Nelson Ogunshakin OBE	Member

Executive Committee

Howard Carter	General Counsel
Simon Kilonback	Chief Finance Officer

Staff

Richard Bevins	Head of Information Governance and Data Protection Officer (Minute Reference 61/09/18)
Sarah Bradley	Group Financial Controller and Statutory Chief Finance Officer
Michael Bridgeland	Head of TfL Project Assurance (Minute Reference 56/09/18 & 57/09/18)
Rob Brooker	Fraud Investigation Manager (Minute References 53/09/18 & 55/08/18)
Patrick Doig	Finance Director, Surface Transport
Carl Eddleston	Head of Asset Operations, Surface Transport (Minute Reference 53/09/18)
Nico Lategan	Head of Enterprise Risk
Dili Origbo	Head of Internal Audit
Andrew Pollins	Director of Transformation (Minute Reference 63/09/18)
Sue Riley	Secretariat
Clive Walker	Director of Risk and Assurance

Also In Attendance

Karl Havers	Partner, Ernst & Young (EY)
Colin Porter	Chair of Independent Investment Programme Advisory Group (IIPAG)

47/09/18 Apologies for Absence and Chair's Announcements

An apology for absence was received from Dr Mee Ling Ng OBE.

The Chair noted the recent announcement of the delay of the opening of the Elizabeth line. The role of the Committee was to oversee assurance of the transitional arrangements and operation of Crossrail and not the delivery of the Crossrail project which was the responsibility of Crossrail Limited. In the light of recent developments, the Crossrail Sponsors had commissioned a number of independent reviews of key areas of the project including financial, governance and capital programme and dynamic testing.

A copy of the Terms of Reference of the Governance Review would be circulated to Committee Members once available and the Committee would have the opportunity to discuss the outcome of the Review. **[Action: Howard Carter]**

An update report on Crossrail Transition would be considered at the next meeting. **[Action: Howard Smith]**

Members also requested a paper on Crossrail's assurance framework. **[Action: Clive Walker]**

The Chair congratulated Nico Lategan on his permanent appointment as Head of Enterprise Risk.

48/09/18 Declarations of Interest

Members confirmed that their declarations of interests, as published on tfl.gov.uk, were up to date and there were no interests that related specifically to items on the agenda.

Dr Nelson Ogunshakin OBE informed the meeting that he would be updating the register to reflect his appointment as Chief Executive Officer of the International Federation of Consulting Engineers and a change from Chair to Vice-Chair of the Association of Consultancy and Engineering Advisory Board.

49/09/18 Minutes of the Meeting Held on 7 June 2018

The minutes of the meeting held on 7 June 2018 were approved as a correct record and signed by the Chair.

50/09/18 Matters Arising and Actions List

The Committee noted the Actions List.

51/09/18 Annual Audit Letter

Sarah Bradley presented the Annual Audit Letter issued by EY.

The definition of significant risks referred to under Value for Money section in the Letter would be clarified in future reports. **[Action: Karl Havers]**

The Committee noted the Letter.

52/09/18 Effectiveness Review of the External Auditors

Sarah Bradley introduced the annual report on the effectiveness of the external auditors.

Karl Havers left the room for the discussion of this item.

Overall the review of the service provided by the external auditors was very positive and feedback on two areas for improvement was provided. Committee Members welcomed the plain English approach adopted by EY at meetings in presenting information.

The Committee noted the paper and the supplementary information on Part 2 of the agenda.

53/09/18 Risk and Assurance Quarter 1 Report 2018/19

Clive Walker introduced the Risk and Assurance report for Quarter 1 2018/19.

The Committee welcomed the new reporting format, and noted that this would develop further over the course of the year. The approach to reporting on management actions had changed with a new focus on actions not completed by the due date. There was also a more strategic overview with actions broken down by Directorate, to identify any clear trends and to drive cultural change across the organisation.

Carl Eddleston was in attendance to answer questions regarding management actions within his area which were more than 100 days overdue. The Committee received assurance that all actions would be fully completed by the date of the next meeting.

The Chair highlighted the importance of ensuring adequate resources, and welcomed the fact that the Fraud and Risk teams were now fully staffed. The Committee also welcomed the overall positive impact of the integration of Risk and Assurance functions, as a result of Transformation.

In relation to control environment trend indicators, considerable work was in hand to improve control processes in both Finance and Commercial Directorates but this would take some time.

The Committee noted the report and the supplementary information on Part 2 of the agenda.

54/09/18 Strategic Risk Management Update

Nico Lategan presented the update on changes to the Enterprise Risk Management Framework, the Enterprise Risk Assessment Matrix and the TfL strategic risks.

The allocated strategic risks would be discussed at each Committee and Panel in the next cycle of meetings. An update on strategic risk management would continue to be provided to the Audit and Assurance Committee on a quarterly basis.

It was agreed that the next update report should include an explanation as to how pan-TfL interaction between risks were being managed. **[Action: Nico Lategan]**

The Committee welcomed progress to date.

The Committee noted the paper.

55/09/18 Anti-fraud and Corruption Policy and Procedure

Clive Walker introduced the update to the Anti-fraud and Corruption Policy and Procedure.

A definition of staff would be included in the Policy.

The Committee approved the updated Anti-fraud and Corruption Policy and Procedure.

56/09/18 Independent Investment Programme Advisory Group (IIPAG) – Review Implementation

Michael Bridgeland presented the progress report on actions required to implement the IIPAG review recommendations.

The Committee noted the update.

57/09/18 Management Response to the Independent Investment Programme Advisory Group (IIPAG) Quarterly Report

Michael Bridgeland introduced the management response to the IIPAG quarterly report. Colin Porter was also present and highlighted the main issues identified by IIPAG in the report.

Areas for improvement identified by IIPAG were being addressed, and enhanced assurance templates and information presentation had been developed by the Project Assurance team.

A handover document would be presented to the newly appointed Chair of IIPAG by Colin Porter.

In future reports, explanations would be provided in cases where IIPAG recommendations had not been accepted. **[Action: Michael Bridgeland/Clive Walker]**

The Committee thanked Colin Porter for all his hard work, and that of his colleagues, over the period they had been members of IIPAG.

The Committee noted the IIPAG Quarterly Report and the management responses.

58/09/18 Crossrail Audit Committee

Clive Walker presented the update on matters discussed at the Crossrail Audit Committee meeting on 8 June 2018. The Committee noted the decision by the Crossrail Board to disband its Audit Committee and that arrangements for audit and assurance would be included in the Terms of Reference for the Governance Review commissioned by the Crossrail Sponsors

The Committee noted the paper.

59/09/18 TfL Statement of Accounts Year Ended 31 March 2018 – Changes Made Prior to Finalisation

Sarah Bradley presented the update on material changes to the Statement of Accounts subsequent to their presentation at the previous meeting. The updated accounts had been approved by the Board on 25 July 2018.

The Committee noted the paper.

60/09/18 Freedom of Information Performance and General Data Protection Regulation Compliance

Richard Bevins provided an overview of TfL's performance in processing Freedom of Information (FOI) requests since 2017/18 and an update on compliance with the new data protection legislation.

TfL's FOI responses were now published on the website but the number of requests had continued to increase.

The Committee noted the paper.

61/09/18 Register of Gifts and Hospitality for Members and Senior Staff

Howard Carter introduced the standing item on the register of gifts and hospitality.

The Committee noted the report.

62/09/18 Mayoral Directions Update

Howard Carter presented the first paper to the Committee setting out the current list of Mayoral Directions issued to TfL.

It was agreed that in future, Mayoral Directions would be included in the Risk and Assurance quarterly report and that any assurance required in relation to Mayoral Directions would be included in the Internal Audit Plan.

[Action: Clive Walker/Shamus Kenny]

The Committee noted the Mayoral Directions to TfL.

63/09/18 Transformation Programme Update

Andrew Pollins introduced the update on the Transformation Programme.

It was agreed that the Transformation team would liaise with Internal Audit to discuss future assurance over the ongoing Transformation Programme.

[Action: Andrew Pollins]

The Committee noted the paper.

64/09/18 Member Suggestions for Future Agenda Discussions

Howard Carter presented the Forward Programme.

The Committee noted the Forward Programme.

65/09/18 Any Other Business the Chair Considers Urgent

There was no urgent business.

66/09/18 Date of Next Meeting

The next scheduled meeting was due to be held on Thursday 29 November 2018 at 10.00am.

67/09/18 Exclusion of Press and Public

The Committee agreed to exclude the press and public from the meeting, in accordance with paragraphs 3 & 5 of Schedule 12A to the Local Government Act 1972 (as amended), in order to consider the following item of business: Effectiveness Review of External Auditors; Risk and Assurance Quarter 1 Report 2018/19; and Strategic Risk Management Update.

The meeting closed at 4.20pm.

Chair: _____

Date: _____

Audit and Assurance Committee



Date: 29 November 2018

Item: Actions List and Matters Arising

This paper will be considered in public.

1 Summary

1.1 This paper informs the Committee of progress against actions agreed at previous meetings.

2 Recommendation

2.1 **The Committee is asked to note the Actions List.**

List of appendices to this report:

Appendix 1 – Actions List

List of Background Papers:

Minutes of previous meetings of the Committee

Contact Officer: Howard Carter, General Counsel
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Audit and Assurance Committee Actions List (reported to 29 November 2018 meeting)

Actions from last meeting

Minute No.	Item/Description	Action By	Target Date	Status/note
47/09/18	Chair's Announcements A copy of the Terms of Reference of the Governance Review to be circulated to Committee Members once available.	Howard Carter	Following the meeting.	Circulated with the 24 October 2018 Board papers. Completed.
	An update report on Crossrail Transition to be considered at the next meeting.	Howard Smith	29 November 2018 meeting.	Report on agenda. Completed.
	A paper on Crossrail's assurance framework to be submitted to the next meeting.	Clive Walker	29 November 2018 meeting	Report on agenda. Completed.
51/09/18	Annual Audit Letter The definition of significant risks referred to under the Value for Money section in the Letter would be clarified in future reports.	Karl Havers (EY)	September 2019 meeting.	Will be incorporated into the report next year.
54/09/18	Strategic Risk Management Update The next update report to include an explanation as to how pan-TfL interaction between risks were being managed.	Nico Lategan	29 November 2018 meeting.	Incorporated into report on agenda. Completed.
57/09/18	Management Response to the Independent Investment Programme Advisory Group Quarterly Report In future reports, explanations would be provided in cases where IIPAG recommendations had not been accepted.	Michael Bridgeland/ Clive Walker	29 November 2018 meeting.	Changes incorporated into report on agenda. Completed.

Minute No.	Item/Description	Action By	Target Date	Status/note
62/09/18	Mayoral Directions Update Mayoral Directions to be included in the Risk and Assurance Quarterly Report and any assurance required in relation to Mayoral Directions would be included in the Internal Audit Plan.	Clive Walker/ Shamus Kenny	29 November 2018 meeting.	Incorporated into report on agenda. Completed.
63/09/18	Transformation Programme Update The Transformation team to liaise with Internal Audit to discuss future assurance over the ongoing Transformation Programme.	Andrew Pollins	-	During the development of the Business Services function the Risk and Assurance Team will be involved in providing input into the new and reviewed process designs.

Actions from previous meetings

Minute No.	Item/Description	Action By	Target Date	Status/note
06/03/18	Integrated Assurance Plan 2018/19 The future Plan to include information on the model of assurance being used, once the Strategic Risks and controls in place had been mapped.	Dili Origbo/ Clive Walker	March 2019.	Scheduled. On Forward Plan.

Audit and Assurance Committee



Date: 29 November 2018

Item: EY Report on Non-Audit Fees for Six Months Ended 30 September 2018

This paper will be considered in public

1 Summary

- 1.1 To report to the Audit and Assurance Committee on fees billed by EY for non-audit services.

2 Recommendation

- 2.1 **The Committee is asked to note this report.**

3 Background

- 3.1 Under TfL's policy on external audit services EY is required to report to the Audit and Assurance Committee every six months on fees billed for non-audit services. EY's report is attached for the Committee's review.
- 3.2 There have been no non-audit fees during the period 1 April 2018 to 30 September 2018, although there have been two items of non-statutory audit work.

List of appendices to this report:

Appendix 1 – letter from EY

List of Background Papers:

None

Contact Officer: Sarah Bradley, Group Financial Controller and Statutory Chief Finance Officer

Number: 020 3054 7748

Email: SarahBradley@TfL.gov.uk

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Appendix 1

Audit and Assurance Committee
Company Secretariat
Transport for London
55 Broadway
London
SW1H 0BD

13 November 2018

Direct line: 01189 281502
Email: KHavers@uk.ey.com

Dear Sirs

Non audit fees - 6 months to 30 September 2018

Under Transport for London's policy on external audit services we are required to provide to the Audit and Assurance Committee, on a six monthly basis, a report on fees for services other than audit. Appendix 1 to this letter includes a summary of our non audit fees for 2018/19.

Yours faithfully



Karl Havers
Partner
For and on behalf of Ernst & Young LLP

Appendix 1

Summary of fees

	TfL Corporation 2018/19 £	Transport Trading Limited 2018/19 £	Comments
Statutory audit fee - TfL*	120,064		Statutory audit fee 2018/19 services required to meet the Code of Audit Practice requirements (including Value for Money and Whole of Government Accounts)
Statutory audit fee - TTL*		640,000	Statutory audit fee in respect TTL Group subsidiaries for services required to enable EY to issue an audit opinion on the annual accounts in accordance with the Companies Act
Agreed upon procedures		7,500	Reporting on 3Emotion grant claim
Agreed upon procedures		11,500	Procedures performed at London Underground Limited, Tramtrack Croydon Limited and Docklands Light Railway Limited to assist with the requirements of regulation 4 of the Railway Safety Levy Regulations 2006

*Statutory audit fees for the full year included for context.

Audit and Assurance Committee

Date: 29 November 2018

Item: External Audit Plan TfL, TTL and Subsidiaries - Year
Ending 31 March 2019

This paper will be considered in public

1 Summary

- 1.1 To present to the Audit and Assurance Committee EY's plan for the audit of the financial statements of Transport for London, Transport Trading Limited and its subsidiaries for the year ending 31 March 2019.

2 Recommendation

- 2.1 **The Committee is asked to note this report.**

3 Background

- 3.1 The Plan has been developed by EY and sets out the work that they propose to undertake for the 2018/19 financial year. The Plan sets out the audit strategy and approach for the audit of the financial statements and also encompasses work relating to Value for Money.
- 3.2 As was the case for 2017/18, a majority of the subsidiaries of the TfL group will be claiming exemption from audit this year and the Audit Plan has been drawn up on this basis.
- 3.3 The proposed total fee for the audit of the TfL Group, excluding the Museum companies and London Transport Insurance (Guernsey) Limited, for the year ending 31 March 2019 is £760,064, a reduction of £135,861 from the previous year.

List of appendices to this report:

Appendix 1 – Financial Statements Audit Plan 2018/19 from EY

List of Background Papers:

None

Contact Officer: Sarah Bradley, Group Financial Controller and Statutory Chief
Finance Officer

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Transport for London Audit planning report

Year ending 31 March 2019

29 November 2018

The Audit and Assurance Committee

29 November 2018

Transport for London
55 Broadway
London
UK SW1H 0BD

Dear Members of the Audit and Assurance Committee

We are pleased to attach our audit planning report for the forthcoming meeting of the Audit and Assurance Committee. The purpose of this report is provide the Committee with a basis to review our proposed audit approach and scope for the 2019 audit, in accordance with the requirements of the auditing standards and other professional requirements, but also to ensure that our audit is aligned with the Committee's service expectations.

The Transport for London (TfL) Group and Corporation audits form part of our framework contract with Public Sector Audit Appointments Limited. We will complete our work in accordance with the requirements of the Local Audit and Accountability Act 2014, the National Audit Office's Code of Audit Practice, auditing standards and other professional requirements.

We are also the auditors of TfL's subsidiary, Transport Trading Limited Group (TTL) and Crossrail Limited. TfL's subsidiaries are subject to the accounting requirements of the Companies Act 2006. We will complete our work in accordance with the requirements of UK Auditing Standards.

This report summarises our assessment of the key issues which drive the development of an effective audit for TfL and subsidiaries. We have aligned our audit approach and scope with these.

This report is intended solely for the information and use of the Audit and Assurance Committee and management, and is not intended to be and should not be used by anyone other than these specified parties.

We welcome the opportunity to discuss this report with you on 29 November 2018 as well as understand whether there are other matters which you consider may influence our audit.

Yours faithfully

Karl Havers

For and on behalf of Ernst & Young LLP

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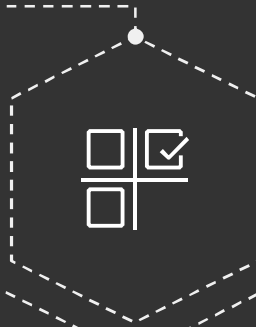
01 Overview of our 2019 audit strategy



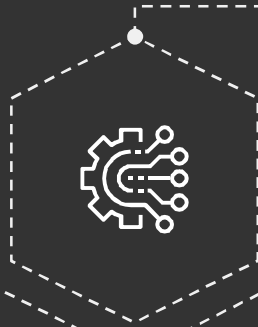
02 Audit risks



03 Audit materiality



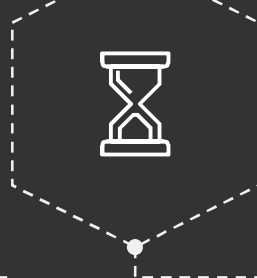
04 Scope of our audit



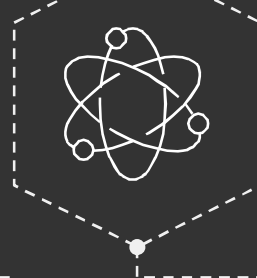
05 Audit team



06 Audit timeline



07 Independence



08 Appendices



The contents of this report are subject to the terms and conditions of our appointment.

This report is made solely to the Audit and Assurance Committee and management of Transport for London in accordance with our engagement letter. Our work has been undertaken so that we might state to the Audit and Assurance Committee and management of Transport for London those matters we are required to state to them in this report and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the Audit and Assurance Committee and management of Transport for London for this report or for the opinions we have formed. It should not be provided to any third-party without our prior written consent.



01

Overview of our 2019 audit strategy





Overview of our 2019 audit strategy

Audit risks and areas of focus

Risk / area of focus	Audit risk identified	Change from PY	Details
Management override of controls	Fraud risk	No change in risk or focus	Management is in a unique position to perpetrate fraud because of their ability to directly or indirectly manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. We identify and respond to this fraud risk on every engagement under ISA (UK & Ireland) 240.
Inappropriate Revenue recognition, required by ISA (UK & Ireland) 240 (including expenditure as required by Practice Note 10)	<p>Significant risk and Fraud risk</p> <p>Auditing standards dictate that there is a presumption for fraud risk for significant revenue streams, which is difficult to rebut.</p>	<p>No change in risk or focus</p> <p>We have experienced no material issues in revenue recognition in the past.</p>	<p>TfL need to have robust controls in place to forecast and accurately recognise and report revenue in its financial statements.</p> <p>We have concluded that there is significant risk of material misstatement in the recognition of fare income which comprises £4.6 billion (2017/18) generated through various sources including cash and contactless payments which is apportioned with the Train Operating Companies "TOC" and recognised over the life of the product.</p> <p>The process of revenue recognition is complex and involves significant judgement with regards to the apportionment of revenue between TfL and TOCs.</p> <p>We have not identified any specific risk areas in relation to expenditure.</p>
Inappropriate capitalisation or potential impairment of capital projects including capital accruals	Significant risk	No change in risk or focus	<p>TfL, Transport Trading Limited ('TTL') and subsidiaries undertake multiple capital projects which vary in size, complexity and length of time to complete. In 2017/18 financial year, TfL's capital expenditure was £3.63 billion.</p> <p>Controls need to be effective to appropriately recognise the costs from these significant projects including:</p> <ul style="list-style-type: none"> • Appropriate split of costs between capital and operating expenditure; • Assessment of the economic useful lives of the asset where costs are capitalised; • Whether to recognise impairments and write-offs for assets to reflect either increased risks of projects being terminated or suspended; and • Adequate assessment of estimated cost to complete and relevant pain/gain appropriately accounted for.

Overview of our 2019 audit strategy

Audit risks and areas of focus			
Risk / area of focus	Audit risk identified	Change from PY	Details
Significant accounting estimates – including complexity of provisions	Significant risk	No change in risk or focus	<p>Certain provisions (e.g. Compulsory purchase orders, litigation, claims and disputes) require complex estimates involving high levels of management judgement and uncertainty.</p> <p>TfL, TTL and subsidiaries have complex capital contract and commercial arrangements. A large proportion of TfL's provisions come from its capital investment activities and transformation process. In particular CPO provisions and contractual disputes are subject to significant estimation and include uncertainty around negotiations. It also include fares revenue compensation and remaining transformation provision.</p>
Complexity of accounting for TfL and TTL property portfolios	Significant risk	No change in risk or focus	<p>TfL and TTL groups have an extensive property portfolios, with a total carrying value for investment property of £537 million as at 31 March 2018.</p> <p>The unique and material nature of TfL and TTL group's property portfolios means that small changes in assumptions when valuing these assets can have a material impact on the financial statements.</p> <p>TfL will need to comply with the Mayor's affordable housing programme. The Mayor has committed to prioritising affordable home delivery on surplus or under utilised owned by the GLA family, including TfL. This might have a negative impact on the valuation of TfL's property portfolio.</p>
Crossrail	Significant risk	New risk Added	<p>The Crossrail project continues to be a complex and as it reaches its conclusion, there will be the finalisation of related costs and contractual matters. There are significant extensions to the opening dates, and potential for current budgets to be exceeded, together with uncertainty over funding commitments. These matters will not be completed at the year end and therefore judgement is required in assessing the appropriate value of obligations, where negotiations are in progress.</p> <p>Depending on funding arrangements, increasing costs borne by TFL could have consequential impacts on other TFL priorities.</p>



Overview of our 2019 audit strategy

Audit risks and areas of focus

Risk / area of focus	Audit risk identified	Change from PY	Details
Judgemental assumptions impacting on TfL's pension deficit	Inherent risk	Decrease in risk or focus	<p>At 31 March 2018, TfL's defined pension schemes had a deficit of £4.7 billion. The TfL Group balance sheet includes the deficit on the TfL Pension Fund and TfL's share of the deficit on the Local Government Pension Scheme and liability for unfunded pensions obligations.</p> <p>The assumptions used to arrive at the value of the pension deficit are judgemental. The setting of these assumptions in accordance with IAS19(R) Employment Benefits will be an area of audit emphasis.</p> <p>Based on our prior year's experience, the risk of material misstatement occurring is deemed to be low, therefore this risk has been designated as an inherent risk for 2018/19 audit, as opposed to a significant risk.</p>
Complexity of accounting and disclosures for TfL's borrowing and treasury management	Inherent risk	No change	The group holds a number of derivative balances including FX forwards and interest rate swaps. Whilst the recalculation of derivative fair values is relatively complex the type of derivatives held by TfL (FX and Interest rate swaps) are not the most complex investment vehicles. The balances held are also not highly material and therefore the risk has been designated as a higher inherent risk.
Application of new accounting standards e.g. IFRS 9 and IFRS 15	Inherent risk	Added	The changes in IFRS and CIPFA code, and compliance thereof, could create material misstatements on first time application, therefore we have identified this as an area of higher inherent risk for the current year. However we note that management has already performed extensive work in this area and we will continue to work with them to agree any changes in accounting policies and review draft disclosures.

Overview of our 2019 audit strategy (continued)

Audit risks and areas re-visited

The following inherent risks have been reassessed as part of our risk-based audit approach:

- Consolidation of TTL and subsidiaries - Consolidation adjustments are material, but deemed to be non-complex as most of the adjustments are routine in nature. The risk of material error occurring is deemed to be lower and the risk has been removed.
- Effectiveness of controls within the FSC and for diversified revenue streams, such as contactless payment – Based on prior year’s experience it was found that controls are designed and operating effectively. The risk of material error occurring is deemed to be lower and the risk has been removed.
- Assessment of the group boundary – Accounting for Joint Ventures and Associates - IFRS 10: Consolidated Financial Statements and IFRS 11: Joint Arrangements were adopted into IFRS in 2013/14 and the Local Authority Accounting Code of Practice for the first time in 2014/15.

Based on prior year’s experience and an in-depth understanding of the applicable accounting standard it was noted that identifying the classification of an entity within the group does not result in a high inherent risk. The risk of material error occurring is deemed to be lower and the risk has been removed. The risk would of course be higher if significant changes in arrangements occur.

- Presentation of sensitive disclosures - The sensitive disclosures were classified as judgemental and material. The risk mainly focused on the remuneration and related party disclosures. The remuneration report would not be expected to change significantly this year and few issues have been discovered in the past.
- Presentation of sensitive disclosures - Given future funding challenges a key metric relates to maintaining the EBITDA. As part of our risk assessment we consider the current objectives of TfL and areas where there might be judgement with potential for bias to present a particular result, such as reduced operating expenditure. This has also been covered as part of the risk of management override (i.e. fraud risk).
- Regulatory challenge and disputes – e.g. taxi licensing - During the FY2017/18, TfL revoked Uber’s taxi license. Uber appealed the decision and the dispute was resolved. We are not expecting any regulatory challenges and disputes that could lead to claims and litigious activity that could have an impact on the financial statements, therefore the risk has been removed for the 2018/19 audit.

Overview of our 2019 audit strategy

Audit scope

Our audit is driven by our assessment of the financial statement risks facing Transport for London ('TfL') as a group. This is then overlaid by our assessment of risks in Transport trading Limited ('TTL') and individual companies within the Group and the propensity for these risks to result in an undetected error in the financial statements, to determine the scope and focus of our audit.

We are also required under the National Audit Office's Code of Audit Practice to form a conclusion on whether in all significant respects, TfL have proper arrangements in place to secure value for money in their use of resources. This is described as our Value for Money conclusion.

Following completion of the 2017-2018 audit, we have initiated our planning procedures for 2018-2019 by re-assessing the risk inherent in your market, the key strategic, operational, financial and compliance risks. This risk assessment process helps us focusing our audit work to relevant area.

Risk based strategy to audit planning

Financial	Strategic
<p>Delays in the launch of Elizabeth line and new accounting standards effective for the financial year end 2019 has resulted an increased financial risk. Risks identified include the following:</p> <ul style="list-style-type: none"> ▶ Treasury – controls and valuation of borrowing and investments; ▶ Impact of delays in the launch of the Elizabeth line i.e. Crossrail; and ▶ Application of new accounting standards (i.e. IFRS 9, 15 & 16). 	<p>Due to the result of delays in the launch of Crossrail project, strategic risk has increased in line with financial risk. Risks identified include the following:</p> <ul style="list-style-type: none"> ▶ Future funding, impact on credit rating and borrowing limits, including impact of external factors on markets such as Brexit; ▶ Strategic changes impacting cash flow and asset values, e.g. commercial development, alignment with Mayor of London strategic priorities; ▶ Asset renewal and maintenance, e.g. new train stock and signalling; and ▶ Successful cultural change.
Operational	Compliance
<p>No significant changes or issues have been noted in the control processes from prior year results therefore the operational risk remains unchanged. Risks identified include the following:</p> <ul style="list-style-type: none"> ▶ IT security and controls, e.g. asset registers, general ledger, procurement system and data protection; ▶ Revenue processes and recognition; ▶ Fixed asset management, classification and valuation; ▶ Cyber and information security incident – responding to the threat as fast as it evolves; and ▶ Robustness of procurement and contract management processes. 	<p>There were no material instances of non-compliance in laws and regulations noted in prior year results, therefore the compliance risk remains unchanged. Risks identified include the following:</p> <ul style="list-style-type: none"> ▶ Claims resulting from failure, e.g. major events, contract delivery; ▶ Accuracy of claims and provisions e.g. compulsory purchase orders; ▶ Impact of legislative change; and ▶ Fraud risk from management override.

TfL



02 Audit risks



Risk assessment

Key audit matters

ISA (UK) 701 is effective for periods commencing on or after the 17 June 2016 and requires that we communicate key audit matters in our auditor's report. Key audit matters are selected from the matters we communicate to you that in our opinion are of most significance to the current period audit and required significant attention in performing the audit.

When determining key audit matters we will consider:

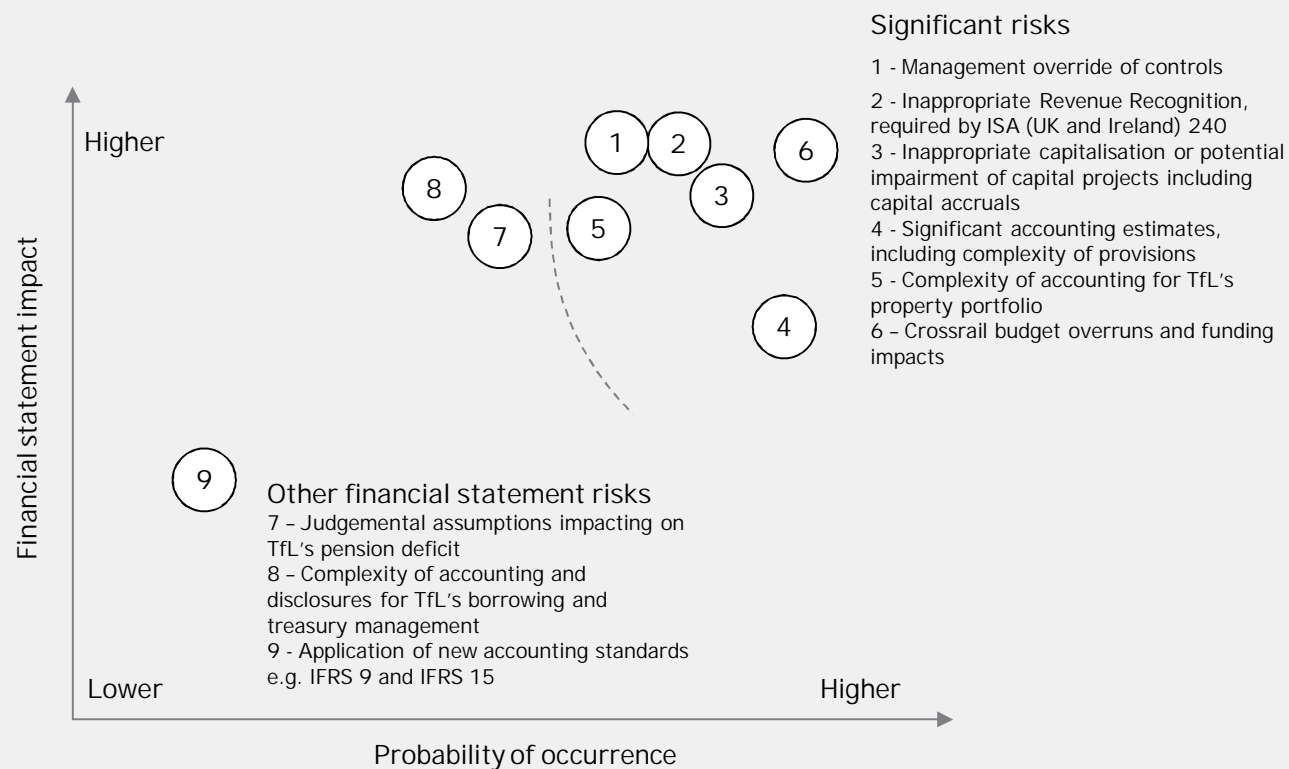
- Areas of higher or significant risk;
- Areas involving significant judgment, including accounting estimates with high estimation uncertainty; and
- Significant events or transactions that occurred during the period

At this stage of the audit we do not know what key audit matters we will include in our auditor's report. However, we have included within this section the most significant assessed risks of material misstatement (whether or not due to fraud), including those that have the greatest effect on the overall audit strategy, the allocation of resources in the audit and directing the efforts of the audit team. We will confirm the key audit matters to you in our audit results report.

Risk assessment

We have obtained an understanding of your strategy, reviewed your principal risks as identified in your 2018 Annual Report and Accounts and combined it with our understanding of the industry to identify key risks that impact our audit.

The following 'dashboard' summarises the significant matters that are relevant for planning our year-end audit:



Our response to significant risks

We have set out the significant risks (including fraud risks denoted by*) identified for the current year audit along with the rationale and expected audit approach. The risks identified below may change to reflect any significant findings or subsequent issues we identify during the audit.

	What is the risk?	What will we do?
<p>Management override of controls*</p>	<p>Management is in a unique position to perpetrate fraud because of their ability to directly or indirectly manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. We identify and respond to this fraud risk on every engagement under ISA (UK & Ireland) 240.</p> <p>As part of our risk assessment we consider the current objectives of TfL and areas where there might be judgement with potential for bias to present a particular result, such as reduced operating expenditure.</p>	<p>For both TfL, TTL groups and subsidiaries, we will:</p> <ul style="list-style-type: none"> • Robustly challenge management’s assumptions on capitalising expenditure; • Critically review fares revenue; • Apply professional scepticism by questioning whether management’s explanations are logical, reasonable and in line with relevant historic trends supported by sufficient appropriate evidence; • Review the business rationale for unusual transactions; • Consider the effectiveness of management’s controls designed to address the risk of fraud; and • Understand the oversight given by those charged with governance of management’s processes over fraud.

Our response to significant risks (continued)

We have set out the significant risks (including fraud risks denoted by*) identified for the current year audit along with the rationale and expected audit approach. The risks identified below may change to reflect any significant findings or subsequent issues we identify during the audit.

Inappropriate Revenue recognition, required by ISA (UK & Ireland) 240*

Financial statement impact

Misstatements that occur in relation to inappropriate revenue recognition or areas of expenditure which could be manipulated, required by ISA (UK & Ireland) 240 and PN 10, would affect the receipts in advance for travel cards, bus passes and Oyster cards and fares revenue accounts. These accounts had the following balances in the 2018 financial statements:

Income Statement Account:
£4,644m

Balance Sheet Account: £402.2m

Gross Operating expenditure:
£7,511 m

What is the risk?

TfL need to have robust controls in place to forecast and accurately recognise and report revenue in its financial statements, including:

- £4.6 billion fare revenue (2017/18) generated through various sources including cash and contactless payments which is apportioned with the Train Operation Companies "TOC" and recognised over the life of the product.
- £230 million of congestion charging which is made of a high volume of low transaction amounts
- £152 million of commercial advertising revenue which is based on a mixture of minimum guaranteed amount and share based revenue; and
- £74 million of rental revenue generated from over 2,400 contracts.

The significant risk only related to the fares revenue stream. This is due to complexity and judgement involved in the process to apportion the fares revenue recognised.

In the public sector, this requirement is modified by Practice Note 10, issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition. We have not identified any specific risk areas in relation to expenditure.

What will we do?

For Fares Revenue, we will:

- Gain an understanding of the revenue process for fares revenue;
- Perform controls testing over the effectiveness of the cash collection process and sales made at various sales outlets;
- Test to ensure that the Receipts in Advance "RIA" and JFT Debtor balance is correctly stated;
- Test the appropriateness of assumptions used by management on the oyster write-back policy adopted;
- Test transactions separately where we are not able to place reliance on the controls in place or where procedures above are not be sufficient;
- Test the fares compensation arrangements with the TOCs resulting from the fares cap introduced in Jan 2015; and
- Review the ISAE 3402 controls report and the agreed upon procedures report.

Our response to significant risks (continued)

We have set out the significant risks (including fraud risks denoted by*) identified for the current year audit along with the rationale and expected audit approach. The risks identified below may change to reflect any significant findings or subsequent issues we identify during the audit.

Inappropriate capitalisation or potential impairment of capital projects including capital accruals

What is the risk?

TfL, TTL groups and subsidiaries undertake multiple capital projects at any one time, which vary in size, complexity and length of time to complete. In the 2018/19 financial year, TfL's capital expenditure is forecasted to be £2.08 billion.

Judgements and controls need to be effective, to appropriately recognise the costs from these significant projects including:

- Appropriate split of costs between capital and operating expenditure;
- Assessment of the economic useful lives of the asset where costs are capitalised; and
- Whether to recognise impairments and write-offs for assets to reflect increased risks of projects being terminated or suspended.

What will we do?

For TfL, TTL groups and subsidiaries we will:

- Review a sample of capital projects (including Crossrail), based on quantitative and qualitative thresholds;
- Understand key controls and governance surrounding capital project accounting and management;
- Meet with management and project managers during the year and attend management's P11 and P13 accruals meetings;
- Evaluate management's judgements and assumptions used in determining the future benefits expected from the projects and ensuring they are appropriate and supportable;
- Consider pain/gain arrangements and related accounting treatment;
- Assess whether or not capitalisation of costs is appropriate;
- Consider whether, at any stage, assets need to be impaired or written off to reflect any aborted or higher risk projects;
- Perform detailed testing on a sample of expenditure incurred and capital accruals to source documentation;
- Assess whether management has reasonably estimated the cost to complete the capital projects; and
- Review of capital projects to assess progress and potential impairment.

Financial statement impact

Misstatements that occur in relation to inappropriate capitalisation or potential impairment of capital projects including capital accruals would affect the carrying value of assets under construction and capital accruals accounts. These accounts had the following balances in the 2018 financial statements:

Balance Sheet Account:
Assets under construction:
£15,964.1m; and
Capital accruals: £818.8m

Our response to significant risks (continued)

We have set out the significant risks (including fraud risks denoted by*) identified for the current year audit along with the rationale and expected audit approach. The risks identified below may change to reflect any significant findings or subsequent issues we identify during the audit.

<p>Significant accounting estimates – including complexity of provisions</p>	<p>What is the risk?</p> <p>Certain provisions and accruals (e.g. compulsory purchase orders, litigation, claims and disputes) require complex estimates involving high levels of management judgement and uncertainty.</p> <p>TfL, TTL groups and subsidiaries have complex contract and commercial arrangements. A large proportion of TfL’s provisions come from its capital investment activities. In particular CPO provisions and contractual disputes are subject to significant estimation and include uncertainty around negotiations.</p>	<p>What will we do?</p> <p>For TfL, TTL groups and subsidiaries we will:</p> <ul style="list-style-type: none"> • Review material provisions and accruals for business purpose and appropriateness of estimation techniques; • Calculate the sensitivity of the provisions to changes in assumptions used for discount rates and inflation to determine if this is material; and • Review and critically evaluate management’s judgement and estimates applied in the calculation of provisions in the financial statements.
<p>Financial statement impact</p> <p>Misstatements that occur in relation to significant accounting estimates – including complexity of provisions would affect the provisions accounts. The account had the following balances in the 2018 financial statements:</p> <p>Balance Sheet Account: £418.4m</p>		

Our response to significant risks (continued)

We have set out the significant risks (including fraud risks denoted by*) identified for the current year audit along with the rationale and expected audit approach. The risks identified below may change to reflect any significant findings or subsequent issues we identify during the audit.

	What is the risk?	What will we do?
<p>Complexity of accounting for TfL and TTL property portfolios</p>	<p>TfL and TTL groups have extensive property portfolios, with a total carrying value for investment property of £537 million as at 31 March 2018.</p> <p>The unique and material nature of TfL and TTL group's property portfolios means that small changes in assumptions when valuing these assets can have a material impact on the financial statements.</p>	<p>For TfL, TTL groups and subsidiaries, we will:</p> <ul style="list-style-type: none"> • Discuss with management and review evidence to gain understanding of TfL and TTL group's property portfolios; • Discuss and review valuation assumptions made by external valuers along with the TfL property team; • Perform substantive testing and corroborate explanations for property additions, disposals and accounting for lease contracts; • Assess the classification of TfL and TTL property portfolios, the valuation basis and any material increases or impairments that arise during 2018/19; • Assess the work of TfL's property valuers. We will use our EY property valuation team as appropriate to review and test the accounting entries and disclosures made in the financial statements; • Consider classification of assets between investment properties, property, plant and equipment and assets held for sales in accordance with IFRS; and • Review sites to ensure affordable housing density needs are appropriately built into site valuations.
<p>Financial statement impact</p> <p>Misstatements that occur in relation to the complexity of accounting for TfL and TTL group's property portfolios would affect the investment properties account. The account had the following balances in the 2018 financial statements:</p> <p>Balance Sheet Account: £537m</p>	<p>TfL will need to comply with the Mayor's affordable housing programme. The Mayor has committed to prioritising affordable home delivery on surplus or under utilised owned by the GLA family, including TfL. This might have a negative impact on the valuation of TfL's property portfolio.</p>	

Our response to significant risks (continued)

Crossrail budget overruns and funding impacts

What is the risk?

In August 2018, it was announced that the revised schedule for the opening of the Elizabeth Line would be later than originally planned and take place in Autumn 2019.

The Crossrail project continues to be complex and as it reaches its conclusion, there will be the finalisation of related costs and contractual matters. These matters will not be completed at the year end and therefore judgement is required in assessing the appropriate value of obligations, where negotiations are in progress.

As part of the year end process, management will also need to assess the sources of funding to meet the obligations. This will include the recent announcement that the DfT is to make £350 million of short term financing available for the Crossrail project.

What will we do?

We will:

- Review the latest forecast outcome;
- Review management's assessment of funding requirements and commitments, including performing sensitivity analysis on key assumptions;
- Understand the latest agreements on sources of funding for Crossrail, including amounts included in the TfL business plan and agreed funding from DfT; and
- Assess the impact of any amounts to be funded by TfL on the overall position of TfL including whether there is any impact on other in progress projects.

Other areas of audit focus – Value for money Conclusion

Under Section 20(1) of the Local Audit and Accountability Act 2014, we are required to satisfy ourselves that Transport for London Corporation has put in place 'proper arrangements' to secure economy, efficiency and effectiveness in its use of resources.

For 2018/19 this is based on the overall evaluation criterion:

"In all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people"

Proper arrangements are defined by statutory guidance issued by the National Audit Office. They comprise your arrangements to:

- Take informed decisions;
- Deploy resources in a sustainable manner; and
- Work with partners and other third parties.

A summary of our initial risk assessment and planned audit response shown below.

What is the risk/area of focus?	What will we do?
<p>Sustainable resource deployment – Significant audit risk</p> <p>TfL has significant financial risks in its business plan to 2022/23 as a result of the continued reduction in funding from government. There are significant cumulative cost reductions planned over the course of the next five years to 2022/23.</p>	<p>TfL's operations and ongoing investment programmes are subject to a number of risks, particularly the exposure to economic risks associated with revenue reductions, and financial markets disruption impacting on TfL's ability to borrow. We will:</p> <ul style="list-style-type: none"> • Assess the achievement of the 2018/19 budget and the adequacy of the 2019/20 budget setting process; • Consider the assumptions, scenarios, options and risks TfL is facing and how these are being managed; and • Review and understand TfL's medium to longer term financial planning and how this is reflected in the 2023/24 business plan to be published in December 2018. We will assess the savings plans in place, and the likelihood of whether these plans can provide the group with the required savings/efficiencies over the medium term. <p>Other areas of audit focus include the following:</p> <ul style="list-style-type: none"> • Understanding the organisation changes that are underway and how these changes will strengthen TfL's decision making arrangements whilst being mindful of interactions with employees and the impact of disputes such as strike actions on management plans; • How the finance function supports management with clear, summarised and insightful financial and performance information for decision making; • How TfL exercises governance and oversight over key project areas, significant contracts and procurement; • Assess progress made on Crossrail against planned execution and evaluating the impact thereof on funding requirements; • Assess the impact of additional costs capitalised on Crossrail and potential impairment thereof; and • How TfL plans for and consider addressing the financial and legal risks it is exposed to on capital projects. <p>We continue to receive correspondence in relation to Garden Bridge and are working with management and the correspondent on providing our views.</p>



03

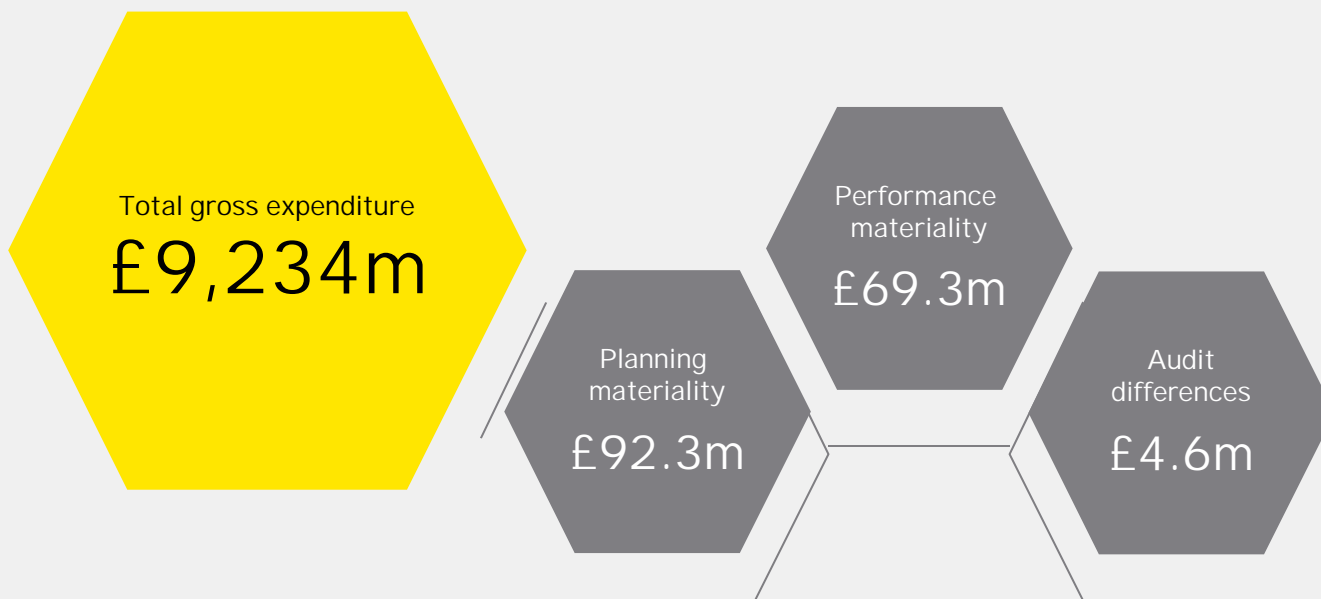
Audit materiality



Materiality

Group materiality

For the purposes of determining whether the accounts are free from material error, we define materiality as the magnitude of an omission or misstatement that, individually or in the aggregate, in light of the surrounding circumstances, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality also provides a basis for identifying and assessing the risk of material misstatement and determining the nature, timing and extent of further audit procedures. We have set materiality on a consistent basis with the previous year.



The amount we consider material at the end of the audit may differ from our initial determination and we will update the above for actual figures rather than budget in due course. We will form our final opinion by reference to all matters that could be significant to users of the accounts, including the total effect of the audit misstatements we identify, and our evaluation of materiality at that date. We will also consider the nature of any audit misstatements identified to determine if there are other factors that could result in errors that may appear immaterial quantitatively but which are material qualitatively.

We welcome the Audit and Assurance Committee's observations on the factors we should consider in arriving at an appropriate basis for setting materiality at and across the TfL Group.

Key definitions

Planning materiality – the amount over which we anticipate misstatements would influence the economic decisions of a user of the financial statements.

Planning materiality for FY2018/19 has been set at £92.3 million. This represents 1% of the Company's 2019 forecast of total gross expenditure. It will be reassessed throughout the audit process.

Performance materiality – the amount we use to determine the extent of our audit procedures.

After considering past history of misstatements, our ability to assess the likelihood of misstatements, the effectiveness of the control environment and other factors affecting the entity and its financial reporting; we have set performance materiality at £69.3million (2017/18: £82.0 million) which represents 75% of group materiality.

Audit difference threshold – we propose that misstatements identified below this threshold are deemed trivial. The same threshold for misstatements is used for component reporting. We will report to you all uncorrected misstatements over this amount relating to the income statement and balance sheet that have an effect on income or that relate to other comprehensive income.

Other uncorrected misstatements, such as reclassifications and misstatements in the cashflow statement or disclosures and corrected misstatements will be communicated to the extent that they merit the attention of the Audit and Assurance committee, or are important from a qualitative perspective.



04

Scope of our audit



Scoping the audit

The table below sets out the detailed scope of services and deliverables we have been appointed to provide in FY19

Financial reporting

Audit of TfL Corporation, Group and TTL Group financial statements

Services and deliverables

- ▶ Express opinions on, and report to the Audit and Assurance Committee the results of our audits of the consolidated results of the TfL Group, TTL Group and subsidiaries. We determine whether the accounts are free from material error.
- ▶ We are required to satisfy ourselves that the 2018/19 accounts of the TfL, TTL Groups and subsidiaries comply with statutory and professional accounting requirements.
- ▶ For TfL, this will also include the CIPFA IFRS based Code of Practice on Local Authority Accounting.
- ▶ We will provide audit opinions on the consolidated financial statements of the TfL and TTL Groups.
- ▶ We will also provide an audit opinion on the standalone financial statements for Crossrail Limited.
- ▶ For the year ending 31 March 2019, as TTL, the holding company for TfL's trading subsidiaries will offer a guarantee in respect of all liabilities to a majority of its subsidiaries, TfL is proposing to apply section 479A of the Companies Act 2006 that enable certain UK subsidiary companies to claim exemption from the audit of their accounts.
- ▶ We will complete:
 - Full scope statutory opinion audit of the TfL and TTL Groups including Crossrail financial statements and disclosure notes;
 - Review of controls over the completion of the accounts; and
 - A review of the consolidation process and testing of journals relating to consolidation adjustments for TfL and TTL Group Accounts.

Assessment of Internal Control and our obligations under specific provisions of the UK Code of Practice (the 'Code')

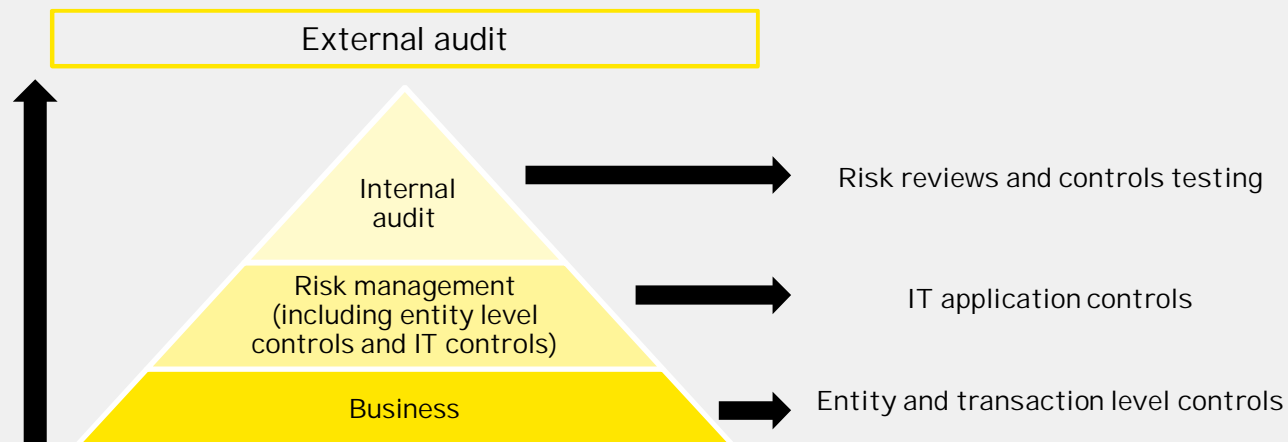
Gaining assurance through the control environment

Internal controls over financial reporting

We will update our understanding of the internal controls over financial reporting used throughout the TfL and TTL Group, with the intention of using a controls-based audit approach again, where we expect this to be robust and efficient. To be able to adopt an efficient controls-based approach, we consider the various layers of assurance and leverage where there is potential to do so, shown in the diagram below. In particular, we review:

- Entity level controls; we will maximise efficiency by seeking to rely on entity level controls and processes, such as budget setting and monitoring process;
- IT systems and applications: we will test the general IT controls built in to the TfL Group's core IT applications, together with IT application controls over your critical business processes;
- Controls within key processes such as purchase to pay, where we will consider whether any changes have been made to the process to enable us to test and rely on controls and
- Assurance reports from third parties such as ISAE3402 reporting on revenue and assurance provided by KPMG in respect of the pension fund.

Where we believe that reliance on controls will not be possible due to any ineffective design or operation of the controls, we will provide feedback on areas for improvement compared to what we see as leading practice, and will instead perform additional substantive procedures to support our audit opinion.



Assessment of Internal Control and our obligations under specific provisions of the UK Code of Practice (the 'Code') (continued)

Gaining assurance through the control environment (continued)

Liaising with Internal Audit

A key part of understanding and monitoring of the control environment is our ongoing liaison with Internal Audit. We will develop a strong working relationship with Internal Audit. We will discuss and review Internal Audit's annual plans and reports to inform where specific reviews can assist us in our controls and Value for Money Conclusion work.

Analytics

We will continue to perform data analysis to support our audit procedures, building on our analytics performed in 2018/19 on fixed assets, purchase to pay, payroll and journal entries with planned analytics on revenue and capital projects. We will also use our consolidation automation tool.

TfL Value for Money Conclusion and Whole of Government Accounts

We are required to make certain communications for entities that are required, and those that choose voluntarily, to comply with the Code of Practise, as described in slide 19 of 'Other areas of audit focus'. In order to form a view to communicate to the Audit and Assurance Committee, we expect our procedures to include:

- Review TfL's Annual Governance Statement to confirm that it is consistent with our understanding of your business and operations; and
- Audit and provide an opinion to the National Audit Office on the Whole of Government Accounts consolidation pack.

We will discuss with you your expectations regarding our communications.

Our audit opinion will report by exception on several of these code provisions.

As in the prior year, we will continue to communicate our views to you on other code provisions as detailed in Appendix D.

Under the 2014 Local Audit and Accountability Act and National Audit Office's Code of Audit Practice, we are also required to issue a statutory Value for Money conclusion on TfL's arrangements to secure economy, efficiency and effectiveness in its use of resources. Slide 19 'Other areas of audit focus' sets out our planned audit work.



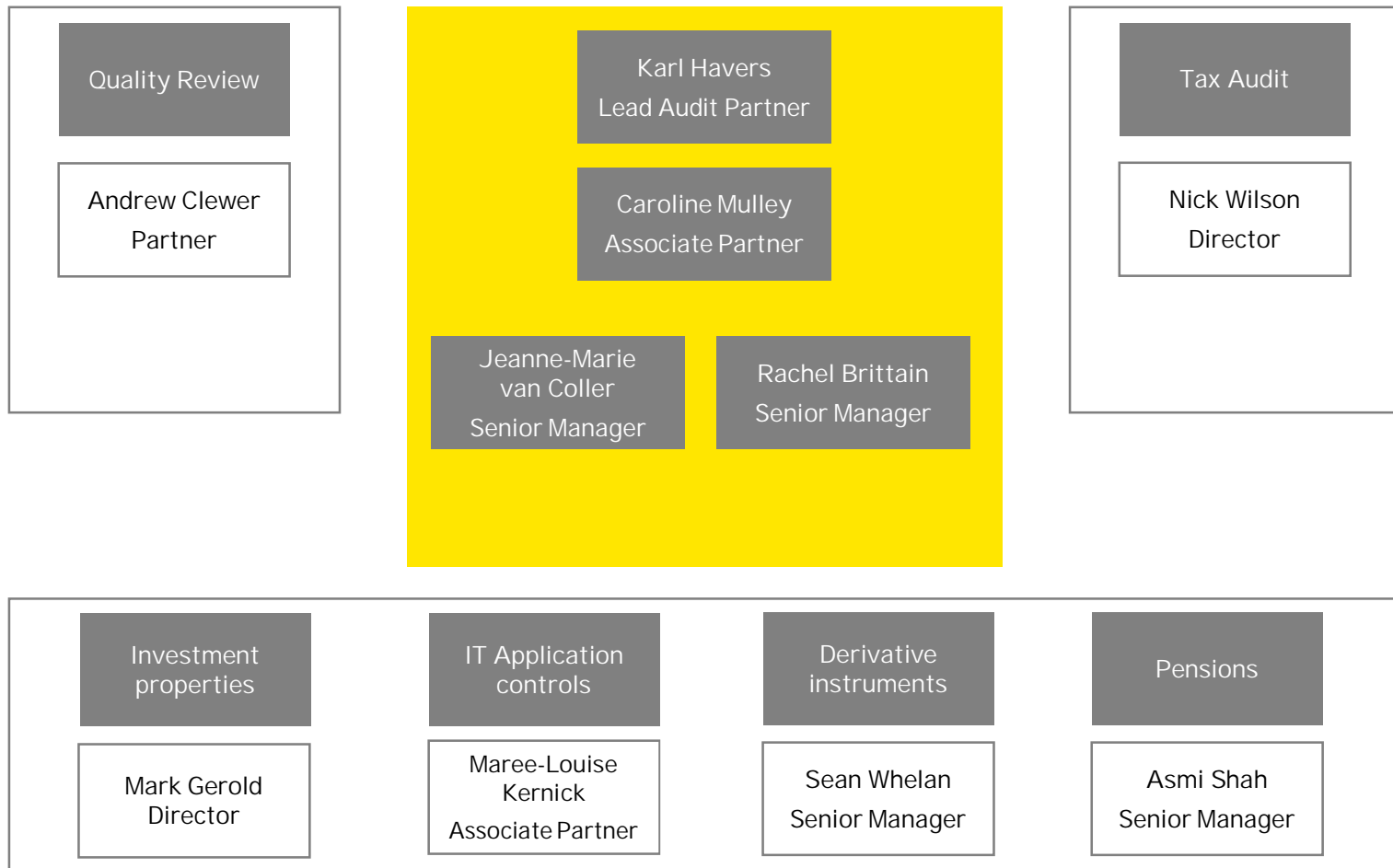
05

Audit team



Audit team

Audit team structure



Use of specialists

- Our approach to the involvement of specialists, and the use of their work.

When auditing key judgements, we are often required to use the input and advice provided by specialists who have qualifications and expertise not possessed by the core audit team. The areas where EY specialists are expected to provide input for the current year audit are:

Area	Specialists
Investment properties	EY CT-Valuation & Business Modelling
Pensions	EY Advisory, Risk
Derivative instruments	EY Financial Advisory Assurance Services
IT application controls	EY IT Risk Assessment team

In accordance with Auditing Standards, we will evaluate each specialist's professional competence and objectivity, considering their qualifications, experience and available resources, together with the independence of the individuals performing the work.

We also consider the work performed by the specialist in light of our knowledge of the Group's business and processes and our assessment of audit risk in the particular area. For example, we would typically perform the following procedures:

- Analyse source data and make inquiries as to the procedures used by the specialist to establish whether the source data is relevant and reliable;
- Assess the reasonableness of the assumptions and methods used;
- Consider the appropriateness of the timing of when the specialist carried out the work; and
- Assess whether the substance of the specialist's findings are properly reflected in the financial statements.



06 Audit timeline





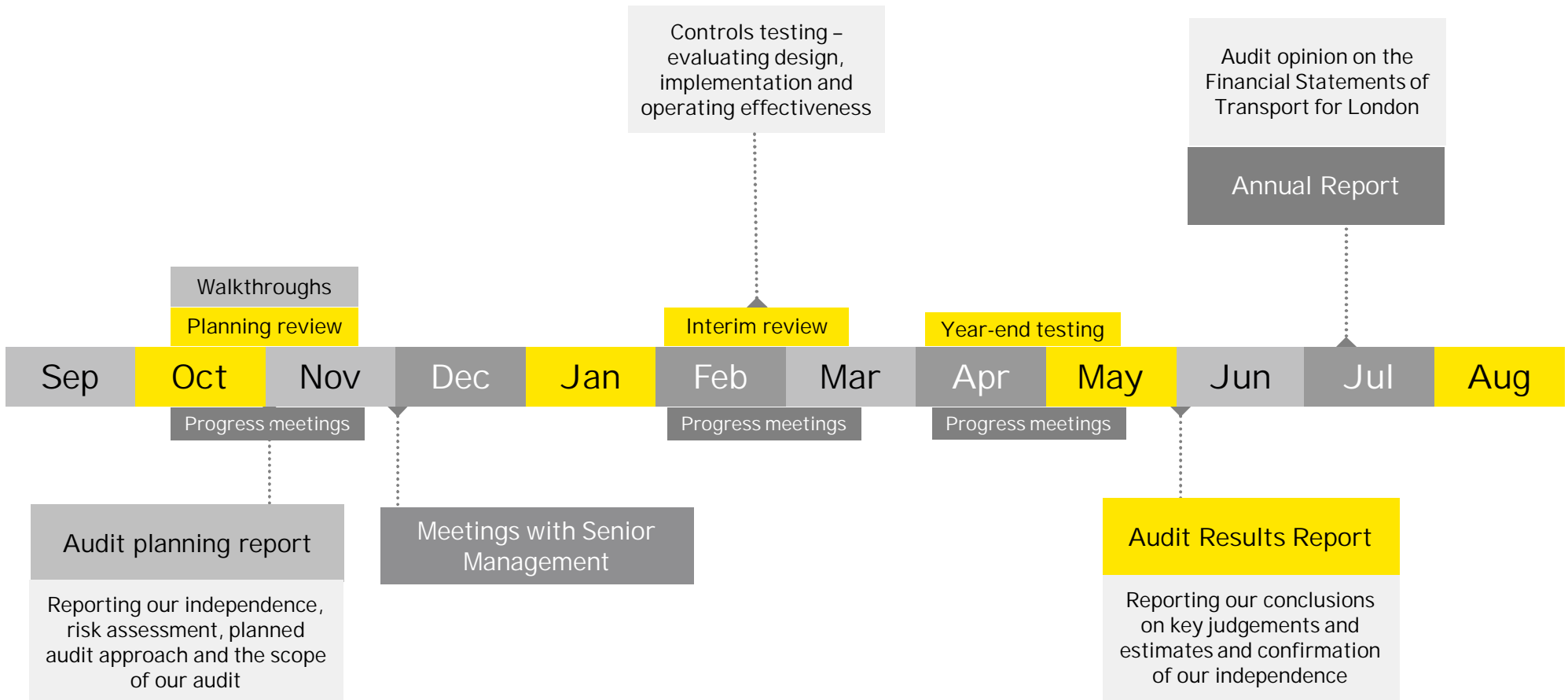
Audit timeline

Timetable of communication and deliverables

Timeline

Below is a timetable showing the key stages of the audit and the deliverables we have agreed to provide to you through the audit cycle in 2019.

From time to time matters may arise that require immediate communication with the Audit and Assurance Committee and we will discuss them with the Audit and Assurance Committee's Chair as appropriate. We will also provide updates on corporate governance and regulatory matters as necessary.





07

Independence



Introduction

The FRC Ethical Standard and ISA (UK) 260 “Communication of audit matters with those charged with governance”, requires us to communicate with you on a timely basis on all significant facts and matters that bear upon our integrity, objectivity and independence. The Ethical Standard, as revised in June 2016, requires that we communicate formally both at the planning stage and at the conclusion of the audit, as well as during the course of the audit if appropriate. The aim of these communications is to ensure full and fair disclosure by us to those charged with your governance on matters in which you have an interest.

Required communications

Planning stage	Final stage
<ul style="list-style-type: none"> ▶ The principal threats, if any, to objectivity and independence identified by Ernst & Young (EY) including consideration of all relationships between the you, your affiliates and directors and us; ▶ The safeguards adopted and the reasons why they are considered to be effective, including any Engagement Quality review; ▶ The overall assessment of threats and safeguards; ▶ Information about the general policies and process within EY to maintain objectivity and independence. ▶ Where EY has determined it is appropriate to apply more restrictive independence rules than permitted under the Ethical Standard [note: additional wording should be included in the communication reflecting the client specific situation] 	<ul style="list-style-type: none"> ▶ In order for you to assess the integrity, objectivity and independence of the firm and each covered person, we are required to provide a written disclosure of relationships (including the provision of non-audit services) that may bear on our integrity, objectivity and independence. This is required to have regard to relationships with the entity, its directors and senior management, its affiliates, and its connected parties and the threats to integrity or objectivity, including those that could compromise independence that these create. We are also required to disclose any safeguards that we have put in place and why they address such threats, together with any other information necessary to enable our objectivity and independence to be assessed; ▶ Details of non-audit services provided and the fees charged in relation thereto; ▶ Written confirmation that the firm and each covered person is independent and, if applicable, that any non-EY firms used in the group audit or external experts used have confirmed their independence to us; ▶ Written confirmation that all covered persons are independent; ▶ Details of any inconsistencies between FRC Ethical Standard and your policy for the supply of non-audit services by EY and any apparent breach of that policy; ▶ Details of any contingent fee arrangements for non-audit services provided by us or our network firms; and ▶ An opportunity to discuss auditor independence issues.

In addition, during the course of the audit, we are required to communicate with you whenever any significant judgements are made about threats to objectivity and independence and the appropriateness of safeguards put in place, for example, when accepting an engagement to provide non-audit services.

We also provide information on any contingent fee arrangements, the amounts of any future services that have been contracted, and details of any written proposal to provide non-audit services that has been submitted.

We ensure that the total amount of fees that EY and our network firms have charged to you and your affiliates for the provision of services during the reporting period, analysed in appropriate categories, are disclosed.

Relationships, services and related threats and safeguards

We highlight the following significant facts and matters that may be reasonably considered to bear upon our objectivity and independence, including the principal threats, if any. We have adopted the safeguards noted below to mitigate these threats along with the reasons why they are considered to be effective. However we will only perform non-audit services if the service has been pre-approved in accordance with your policy.

Overall Assessment

Overall, we consider that the safeguards that have been adopted appropriately mitigate the principal threats identified on main audit areas, i.e. grant claims and debt issuance, we therefore confirm that EY is independent and the objectivity and independence of Karl Havers, your audit engagement partner and the audit engagement team have not been compromised.

Self interest threats

A self interest threat arises when EY has financial or other interests in your company. Examples include where we have an investment in your company; where we receives significant fees in respect of non-audit services; where we need to recover long outstanding fees; or where we enter into a business relationship with you. At the time of writing, there are no long outstanding fees.

We believe that it is appropriate for us to undertake permissible non-audit services and we will comply with the policies that you have approved.

None of the services are prohibited under either the FRC's Ethical Standard or the Auditor Guidance Note 1 (AGN01) issued by the National Audit Office. The and the services have been approved in accordance with your policy on pre-approval. AGN01 sets out the requirement that for any year, non audit fees should not exceed 70% of the total fee for all audit work. In addition under Public Sector Audit Appointments Limited requirements when our non audit services cumulatively in any year exceed 20% of the audit fee, then pre approval of services is required.

A separate document will be submitted detailing the non-audit services provided.

A self interest threat may also arise if members of our audit engagement team have objectives or are rewarded in relation to sales of non-audit services to you. We confirm that no member of our audit engagement team, including those from other service lines, has objectives or is rewarded in relation to sales to you, in compliance with Ethical Standard part 4 and AGN01.

There are no other self interest threats at the date of this report.

Management threats

Partners and employees of EY are prohibited from taking decisions on behalf of management of your company. Management threats may also arise during the provision of a non-audit service in relation to which management is required to make judgements or decision based on that work.

There are no management threats at the date of this report.

Other threats

Other threats, such as advocacy, familiarity or intimidation, may arise.

There are no other threats at the date of this report.

Other communications

EY Transparency Report 2016

Ernst & Young (EY) has policies and procedures that instil professional values as part of firm culture and ensure that the highest standards of objectivity, independence and integrity are maintained.

Details of the key policies and processes in place within EY for maintaining objectivity and independence can be found in our annual Transparency Report which the firm is required to publish by law. The most recent version of this Report is for the year ended 30 June 2018 and can be found here:

www.ey.com/uk/en/about-us/ey-uk-transparency-report-2018



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Appendices



Fees

As part of our reporting on our independence, we set out here a summary of the expected fees for the year ending 31 March 2019.

	Current Year	Prior Year
	£/m	£/m
Transport for London Corporation and Group	120,064	155,925
TTL Group	640,000	740,000
Total	760,064	895,925

Assumptions

1. For the 2018/19 financial year, the Public Sector Audit Appointments Limited set the scale fee for Transport for London Corporation and Group. The scale fee is based on the tendering of contracts in May. Any variation to our planned fees needs to be approved by Public Sector Audit Appointments Limited.
2. The 2018/19 fees are based on certain assumptions, including:
 - ▶ Relevant factors, including audit risk and complexity, are not significantly different from those used in previous years.
 - ▶ The overall level of risk in relation to the audit of the financial statements is not significantly different from that of the prior year.
 - ▶ We find no significant weaknesses in your financial control environment at FSC, the financial closedown process and the consolidation of TTL subsidiaries into TTL group, and then to TfL Corporation.
3. We have discussed with the Statutory Chief Finance Officer and then report to the Audit and Assurance Committee any proposed variations to our audit fees.

Fees for open book audits and other related assurance and non-audit services will be discussed with you on a project-by-project basis.

Crossrail fees were included in the TTL Group fee on the assumption that the Elizabeth line was to open in December 2018 and that the transition to TfL would have occurred by 31 March 2019. The extent of activity in Crossrail for the current year is significantly higher than expected and will lead to a fee variation to be agreed in due course.

We will present a regular update to the Audit and Assurance Committee on our fees for additional assurance and non-audit audit services.

Regulatory and accounting update

There are two new accounting standards which are required to be adopted for the first time in the year ending 31 March 2019 (IFRS 9 and IFRS 15) and there is a further standard due for first time adoption in the year ended 31 March 2020 (IFRS 16). We will review the management's impact assessment for these applicable standards. We have set out below a brief summary of the key features of these three standards.

Accounting standard	Key areas of impact for TfL
<p>IFRS 9 – Financial Instruments</p> <p>Accounting periods beginning on or after 1 January 2018 i.e. the TfL financial statements for the year ending 31 March 2019.</p> <p>The scope of this standard covers the classification and measurement of financial instruments, impairment of financial assets and hedge accounting.</p>	<p>A full analysis has been completed to determine the impact on TfL. One significant change, required by the standard, is the approach to impairment of financial assets, which requires the adoption of an expected credit loss model. This results in the recognition of an impairment provision on initial recognition of the receivable, based on credit worthiness of the party.</p> <p>The full impact of adopting IFRS 9 on TfL's consolidated financial statements will depend on the financial instruments that the Group has during 2018-19 as well as on economic conditions and judgements made as at the year end. TfL has performed a preliminary assessment of the potential impact of adopting IFRS 9 based on the financial instruments and hedging relationships as at the date of initial application of IFRS 9.</p> <p>The impairment model under IFRS 9 reflects expected credit losses, as opposed to only incurred credit losses under IAS 39. Under the impairment approach in IFRS 9, it is not necessary for a credit event to have occurred before credit losses are recognised. Instead, an entity always accounts for expected credit losses and changes in those expected credit losses. The assessment of the amount of expected credit losses is required to be updated at each reporting date.</p> <p>TfL intends to apply the simplified approach to recognising lifetime expected credit losses for its trade receivables as permitted under IFRS 9. In relation to other financial instruments, these have been assessed as having low credit risk. Under the Code of practice on Local Authority Accounting, the approach to IFRS 9 has been confirmed that, where the counterparty for the financial asset is central government or a local authority, no credit losses required to be recognised. We are not expecting the implementation of IFRS 9 to lead to a material impact on the TfL's financial statements.</p>

Regulatory and accounting update

There are three new accounting standards due from which two are required to be reported in FY2019 and one is due for implementation in FY2020. We will review the management's impact assessment for these applicable standards. We have set out below a brief summary of the key features of these three standards.

Accounting standard	Key areas of impact for TfL
<p>IFRS 15 – Revenue from Contracts with Customers</p> <p>Accounting periods beginning on or after 1 January 2018 i.e. the TfL financial statements for the year ending 31 March 2019.</p> <p>The scope of this standard covers the recognition of revenue.</p>	<p>IFRS 15 is more prescriptive than current IFRS and provides more application guidance. The disclosure requirements are also more extensive. Adoption has been a significant undertaking for most entities with potential changes to current accounting systems and processes and as such management has commenced with their assessment. In addition, as the IASB and FASB and the Joint Transition Resource Group for Revenue Recognition continue to discuss implementation issues, it will be important to monitor their discussions.</p> <p>The principles in IFRS 15 applies using a five step model:</p> <ul style="list-style-type: none"> • Identify the contract(s) with a customer • Identify the performance obligations in the contract • Determine the transaction price • Allocate the transaction price to the performance obligations in the contract • Recognise revenue when (or as) the entity satisfies a performance obligation <p>A detailed analysis of IFRS 15 has been undertaken and the introduction of this will not lead to a material impact on the consolidated financial statements. Material revenue streams including fares, revenue in respect of free travel for the elderly, congestion charging and commercial advertising income have been assessed. Contracts with customers and service recipients in these areas are readily identifiable, performance obligations are clear, transaction prices can be determined and allocated under existing processes, and recognition criteria are materially unchanged from current policies.</p>





Regulatory and accounting update (continued)

Accounting standard	Key areas of impact for TfL
<p>IFRS 16 - Leases</p> <p>Accounting periods beginning on or after 1 January 2019 i.e. the TfL financial statements for the year ending 31 March 2020.</p> <p>The scope of the new standard includes leases of all assets, with certain exemptions.</p> <p>A lease is a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration. To be a lease, a contract must convey the right to control the use of an identified asset, which could be a physically distinct portion of an asset such as a floor of a building.</p>	<p>This standard will require the most effort to assess and quantify the impact of this change, given the range and extensive number of contracts which convey the right to use assets, both as a lessor and a lessee.</p> <p>The most significant impact is that lessees are required to account for all leases (subject to certain exemptions) under a single on-balance sheet model (i.e. in a manner comparable to finance leases under IAS 17 Leases). The lease liability is recognised initially for the obligation to make lease payments and a right of use asset for the right to use the underlying asset for the lease term.</p> <p>This will result in a higher asset value (relating to the right of use asset) and higher liabilities relating to the lease liability. As an indicator - note 30 of the 2017-18 financial statements disclosed £1,450.0 million commitments under non-cancellable operating leases.</p>

Appendix C

Required communications with the Audit Committee

We have detailed the communications that we must provide to the audit committee.

		 Our Reporting to you
Required communications	 What is reported?	  When and where
Terms of engagement	Confirmation by the audit committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.	Discussed within engagement letter
Our responsibilities	Reminder of our responsibilities as set out in the engagement letter	Discussed within this report
Planning and audit approach	Communication of the planned scope and timing of the audit, any limitations and the significant risks identified. When communicating key audit matters this includes the most significant risks of material misstatement (whether or not due to fraud) including those that have the greatest effect on the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team	Discussed within this report
Significant findings from the audit	<ul style="list-style-type: none"> • Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures • Significant difficulties, if any, encountered during the audit • Significant matters, if any, arising from the audit that were discussed with management • Written representations that we are seeking • Expected modifications to the audit report • Other matters if any, significant to the oversight of the financial reporting process • Findings and issues regarding the opening balance on initial audits (delete if not an initial audit) 	These matters will be included within our Audit Results Report for the year ending 31 March 2019

Required communications with the Audit Committee (continued)



Required communications	 What is reported?	 When and where
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Unless covered by other communications on planning matters or significant findings, this information shall include our views on:




- Business risks relevant to financial reporting objectives, the application of materiality and the implications of our judgments in relation to these for the overall audit strategy, the audit plan and the evaluation of misstatements identified;
- The significant accounting policies (both individually and in aggregate);
- Management’s valuations of the entity’s material assets and liabilities and the related disclosures provided by management;
- Internal control (without expressing an opinion and based solely on our audit procedures performed in the context of the financial statement audit), specifically on:
 - The effectiveness of the entity’s system of internal control over financial reporting; and
 - Other risks arising from the entity’s business model and the effectiveness of related internal controls;

Any other matters identified in the course of the audit that we believe will be relevant to the board or the audit committee in the context of fulfilling their responsibilities referred to above.

Required communications with the Audit Committee (continued)

Required communications	 What is reported?	 When and where
Public Interest Entities	<p>For the audits of financial statements of public interest entities our written communications to the audit committee include:</p> <ul style="list-style-type: none"> • A declaration of independence • The identity of each key audit partner • The use of non-member firms or external specialists and confirmation of their independence • The nature and frequency of communications • A description of the scope and timing of the audit • Which categories of the balance sheet have been tested substantively or controls based and explanations for significant changes to the prior year, including first year audits • Materiality • Any going concern issues identified • Any significant deficiencies in internal control identified and whether they have been resolved by management • Subject to compliance with regulations, any actual or suspected non-compliance with laws and regulations identified relevant to the audit committee • Subject to compliance with regulations, any suspicions that irregularities, including fraud with regard to the financial statements, may occur or have occurred, and the implications thereof • Actual or suspected non-compliance with laws and regulations identified relevant to the audit committee • The valuation methods used and any changes to these including first year audits • The scope of consolidation and exclusion criteria if any and whether in accordance with the reporting framework • The identification of any non-EY component teams used in the group audit • The completeness of documentation and explanations received • Any significant difficulties encountered in the course of the audit • Any significant matters discussed with management 	<p>These matters are included within this report and will also be included within Audit Results Report for the year ending 31 March 2019</p>



Required communications with the Audit Committee (continued)

		 Our Reporting to you
Required communications	 What is reported?	 When and where
	<ul style="list-style-type: none"> Any other matters considered significant 	
Going concern	<p>Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> Whether the events or conditions constitute a material uncertainty Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements The adequacy of related disclosures in the financial statements 	If applicable this will be included, as necessary, within our Audit Results Report for the year ending 31 March 2019
Misstatements	<ul style="list-style-type: none"> Uncorrected misstatements and their effect on our audit opinion, unless prohibited by law or regulation The effect of uncorrected misstatements related to prior periods A request that any uncorrected misstatement be corrected Material misstatements corrected by management 	These matters will be included within our Audit Results Report for the year ending 31 March 2019
Subsequent events	<ul style="list-style-type: none"> Enquiries of the audit committee where appropriate regarding whether any subsequent events have occurred that might affect the financial statements 	These matters will be included within our Audit Results Report for the year ending 31 March 2019
Fraud	<ul style="list-style-type: none"> Enquiries of the audit committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity Any fraud that we have identified or information we have obtained that indicates that a fraud may exist Unless all of those charged with governance are involved in managing the entity, any identified or suspected fraud involving: <ol style="list-style-type: none"> Management; Employees who have significant roles in internal control; or Others where the fraud results in a material misstatement in the financial statements The nature, timing and extent of audit procedures necessary to complete the audit when fraud involving management is suspected Any other matters related to fraud, relevant to Audit Committee responsibility 	These matters are included within this report and will also be included within Audit Results Report for the year ending 31 March 2019

Required communications with the Audit Committee (continued)





Our Reporting to you

Required communications	 What is reported?	 When and where
Related parties	<ul style="list-style-type: none"> • Significant matters arising during the audit in connection with the entity's related parties including, when applicable: • Non-disclosure by management • Inappropriate authorisation and approval of transactions • Disagreement over disclosures • Non-compliance with laws and regulations • Difficulty in identifying the party that ultimately controls the entity 	If applicable this will be included, as necessary, within our Audit Results Report for the year ending 31 March 2019
Independence	<p>Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, objectivity and independence</p> <p>Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as:</p> <ul style="list-style-type: none"> • The principal threats • Safeguards adopted and their effectiveness • An overall assessment of threats and safeguards • Information about the general policies and process within the firm to maintain objectivity and independence <p>Communication whenever significant judgements are made about threats to objectivity and independence and the appropriateness of safeguards put in place.</p> <p>For public interest entities and listed companies, communication of minimum requirements as detailed in the FRC Revised Ethical Standard 2016:</p> <ul style="list-style-type: none"> • Relationships between EY, the company and senior management, its affiliates and its connected parties • Services provided by EY that may reasonably bear on the auditors' objectivity and independence • Related safeguards • Fees charged by EY analysed into appropriate categories such as statutory audit fees, tax advisory fees, other non-audit service fees 	These matters are included within this report and will also be included within Audit Results Report for the year ending 31 March 2019

Required communications with the Audit Committee (continued)






Our Reporting to you

Required communications	 What is reported?	 When and where
	<ul style="list-style-type: none"> • A statement of compliance with the Ethical Standard, including any non-EY firms or external experts used in the audit • Details of any inconsistencies between the Ethical Standard and Group's policy for the provision of non-audit services, and any apparent breach of that policy • Details of any contingent fee arrangements for non-audit services • Where EY has determined it is appropriate to apply more restrictive rules than permitted under the Ethical Standard • The audit committee should also be provided an opportunity to discuss matters affecting auditor independence 	
External confirmations	<ul style="list-style-type: none"> • Management's refusal for us to request confirmations • Inability to obtain relevant and reliable audit evidence from other procedures 	If applicable this will be included, as necessary, within our Audit Results Report for the year ending 31 March 2019
Consideration of laws and regulations	<ul style="list-style-type: none"> • Subject to compliance with applicable regulations, matters involving identified or suspected non-compliance with laws and regulations, other than those which are clearly inconsequential and the implications thereof. Instances of suspected non-compliance may also include those that are brought to our attention that are expected to occur imminently or for which there is reason to believe that they may occur • Enquiry of the audit committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the audit committee may be aware of 	If applicable, this will be included, as necessary, within our Audit Results Report for the year ending 31 March 2019
Internal controls	<ul style="list-style-type: none"> • Significant deficiencies in internal controls identified during the audit 	These matters will be included within our Audit Results Report for the year ending 31 March 2019
Group audits	<ul style="list-style-type: none"> • An overview of the type of work to be performed on the financial information of the components • An overview of the nature of the group audit team's planned involvement in the work to be performed by the component auditors on the financial information of significant components • Instances where the group audit team's evaluation of the work of a component auditor gave rise to a concern about the quality of that auditor's work • Any limitations on the group audit, for example, where the group engagement team's access to information may have been restricted 	These matters are included within this report and will also be included within Audit Results Report for the year ending 31 March 2019

Appendix C

Required communications with the Audit Committee (continued)

		 Our Reporting to you
Required communications	 What is reported?	 When and where
	<ul style="list-style-type: none"> Fraud or suspected fraud involving group management, component management, employees who have significant roles in group-wide controls or others where the fraud resulted in a material misstatement of the group financial statements 	
Representations	Written representations we are requesting from management and/or those charged with governance	These matters will be included within our Audit Results Report for the year ending 31 March 2019
Material inconsistencies and misstatements	Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	These matters will be included within our Audit Results Report for the year ending 31 March 2019
Auditors report	<ul style="list-style-type: none"> Key audit matters that we will include in our auditor's report Any circumstances identified that affect the form and content of our auditor's report 	These matters are included within this report and will also be included within Audit Results Report for the year ending 31 March 2019

Additional audit information

Objective of our audit

Our objective is to form an opinion on the consolidated financial statements of the TfL and TTL Groups and also on the standalone financial statements for Crossrail Limited under International Standards on Auditing (UK) as prepared by you in accordance with International Financial Reporting Standards as adopted by the EU.

Our responsibilities in relation to the financial statement audit are set out in our terms of appointment. We are responsible for forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of the Audit and Assurance Committee. The audit does not relieve management or the Audit and Assurance Committee of their responsibilities.

Other required procedures during the course of the audit

In addition to the key areas of audit focus outlined in section 2, we have to perform other procedures as required by auditing, ethical and independence standards, company law and other regulations. We outline the procedures below that we will undertake during the course of our audit.

Our responsibilities required by auditing standards

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Concluding on the appropriateness of management's use of the going concern basis of accounting.
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtaining sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. Reading other information contained in the financial statements, including the board's statement that the annual report is fair, balanced and understandable, the audit committee reporting appropriately addresses matters communicated by us to the audit committee and reporting whether it is materially inconsistent with our understanding and the financial statements; and
- Maintaining auditor independence.

Additional audit information (continued)

Other required procedures during the course of the audit (continued)

Procedures required by UK company law for TTL and Crossrail financial statements	<ul style="list-style-type: none">• Opining on whether the information contained in the Strategic Report and the Directors' Report is consistent with the financial statements and those reports have been prepared in accordance with applicable legal requirements;• Reporting by exception if in the light of the knowledge and understanding of the group and its environment obtained in the course of the audit we identify material misstatements in the Strategic Report and Directors' Report.
Procedures required on other information published in the annual report	<ul style="list-style-type: none">• Auditing the disclosures contained in the auditable part of the Remuneration Report to ensure it is in agreement with accounting records and returns.• Reviewing the Group's disclosures relating to internal control and risk management systems, governance and going concern for consistency with knowledge gained during the audit.

Additional audit information (continued)

Purpose and evaluation of materiality

For the purposes of determining whether the accounts are free from material error, we define materiality as the magnitude of an omission or misstatement that, individually or in the aggregate, in light of the surrounding circumstances, could reasonably be expected to influence the economic decisions of the users of the financial statements. Our evaluation of it requires professional judgement and necessarily takes into account qualitative as well as quantitative considerations implicit in the definition. We would be happy to discuss with you your expectations regarding our detection of misstatements in the financial statements.

Materiality determines:

- The locations at which we conduct audit procedures to support the opinion given on the Group financial statements; and
- The level of work performed on individual account balances and financial statement disclosures.

The amount we consider material at the end of the audit may differ from our initial determination. At this stage, however, it is not feasible to anticipate all of the circumstances that may ultimately influence our judgement about materiality. At the end of the audit we will form our final opinion by reference to all matters that could be significant to users of the accounts, including the total effect of the audit misstatements we identify, and our evaluation of materiality at that date.

Date: 29 November 2018

Item: Risk and Assurance Quarter 2 Report 2018/19

This paper will be considered in public

1 Summary

- 1.1 The purpose of this report is to inform the Committee of the work completed by the Risk and Assurance Directorate in Quarter 2 of 2018/19, the work in progress and planned to start, and other information about the Directorate's activities.

2 Recommendation

- 2.1 **The Committee is asked to note the report.**

3 Background

- 3.1 This is the second quarterly report to the Audit and Assurance Committee on the activities of the five teams making up the Risk and Assurance Directorate, namely: Enterprise Risk; Internal Audit; Integrated Assurance; Project Assurance; and Fraud. This report incorporates some feedback received from Committee members regarding the Quarter 1 report presented at the September meeting of the Committee. We anticipate that the format of the report will continue to evolve over the course of the year.

4 Enterprise Risk Management

- 4.1 Since the last Audit and Assurance Committee meeting, we have updated TfL's Enterprise Risk Management Policy. Further details can be found in a separate paper on this agenda. The more detailed Enterprise Risk Management Procedure is also under development, and we plan to share that with the Committee at its March meeting.
- 4.2 We have recently been carrying out the second round of quarterly risk reviews and updates on the TfL Strategic (Level 0) risks. The majority of these are now complete, with the exception of the following:
- (a) SR1: Achieving Safety Outcomes – The Director of Safety is carrying out a review of the risk in its entirety. The LU and ST Directors are being engaged in this process. SR10: Catastrophic event is also being reviewed alongside this risk to ensure they are aligned.

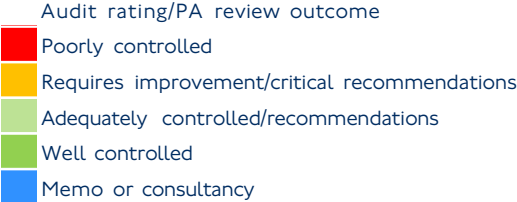
- (b) SR7: Financial Sustainability – The Finance leadership Team has requested a workshop to identify all finance risks. The outputs from this workshop will inform the Level 1 and Level 0 risks. We are currently in discussion with the Statutory Chief Finance Officer as to when the workshop will take place.
 - (c) SR16: Opening of the Elizabeth Line – The review of this risk will be carried out once the independent reviews being carried out by KPMG have been completed.
- 4.3 A list of the Level 0 risks is included in Appendix 1, and further details are included in the paper on Part 2 of the agenda.
 - 4.4 The Executive Committee had made a recommendation to widen the scope of ‘SR4: Major Cyber Security Incident’ to include security more generally. However, on further discussion with the business it has been decided to treat general (non-cyber) security as a separate Strategic Risk. Work is in progress to define the Level 0 and Level 1 security risks.
 - 4.5 Regular reporting on strategic risks to the panels and committees that have been assigned responsibility for monitoring them is now underway.
 - 4.6 The other main focus for the Enterprise Risk team has been on carrying out deep dives on the Level 1 risks in LU and Surface Transport. A list of the Level 1 risks that have been identified is also included in Appendix 1.

5 Audit and Assurance

- 5.1 In TfL, assurance is delivered in accordance with the ‘three lines of defence’ model, as follows:
 - (a) First line of defence – control and monitoring arrangements carried out by the functions responsible for managing the risks/ controls;
 - (b) Second line of defence – typically audit and inspection regimes carried out by teams separate from those responsible for managing the risks/ controls, but reporting through the TfL management hierarchy; and
 - (c) Third line of defence – fully independent audit and review activities, typically with a strategic focus, and reporting to Executive Committee, Audit and Assurance Committee and other Board Committees and Panels.
- 5.2 Within the Risk and Assurance Directorate, the Internal Audit function provides third line assurance, whilst the Integrated Assurance and Project Assurance teams provide second line assurance. Further information of the work of these teams during Q2 is set out below.
- 5.3 We are working with the business on mapping the control activities for each of TfL’s Strategic Risks against the sources of assurance, using the three lines of defence model. This will help ensure that assurance activity is effectively targeted in the future.

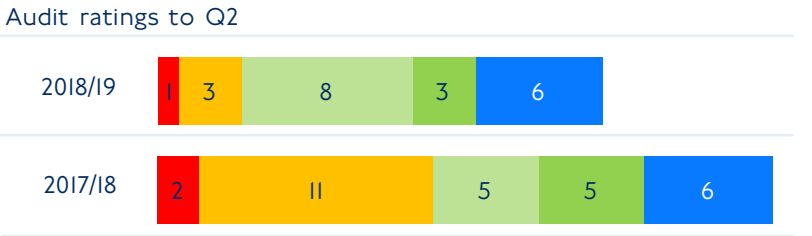
5.4 The table below maps the outcomes of audit and project assurance reviews carried out by the teams in Risk and Assurance up to Q2 against the TfL Strategic Risks. If a risk is not listed, this means that no work has been completed against it in the quarter.

	←2nd line assurance	←3rd line assurance
SRI – Achieving safety outcomes	3 2 2	
SR2 – Talent attraction and retention		1
SR3 – Governance suitability		1 1
SR7 – Financial sustainability		1 3
SR8 - Delivering predicted revenue growth		1 1
SRI2 – Delivery of Key investment programmes	8 25	
SRI3 – Operational reliability	4 6 1	1
SRI6 - Opening of the Elizabeth Line	4 2 1	6 3 2



Internal Audit

5.5 The Internal Audit plan for 2018/19 forms part of the integrated assurance plan that was approved by the Audit and Assurance Committee on 6 March 2018. Schedule 1: Internal Audit Q2 summary includes highlights from work done during the quarter, an overview of progress with the delivery of the audit plan, a summary of the reports issued and conclusions and information on overdue audit actions. The chart below summarises the reports issued during Q1 and Q2, together with comparative figures for 2017/ 18:



5.6 Progress with the delivery of the audit plan increased from 18 per cent to 32 per cent during Q2, although, we remain behind target at the mid-year point. Resourcing within the Internal Audit team remains an ongoing challenge, and factors affecting plan delivery include delays in on-boarding our third party co-source partner (Mazars), the below budget headcount; and a case of long-term sickness within the team.

5.7 Traditionally, audit plan delivery slows down during the summer period, affected by the significant amount of annual leave taken at this time. We expect to improve our progress against plan delivery in the remaining two quarters.

Mayoral Directions

5.8 There have been no Mayoral Directions received in the quarter.

Management Actions

5.9 Internal Audit monitors the completion of all management actions, and confirms whether they have been adequately addressed by management. We report by directorate, on the percentage of actions closed on time over the past six months. The six-period trend shows a decline in the number of actions closed on time, from 45 per cent in Q1 down to 33 per cent in Q2.

5.10 Several actions are recorded in the table in Schedule 1, as overdue for more than 100 days. These relate to the following audits:

Surface Transport

(a) 16 417 PCIDSS (CPOS) (1x Priority 2):

This is a long running issue to identify and then agree a technical solution with Barclaycard and various third parties. The former Director of Enforcement and On-street Operations (EOS) has previously attended the committee meeting in March 2018, to discuss this issue. A technical solution has been agreed, which meets the Metropolitan Police's confidentiality and privacy requirements, however, the action remains open. Residual tasks include development and testing of an interface to enable data exchange between the systems affected, and secure destruction of historic data in line with data privacy regulations. The interface development is expected to complete by the end of November 2018, however it is unclear when the secure deletion of the data will occur. Compliance Policing and On-Street (CPOS) remains non-compliant to PCIDSS until this final task is complete. We have invited the current Director of CPOS to attend the Committee to discuss.

(b) 16 129 Data Privacy and Protection – Traffic Management Cameras – LSTCC and LSTOC (4x Priority 2, 3x Priority 3): These actions relate to the implementation of policy and procedural changes necessary to satisfy data privacy requirements. There has been significant progress since the September committee. Only one priority 3 action remains open relating to the modification of the Memorandum of Understanding template, for which a pan-TfL solution is being sought. On this basis, the Director of Network Management, Surface Transport has not been invited to the committee to discuss.

(c) 16 410 Controls over disclosure of personal information to external agencies (1x Priority 2): This action relates to the implementation of periodic monitoring of Information Sharing Protocol compliance within Bus Enforcement, and the Road Network compliance units. Internal Audit is currently reviewing the evidence provided to close out this action. On this basis, the Director of CPOS will not be expected to discuss at the committee.

Pan-TfL- General Counsel

- (d) 16 410 Controls over disclosure of personal information to external agencies (2x Priority 2):
The action related to update of TPH's protocols for sharing personal information with City of London Police (CoLP) and the Home Office. Information Governance (IG) has revised the Overarching Protocol with the CoLP, and the Information Sharing Procedures (ISPs) relating to cab related offences. These were shared with CoLP in July, and there has been no response to date. IG plan to write to CoLP stating that the arrangement is deemed accepted unless they receive communication otherwise. The ISP between TPH and the Home Office is now complete.

The second action concerns the ISP between TfL, and the Metropolitan Police Service (MPS). IG and MPS are engaged in discussions to agree the appropriate template to use for both the Overarching Agreement as well as the ISP.

Changes to audit plan

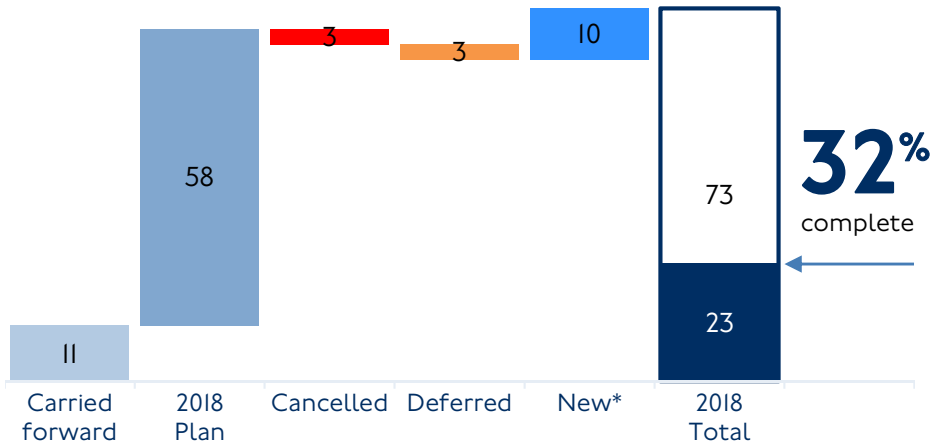
- 5.11 There were ten changes to the plan during the quarter; three audits were deferred, one was cancelled due to changing business strategy, and six new audits were added to the plan.

Detailed audit reports

- 5.12 A full list of audit reports issued during the quarter can be found as Appendix 2. Audits in progress at the end of Q2 can be found in Appendix 3, work planned to start in Q3 can be found in Appendix 4, the work planned to start in Q4 can be found in Appendix 5, and details of changes to the audit plan can be found in Appendix 6.

Schedule I: Internal Audit Q2 summary

Audit plan (to Period 7)



Reports

- None of the reports issued during the quarter were concluded as poorly controlled and there were no priority 1 issues raised
- Our audit of cash forecasting was concluded as RI and raised two priority 2 issues. These related to:
 - Ineffective communications between teams, impacting forecast accuracy
 - the value of the short-term forecasting materiality limit; where the Balance Sheet Team considers a lower limit (than current) would be more appropriate to improve forecast accuracy

Work in progress / planned to start

- Significant audits that were in progress at the end of Q2 include:
 - Single sourcing in London Underground
 - Cyber security strategy and operating model
- Significant audits due to start in Q3:
 - Single sourcing in Surface Transport
 - Safeguarding Assurance (TfL)
 - Effectiveness of the new safety complaints process

Reports

8 issued Q2

2 issued Q3 to P7

Audit ratings by Directorate – rolling 13 period view

Directorate	PC	RI	AC	WC	M/C
Crossrail		1	12	8	3
CCT		5			3
Finance		3	1	1	4
Gen. Counsel	1				
HR		1			
LU	1				1
Major Projects					
Surface		2	1		1
TfL Engineering					
TfL Strategy					
Pan TfL	1				2

PC: poorly controlled RI: requires improvement AC: adequately controlled WC: well controlled M/C: memo/consultancy

Action management (to Period 7)

Overall TfL performance

Measure	#	%	6-period trend
Closed on time*	19	33%	
Extended*	26	45%	

19 overdue

83 open

By Directorate

Directorate	Overdue actions	Closed on time*
Crossrail		71%
CCT		67%
Finance		64%
Gen. Counsel		20%
HR		0%
LU		0%
Major Projects		0%
Surface		8%
TfL Engineering		
TfL Strategy		
Pan TfL		

*based on actions due in the last six periods

Integrated Assurance

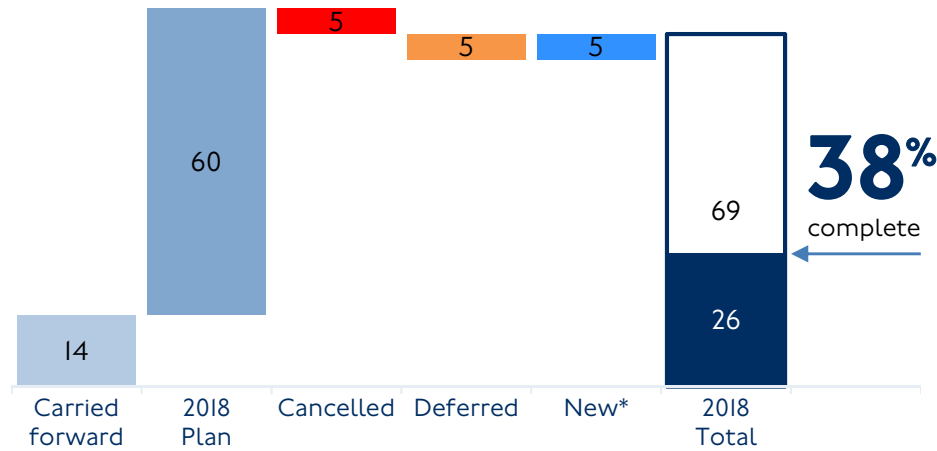
- 5.13 The Integrated Assurance team carries out second line of defence audits, primarily in relation to health and safety and engineering compliance, and compliance with Payment Card Industry Data Security Standard (PCI DSS). Audit reports issued by the team follow the same system of audit conclusions and priority ratings for issues as the Internal Audit team.
- 5.14 A summary of work carried out by Integrated Assurance can be found in Schedule 2: Integrated Assurance Q2 summary.

Project Assurance

- 5.15 The Project Assurance team carries out assurance reviews of projects and programmes across TfL's Investment Programme, with individual projects selected for review following a risk based assessment. Projects with an EFC over £50m are also subject to (third line) input from the IIPAG. The IIPAG Quarterly Report is included separately on the Committee Agenda. Reports from Project Assurance Reviews (PARs) are considered alongside the Authority request at the sub-programme board or operating business board depending on the size of the project.
- 5.16 Project Assurance also conducts reviews of the sub-programmes to inform their annual request for Authority at the Programmes and Investment Committee.
- 5.17 Project Assurance reviews do not carry an overall conclusion in the same way as audit reports. However, particular issues raised may be designated as critical issues. The Project Assurance team follows up on all recommendations to ensure they've been addressed.
- 5.18 A summary of the work of Project Assurance during Q2 can be found in Schedule 3: Project Assurance Q2 summary.

Schedule 2: Integrated Assurance Q2 Summary

Audit plan (to Period 7)



Work complete

We delivered 13 audits in quarter two, leaving the plan 38 per cent complete. The rate of delivery will need to increase to complete the plan by quarter four. We have introduced a more concise audit report format which will assist in this.

Our consultancy review of near miss reporting found that all areas sampled complied with legal requirements. We identified teams using good practice that could be shared. Areas for improvement related to consistency of terminology, ease of reporting and reporting of trends to management.

There were four audits rated as requires improvement, relating to:

- the LU Stations Competence Management System
- cutting, drilling and fixing to existing LU structures
- Piccadilly line HSE management
- LU supplier of engineering materials

Work coming up

In quarter three we will carry out audits of earth structures and asset data management; both were rated as poorly controlled when last audited.

Reports

Audit ratings by Directorate – rolling 13 period view

Directorate	PC	RI	AC	WC	M/C
Crossrail		1	9	4	2
CCT					
Finance					
Gen. Counsel					
HR					
LU	1	7	16	1	2
Major Projects			1		
Surface		1	4	3	1
TfL Engineering					
TfL Strategy					
Pan TfL		2			1

KEY
PC poorly controlled
RI requires improvement
AC adequately controlled
WC well controlled
M/C memo/consultancy

Audit ratings by Strategic Risk – rolling 13 period view

SRI Achieving safety outcomes	4	6	1	4	
SRI3 Operational reliability	1	6	15	3	1
SRI6 Opening of the Elizabeth Line	1	9	4	1	

Action management (to Period 7)

Overall TfL performance

Measure	#	%	6-period trend
Closed on time*	58	43%	
Extended*	51	38%	

50 overdue
214 open

By Directorate

Directorate	Overdue actions	Closed on time*
Crossrail		
CCT		
Finance	2	58%
Gen. Counsel		
HR		
LU	15 (0-30 days), 8 (31-99 days), 2 (100+ days)	48%
Major Projects		100%
Surface	1 (0-30 days), 1 (31-99 days), 1 (100+ days)	14%
TfL Engineering	9	48%
TfL Strategy		
Pan TfL		

*based on actions due in the last six periods

Reviews undertaken this quarter continue to highlight the budget pressures experienced by TfL.

Sub- Programme Reviews

	Recommendations (Critical Issues)	Commentary
LU Power, Cooling & Energy	13 (0)	Renewal and enhancement of power and cooling assets; new energy initiatives including solar and waste heat capture. Sub-programme recently formed from pre-existing asset management work banks. Prioritisation not yet mature or robust.
LU Stations	8 (0)	LU station projects including Accessibility. 2018/19 underspend (40% to Period 6). Target to complete 30 Step Free stations by March 2022 very challenging.
LU World Class Capacity	6 (0)	Sub Programme covers adjustment to signalling systems and infrastructure to improve service frequencies. Revised scope delivers increase from 30 to 31 trains per hour (tph) on Northern Line and to 32 tph on Jubilee line. Train availability required for enhanced timetable on Northern Line not agreed with maintainer (Alstom).
Silvertown Tunnel	10 (0)	Twin bore road tunnel between Greenwich and Silvertown, funded by 30-year PPP. One affected landowner handles hazardous materials and is objecting to required changes.
Healthy Streets	9 (0)	Improving travel by walking, cycling, public transport. Project inception and development focused on single mode (e.g. cycling) rather than Healthy Streets outcomes. Significant dis-benefits to secondary modes considered too late in the process.

Overdue Recommendations

There are open recommendations for each of the sub programme reviews, but none is currently overdue.

Project Reviews

Project Assurance has completed 11 project reviews in Q2. IIPAG participated in six of these. One Critical Issue was identified.

	Critical Issue	Action Being Taken
LU Asset Management Information System	The business case was incomplete with further explanation required on the option selection, financial case and cost profile.	Since the review in September, the business case has been strengthened and the issue is now closed.

Customer Feedback

- 5.19 At the end of every audit (including internal audits and integrated audits) we send a feedback form to the principal auditee requesting their views on the audit process and the report. A summary of the responses to the questionnaire, together with the comparative figures for the previous quarter is included as Appendix 7.

6 Fraud

- 6.1 The Fraud team carries out investigations in all cases of suspected and alleged fraud. They also carry out a proactive programme of fraud awareness, prevention and detection activities designed to minimise TfL's exposure to fraud risk. A summary of the Fraud Team's activities during Q2, including information on significant closed fraud investigations is set out in Schedule 4: Fraud Q2 Summary.
- 6.2 Details of significant new and ongoing fraud investigations during Q2 can be found in the paper on Part 2 of the agenda.

TfL Risk & Assurance – Fraud Team Quarter 2 Report 2018/19

Key points

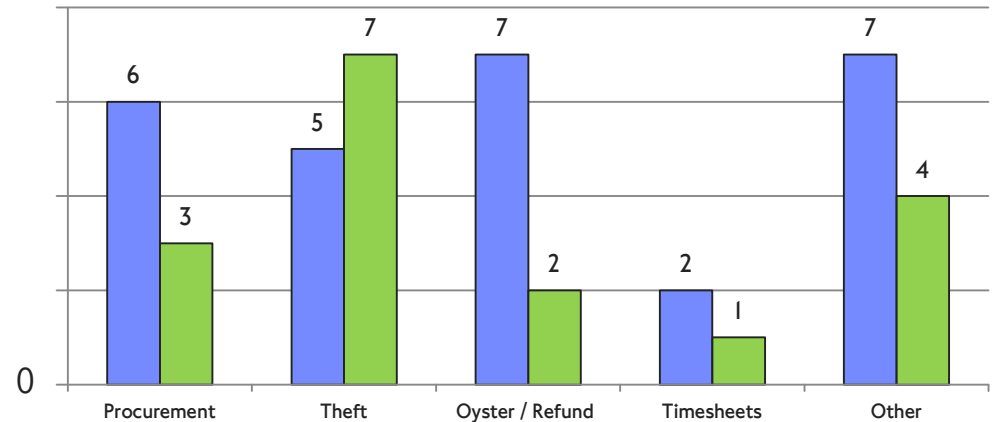
Fraud Investigation – During Quarter 2, 17 cases were opened and seven cases were closed. The number of new cases continues to be high compared to prior years (29 new cases to date in 2018/19 compared to 23 in the whole of 2017/18). We believe that this, at least in part, reflects our increased focus on fraud awareness and prevention activities.

Fraud prevention – (1) An article was published on the TfL intranet to highlight the successful prosecution of a former member of staff for fraud. More frequent articles are planned for the future to help raise awareness and act as a deterrent to staff. We are also increasingly utilising other communication methods such as Yammer to help capture staff that do not routinely access the intranet. (2) Three fraud awareness presentations were delivered to new staff from the Customer Contact Centre as part of their induction. (3) The newly refreshed and updated online Ezone fraud awareness course has been launched and publicised across the business. (4) We are discussing with HR improvements to the fraud information provided to staff at the TfL Induction, including revising the relevant page in the booklet handed to all new starters.

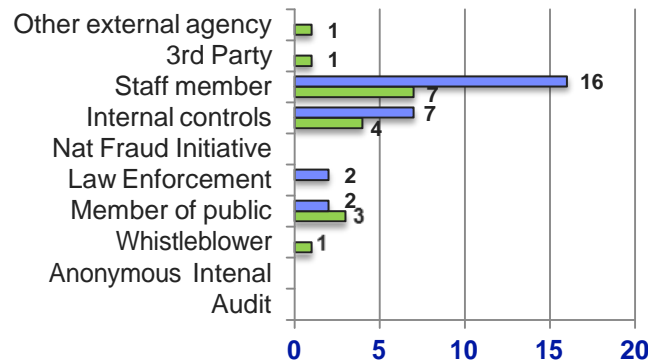
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<u>Investigations</u>	B/F	New	Closed	C/F
Surface Transport	5	4	1	8
CCT	5	1	1	5
Commercial Dev't	1	0	1	0
Total	27	17	7	37

BF / New cases by type



BF / New cases by source



Significant closed cases

Undeclared secondary employment and claiming Statutory Sick Pay - A member of staff had not disclosed that she was working in a secondary role. In addition she was on sick leave but working for her own company during this period. The employee resigned following a disciplinary investigation. She was also charged and found guilty and sentenced to 8 months imprisonment suspended for 2 years.

Fraudulent refunds on Oyster cards - A customer purchased Oyster cards using a number of compromised payment cards. The customer then phoned in and requested that they all be cancelled and refunded back to him via BACS payment. £6132 was claimed but the refund wasn't processed due to suspicions being raised. Following a joint investigation with BTP three individuals were found guilty and variously received a suspended prison sentence, 12 month community order, 40 hours unpaid work and an order to repay £5,000 compensation.

7 Risk and Assurance Strategy

7.1 At the September meeting of the Committee we shared our Risk and Assurance Directorate Strategy, which sets out our approach to updating our processes, systems and ways of working through five work streams, as follows:

- (a) culture and behaviours;
- (b) governance framework;
- (c) integration, collaboration and communication;
- (d) capability and people development; and
- (e) delivery processes and systems.

7.2 Work on delivering the Strategy is continuing. Key areas of focus during the quarter have included work on developing our audit processes and audit report formats; developing the Enterprise Risk Policy and Procedure; progressing with our project to replace the AutoAudit audit management system; improving our internal document management processes to ensure GDPR compliance; and an interactive staff engagement session on our Directorate's values.

8 Resources

8.1 At the beginning of the financial year, the Directorate was carrying a substantial number of vacancies and we have been working to fill those over recent months.

8.2 At the end of Q2, there were a small number of vacancies remaining in the Integrated Assurance (1 vacancy) and Project Assurance (1 vacancy) teams. Internal Audit continues to operate with a resource deficit (6 FTE) at the end of Q2. The majority of our vacancies are within the Technology, Information and Security (TIS) audit team in Internal Audit. We are currently recruiting to fill two of the TIS auditor roles whilst the other two are being covered by our co-source arrangement with Mazars (see below). We have recently filled two other internal auditor vacancies, one through an external hire, and the other through an internal 1-year secondment.

8.3 We have put in place a contract with Mazars LLP for specialist Internal Audit services. This is a tactical measure to ensure that we deliver the technology and security related audit work identified on the 2018/19 plan.

9 Control Environment Trend Indicators

9.1 The Committee, at its meeting on 7 March 2018, approved a set of Control Environment Trend Indicators. Data for some of the indicators is not yet available, but is under development, and we hope to be able to start reporting against these in 2018/19. The Q2 indicators are attached as Appendix 7.

List of appendices to this report:

Appendix 1 – Level 0 and Level 1 Risks

Appendix 2 – Internal Audit reports issued in Q2 2018/19

Appendix 3 – Work in Progress at the end of Q2 2018/19

Appendix 4 – Work Planned for Q3 2018/19

Appendix 5 – Work Planned for Q4 2018/19

Appendix 6 – Changes to the audit plan at the end of Q2 2018

Appendix 7 – Customer Feedback Form – Summary of Responses Q2

Appendix 8 – Control Environment Trend Indicators

List of Background Papers:

Audit reports, Project Assurance reports.

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Appendix 1 – Level 0 and 1 Strategic Risks

Changed risks	
Risk	Change description
SR2 – Talent attraction and retention	New responsible manager assigned
SR14 – TfL’s impact on the environment	New responsible manager assigned
SR15 – External environment impact on TfL	New responsible manager assigned

List of Level 0 Strategic Risks					
#	Risk	Owner	Manager	Mayors Transport Strategy / Corporate Strategy	Suggested Panel / Committee
SR1	Achieving safety outcomes	Gareth Powell	Jill Collis	MTS: Healthy streets and healthy people	SSHRP
SR2	Talent attraction and retention	Tricia Wright	Hannah Delves	CS: People	SSHRP
SR3	Governance and controls suitability	Howard Carter	Andrea Clarke	MTS: All MTS outcomes	AAC
SR4	Major cyber security incident	Vernon Everitt	Shashi Verma	MTS: Healthy streets and healthy people	AAC
SR5	Technological or market developments	Vernon Everitt	Michael Hurwitz	MTS: All MTS outcomes	CS&OP
SR6	Loss of external stakeholder trust	Vernon Everitt	Matt Brown	MTS: All MTS outcomes	CS&OP
SR7	Financial sustainability	Simon Kilonback	Sarah Bradley	CS: Finance	FC
SR8	Inability to deliver predicted revenue growth	Graeme Craig	Ken Youngman	MTS: New homes and jobs	FC
SR9	Ability to meet changing demand	Simon Kilonback	Shashi Verma	MTS: New homes and jobs	FC
SR10	Catastrophic event	Mark Wild	Nigel Holness	MTS: Healthy streets and healthy people	SSHRP
SR11	Significant technology failure	Vernon Everitt	Shashi Verma	MTS: A good public transport experience	AAC
SR12	Delivery of key investment programmes	Stuart Harvey	Nick West	MTS: New homes and jobs	PIC
SR13	Operational reliability	Mark Wild	Nigel Holness	MTS: A good public transport experience	CS&OP
SR14	TfL’s impact on the environment	Alex Williams	James Ingram	MTS: Healthy streets and healthy people	SSHRP
SR15	Resilience to climate change and extreme weather	Alex Williams	Lilli Matson	MTS: All MTS outcomes	SSHRP
SR16	Opening of the Elizabeth Line	Mark Wild	Howard Smith	MTS: New homes and jobs	PIC

Panels & Committees key:	
SSHRP	Safety, Sustainability & Human Resources Panel
AAC	Audit and Assurance Committee
FC	Finance Committee
CS&OP	Customer Services & Operational Performance Panel
PIC	Programmes and Investment Committee

Appendix 1 – Level 0 and 1 Strategic Risks

List of Level 1 Surface Transport Strategic Risks				
#	Risk	Owner	Manager	Mayors Transport Strategy / Corporate Strategy
ST01	Financial Sustainability	Patrick Doig	Oliver Gearing	CS: Finance
ST02	Inability to deliver Bus Network Savings	Claire Mann	Colette Farrer	MTS: A good public transport experience
ST03	Inability to deliver the Investment Programme	Nick Fairholme	David Sockett	MTS: All MTS outcomes
ST04	Inability to maintain Highway Infrastructure asset base	Plowden Ben	Garry Sterritt	MTS: Healthy streets and healthy people
ST05	Physical terrorist attack on Surface Transport network	Siwan Hayward	John Strutton	MTS: Healthy streets and healthy people
ST06	Inadequate response to/recovery from a significant incident	Glynn Barton	Nick Owen	MTS: Healthy streets and healthy people
ST07	Disruption to quality of service due to planned or unplanned events	Glynn Barton	Nick Owen	MTS: A good public transport experience
ST08	Inability to attract, recruit, engage, develop and retain talent in key competencies	Tricia Wright	Colin Game	CS: People
ST09	Continued declining bus patronage	Claire Mann	Alex Phillips	MTS: A good public transport experience
ST10	Disruptive technology undermines core business	Michael Hurwitz	Mike Beevor	All MTS themes: All MTS outcomes
ST11	Achieving health, safety and environmental outcomes and performance	Ian Gaskin	TBC	MTS: Healthy streets and healthy people
ST12	Major cyber security incident	Shashi Verma	Simon Reed	MTS: A good public transport experience
ST13	Re-let of vehicle licensing and IT solutions contract	Helen Chapman	Jacques Boucher	MTS: Healthy streets and healthy people

Appendix 1 – Level 0 and 1 Strategic Risks

List of Level 1 London Underground Strategic Risks				
#	Risk	Owner	Manager	Mayors Transport Strategy / Corporate Strategy
LU-01	LU Industrial relations	Nigel Holness	Nick Dent	CS: People
LU-02	LU Staff attraction and retention	Tricia Wright	Pete McCurry	CS: People
LU-03	Operational reliability	Nigel Holness	Nick Dent	MTS: A good public transport experience
LU-04	Revenue forecasts	Tanya Coff	Chris Simpson	CS: Finance
LU-05	LU Cost savings	Tanya Coff	Chris Simpson	CS: Finance
LU-06	LU Major incident - internal	Nigel Holness	Richard Jones	MTS: A good public transport experience
LU-07	LU Major incident - external	Nige Holness	Jones Richard	MTS: A good public transport experience
LU-08	Significant operational cyber security risk (threat) to core LU control system	Mark Wild	Shashi Verma	MTS: A good public transport experience
LU-09	LU safety framework ineffective	John Tucker	Julian Hall	MTS: Healthy streets and healthy people
LU-10	LU Data loss, misuse or breach of GDPR	Mark Wild	Nigel Holness	CS: Finance
LU-11	Elizabeth Line revenue assumptions incorrect	Tanya Coff	David Knight	CS: Finance
LU-12	Inability to deliver R&E programmes and projects	Caroline Sheridan	Mark Bell	All MTS themes: All MTS outcomes

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Transport for London Audit and Assurance Committee

Appendix 2

Internal audit reports issued in Q2 2018/19

Grouped by Strategic Risk

- Eight reports issued during the quarter

Strategic risk	Directorate	Audit title	Objective	Issued period	Last action date	Conclusion	Current status	P1	P2	P3
Financial sustainability	City Planning	Clean Mobile Energy	As a First Lever Controller, certify costs in respect of EC funding for Clean Mobile Energy.	6		Memo	Complete	0	0	0
	Finance	Cash Forecasting	To review the adequacy and effectiveness of the TfL short-term and long-term cash forecasting processes.	6	11/11/2018	Requires Improvement	Follow-up	0	2	0
		Revenue apportionment to train operating companies	To provide assurance of the apportionment of fares revenue to TOCs by identifying existing audits and determining if Internal Audit should provide assurance on areas not covered.	4	09/07/2018	Memo	Complete	0	0	0
Inability to deliver predicted revenue growth	Commercial Development	Exterior Capital Expenditure Programme	To review and provide assurance over the delivery of the Capital Expenditure programme	4	30/09/2018	Adequately Controlled	Complete	0	1	2
Inability to deliver predicted revenue		Sponsorship of the Elizabeth Line-Shortlisting	To provide assurance on the effective management of the procurement of	5	25/07/2018	Memo	Complete	0	0	0

Transport for London Audit and Assurance Committee

Strategic risk	Directorate	Audit title	Objective	Issued period	Last action date	Conclusion	Current status	P1	P2	P3
growth			sponsors for the Elizabeth Line up to Issue of ITT documentation.							
Opening of the Elizabeth Line	Crossrail	Training of Operators	To review the arrangements for training of operations staff (e.g. signallers) and maintenance staff.	4	28/06/2018	Adequately Controlled	Complete	0	0	0
		Management of Stakeholders and Interfaces	A review of the arrangements for managing Crossrail stakeholders as the activity transitions to TfL.	5		Adequately Controlled	Complete	0	0	0
Operational reliability	Surface Transport	ST Supplier Assurance (Non Rail)	To provide assurance that ST has a Supplier Quality Assurance System that ensures risks to TfL objectives are identified, controlled and assured throughout the contract life cycle	6	31/10/2018	Adequately Controlled	Follow-up	0	1	1
Total								0	4	3

Transport for London Audit and Assurance Committee

Work in progress at the end of Q2 2018/19

Appendix 3

Grouped by Strategic Risk

- Of the 50 audits that remain on the audit plan, 12 were in progress at the end of Q2

Strategic risk	Directorate	Audit title	Objective	Current status
Achieving safety outcomes	Surface Transport	ST Supplier Assurance (rail)	To provide assurance over the effectiveness of Surface Transport's arrangements for 'Supplier Assurance' throughout the contract life cycle are in line with ORR regulations	Draft report
Delivery of key investment programmes	Pan TfL	Building Information Modelling Governance	To provide assurance on the effectiveness of the implementation of Building Information Modelling	In Progress Final report due 23/11/2018
Financial sustainability	City Planning	EC Grant Agreement Cost Certification Old Oak Common	To certify costs in respect of EC funding for Old Oak Common	Drafting Certification report
	Finance	Payroll	To provide assurance on the adequacy and effectiveness of key controls within payroll	Report published 24/10/2018
	LU	Management of Fraud Risk in London Underground	To provide assurance that fraud risks are being managed across all areas of LU and that there is an awareness of fraud amongst personnel	Report delayed pending Fraud policy update
	Pan TfL	Single Sourcing Governance Assurance (LU)	To ensure that the procurement process used for single sourcing is managed effectively, including the frequency and legitimacy of single sourcing, and the robustness of the approval process	Report published 25/09/2018
Governance and control suitability	TfL Pension Fund	Pension Fund Trustee Board Effectiveness Review	To provide assurance over the effectiveness of the TfL Pension Fund's Trustee Board.	In Progress Final report due 5/12/2018

Transport for London Audit and Assurance Committee

Strategic risk	Directorate	Audit title	Objective	Current status
Governance and control suitability	HR	Use of Personal Data within HR	To assess the adequacy and effectiveness of controls in place within HR for managing personal data requests generated by the People Analytics team, whilst maintaining compliance with the General Data Protection Regulation (GDPR).	Draft Report
Inability to deliver predicted revenue growth	Commercial Development	Telecoms Commercialisation Project -SSQ *	To provide assurance over the project, procurement and financial controls in place for the TCP Project	Draft Report
LTM	LT Museum	LTM New Web Shop	To review the adequacy and effectiveness of controls in place within the London Transport Museum (LTM) web shop.	Report published 26/09/2018
Major cyber security incident	Customers, Communication & Technology	Cybersecurity Strategy and Operating Model**	Evaluate to assess whether model is designed appropriately to meet strategic objectives and industry best practice.	In Planning Final report due 9/11/2018
Operational reliability	Surface Transport	Management of Nominally Accumulated Customer Hours (NACHs) 4G modelling project	To provide assurance that the controls for the management of the NACH's 4G modelling project to deliver Lost Customer Hours is effective	Reporting
Total				12

* Audit title changed from 'Telecoms Commercialisation Project –SSQ and ITT' to 'Telecoms Commercialisation Project –SSQ' reflecting timing delay of the Invitation to Tender (ITT)

** Audit delivery retimed from 26/09/2018 to 9/11/2018 to reflect delays in on boarding of audit partner, and resourcing of audit

Transport for London Audit and Assurance Committee

Work planned to start in Q3 2018/19

Appendix 4

Grouped by planned period

- There are 18 audits planned to start in Q3

Strategic risk	Directorate	Audit title	Objective	Planned period
Financial sustainability	Finance	Governance and Financial Controls for the use of Framework suppliers (CPC Project Services)	To provide assurance that the controls of the framework are effective and it is being used in accordance with TfL processes	7
Loss of external stakeholder trust	Finance	Procurement of Energy for London – SSQ up to Contract Award	To provide assurance that the procurement process for the Energy for London project is managed effectively.	
	Finance	Procurement for Energy for London – SSQ	To provide assurance that the processes employed for the Procurement of the framework contract for the GLA's eFL scheme, are in accordance with approved procedures and are open, fair and transparent.	
Opening of the Elizabeth Line	LU	Archiving Process	To review the archiving process before and after transfer of documents to TfL, i.e. is TfL able to archive material and then retrieve it efficiently and effectively?	
Operational reliability	LU	Workforce Planning Project Lessons Learned	To provide Lessons Learned for the Workforce Planning Project	
Achieving safety outcomes	Pan TfL	Safeguarding Assurance (TfL)	To provide assurance on the adequacy and effectiveness of controls in place over safeguarding across TfL.	8
Financial sustainability	Finance	2018/19 mid-year Scorecard review	To determine the accuracy of the new performance measures in the 2018/19 Quarter 2 TfL Scorecard.	

Transport for London Audit and Assurance Committee

Strategic risk	Directorate	Audit title	Objective	Planned period
Financial sustainability	Surface Transport	Project Alloyed	To certify costs in respect of EC funding for Project Alloyed	8
	Finance	Governance and Financial Controls for the use of Framework suppliers (4Rail)	To provide assurance that the controls of the framework are effective and it is being used in accordance with TfL processes	
Governance and control suitability	Finance	Business Expenses	To review processes and controls over business expenses	
Major cyber security incident	TfL Pension Fund	Pension Data - Access Security	To provide assurance on the adequacy and effectiveness of security controls over access to pension data	
Achieving safety outcomes	Pan TfL	Effectiveness of the new safety complaints process	To provide assurance that the new complaints process is effective and efficient	9
	LU	Principal Contractor Arrangements	To provide assurance that the workstream to revise management arrangements regards LU acting as Principal Contractor has been effective and that arrangements are being assured via 2nd line of defence activities	
Delivery of key investment programmes	Finance	Re-tender of Professional Services Framework- (Commercial Services)	To provide assurance that the Procurement of the Professional Services Framework (Commercial Services) is carried out in an efficient and effective manner	
Financial sustainability	Surface Transport	Congestion Charging	To provide assurance on the adequacy and effectiveness of financial and business controls in place within Congestion Charging	

Transport for London Audit and Assurance Committee

Strategic risk	Directorate	Audit title	Objective	Planned period
Financial sustainability	Surface Transport	Single Sourcing Governance Assurance (ST)	To ensure that the procurement process used for single sourcing is managed effectively, including the frequency and legitimacy of single sourcing, and the robustness of the approval process	9
	Finance	Governance and Financial Controls for the use of Framework suppliers (Delatim Ltd)	To provide assurance that the controls of the framework are effective and it is being used in accordance with TfL processes	
Inability to deliver predicted revenue growth	Commercial Development	Telecoms Commercialisation Project - ITT to Contract Award	To provide assurance over the project, procurement and financial controls in place for the TCP Project	
Total				18

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Transport for London Audit and Assurance Committee

Work planned to start in Q4 2018/19

Appendix 5

Grouped by planned period

- There are 22 audits planned to start in Q4

Strategic risk	Directorate	Audit title	Objective	Planned period
Financial sustainability	Customers, Communication & Technology	IT Software Licence Management Governance	To assess the framework and process controls in place to manage risks associated with software licensing across TfL.	10
Governance and control suitability	TfL Pension Fund	Pensions Risk Framework	To provide assurance on the adequacy and effectiveness of the Pension risk framework	
	Surface Transport	Cycle Hire	To provide assurance over the operation of key business and financial controls following signing of a new contract and implementation of the revised back office and governance arrangements between Serco and Cubic from July 2017.	
LTM	LT Museum	IT Risk Management: LTM IT Transition Project	To provide assurance that there are effective arrangements in place to ensure that key IT Risks (transitional/ Non-transitional) are appropriately identified, and mitigated; and To provide assurance that there is clear accountability for ongoing management of IT risks in line with the LTM risk appetite	
Major cyber security incident	Customers, Communication & Technology	The Strategic Approach to Cloud Computing Governance	To review the arrangements that TfL has established to manage its use of cloud computing, including policies and procedures, architectural design and security controls. Provide assurance that the security controls are operating effectively.	
Opening of the Elizabeth Line	Crossrail	Network Rail allocation and validation of costs	To review the Network Rail allocation and validation of costs to ensure that costs are supported by assurance evidence.	
Achieving safety outcomes	Surface Transport	Bus Operations - Fatigue Management Assurance	To assess the effectiveness of TfL's management arrangements for minimising the risk from fatigue.	

Transport for London Audit and Assurance Committee

Strategic risk	Directorate	Audit title	Objective	Planned period
Financial sustainability	Transformation	Transformation - Close out process	To provide assurance and real time feedback on the effectiveness and application of the close out process, ensuring initial benefits stated have been realised.	11
	City Planning	Section 278 Agreements	To review the controls in place to ensure that monies due under s278 agreements are collected in full and on a timely basis	
	Finance	Governance and Financial Controls for the use of Framework suppliers (OTB Engineering)	To provide assurance that the controls of the framework are effective and it is being used in accordance with TfL processes	
LTM	LT Museum	Safeguarding: Nib Report follow up	To provide assurance that actions from the 2017 Safeguarding audit and Nib recommendations have been implemented	
Opening of the Elizabeth Line	Crossrail	Organisational Governance	To review the governance of the close-out organisation. This will look at good / best practice and compliance with the PDA / regulatory requirements. To include any new or amended processes and procedures for the new structure and how the close-out organisation is planning to deliver all the requirements of the PDA.	
	Crossrail	Demobilisation and transfer of staff to TfL	A review of the demobilisation process, including readiness and effectiveness of the transfer of any staff from Crossrail to TfL. Review to include any transition plan and 'hold points' should the project be behind schedule.	
Achieving safety outcomes	Surface Transport	London Overground Safety Assurance Arrangements	To provide assurance on the effectiveness and timeliness of safety assurance arrangements including information flow, issue resolution, risk ownership and Lessons Learned	12
Delivery of key investment programmes	Surface Transport	Healthy Streets Portfolio	To provide assurance over the controls over small project spend	

Transport for London Audit and Assurance Committee

Strategic risk	Directorate	Audit title	Objective	Planned period
	Finance	Re-tender of the Transport Planning and Impact Monitoring (PSF)	To provide assurance that the Procurement of the Re-tender of the Transport Planning and Impact Monitoring Framework (PSF) is carried out in an open fair and transparent manner	12
	Finance	Re-tender of the Project & Programme Management Services Framework (PSF)	To provide assurance that the Procurement of the Re-tender of the Project and Programme Management Services Framework (PSF) is carried out in a open fair, and transparent manner.	
Governance and control suitability	Surface Transport	Ultra Low Emissions Zone	To provide assurance over the preparation for go live.	
Financial sustainability	Finance	Expenditure Controls	Provide assurance on the adequacy and effectiveness of revised cost controls.	13
	Finance	Operating Leases	To provide assurance over TfL's approach to identifying operating leases within contracts in preparation for the inception of International Accounting Standard 17 in 219	
Opening of the Elizabeth Line	LU	Rolling stock assurance	To review the assurance of rolling stock from a commercial aspect. The purpose is to ensure the assurance of units signed-off as fit for purpose – in relation quality of manufacture.	
	Crossrail	Management and close out of commercial contracts	To review the management and close out of commercial contracts, including the financial calculations, ensuring alignment of the financial impact of proposed contract commercial settlements are properly recorded in core financial systems	
Total				22

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Transport for London Audit and Assurance Committee

Changes to the 2018/19 audit plan

Appendix 6

- There were ten changes to the plan during Q2. Three audits were added because of changes to procurement strategies, an additional three were either cancelled or deferred to 2019/20 due to the delay to the Elizabeth Line.

Audit title	Status	Comments
Safety and Engineering assurance within capital and maintenance programme	Deferred	Deferred to Q1 2019/ 20 due to transformation in HSE and Engineering directorates
Contract Management Reporting processes for the Elizabeth Line	Deferred	Deferred to Q1 2019/20 due to the delay in completion of Crossrail: Until the Elizabeth Line has been running for a reasonable period there will be insufficient data to come to any audit conclusions KPMG governance review may inform scope
Sponsorship of the Elizabeth Line - Award	Cancelled	Planned as a real-time audit following the procurement through to award No supplier bids submitted, procurement strategy changed as a result, and therefore audit cancelled.
Re-tender of the Project & Programme Management Services Framework (PSF)	New	New audit to reflect that the Re-tender of the Professional Services Framework will now be run as a number of separate procurements: 18 605 Commercial Services, 18 615 Project and Programme Management and 18 614 Transport Planning and Impact Monitoring
Re-tender of the Transport Planning and Impact Monitoring (PSF)	New	New audit to reflect that the Re-tender of the Professional Services Framework will now be run a number of separate procurements: 18 605 Commercial Services, 18 615 Project and Programme Management and 18 614 Transport Planning and Impact Monitoring
Telecoms Commercialisation Project - ITT to Contract Award	New	This new audit will focus on the Invitation To Tender (ITT) up to Contract Award. Development of the ITT was originally included in audit: Telecoms Commercialisation Project -SSQ and ITT development; however timing of ITT development delayed.
2018/19 mid-year Scorecard review	New	To determine the accuracy of the new performance measures in the 2018/19 Quarter 2 TfL Scorecard, and to provide assurance on the processes for forecasting the full year outturn figures.

Transport for London Audit and Assurance Committee

Audit title	Status	Comments
Project Alloyed	New	To certify costs in respect of EC funding for Project Alloyed
Workforce Planning Project Lessons Learned	New	Management request to complete lessons learned review
Health Safety and Environmental Governance of the Elizabeth line	Deferred	Deferred to Q1 2019/20 due to the delay in completion of Crossrail: Until the Elizabeth Line has been running for a reasonable period there will be insufficient data to draw audit conclusions KPMG governance review may inform scope
Total		10

Risk and Assurance Audit Teams Customer Feedback Form Summary of Responses for 2018/19 Quarter 2

We send a customer feedback form to our principal auditee at the conclusion of each audit. This table sets out the questions asked and the responses, including a selection of the freeform comments that we have received.

Customer Feedback Forms Sent: Q2 = 23 (Q1 = 18)

Customer Feedback Forms Returned: Q2 = 11 (Q1 = 13)

ASSIGNMENT ASSESSMENT CRITERIA	No score given		Very poor		Poor		Satisfactory		Good		Very good		Average Score		
	Q1	Q2	1	2	3	4	5	Q1	Q2	Q1	Q2	Q1	Q2	Q1	Q2
PLANNING AND TIMING														4.7	4.3
The assignment timing was agreed with me and there was appropriate consideration of my other commitments as the work progressed	0	0	0	0	0	0	1	2	4	4	8	5	4.5	4.3	
The assignment was completed and the report issued within appropriate timescales	0	0	0	0	0	0	0	2	3	4	10	5	4.8	4.3	
COMMUNICATION														4.4	4.3
Communication prior to the assignment was appropriate, including the dates and objectives	0	0	0	0	0	0	2	2	5	4	6	5	4.3	4.3	
Throughout the assignment I was informed of the work's progress and emerging findings	0	0	0	0	0	0	0	2	6	4	7	5	4.5	4.3	
CONDUCT														4.6	4.3
The Internal Audit team demonstrated a good understanding of the business area under review and associated risks, or took time to build knowledge and understanding as the work progressed	0	0	0	0	0	0	0	2	8	4	5	5	4.4	4.3	
The Internal Audit team acted in a constructive, professional and positive manner	0	0	0	0	0	0	0	2	3	4	10	5	4.8	4.3	
RELEVANT AND USEFUL ADVICE AND ASSURANCE														4.6	4.3
A fair summary of assignment findings was presented in the report	0	0	0	0	0	0	0	2	4	4	9	5	4.7	4.3	
Assignment recommendations were constructive, practical and cost-effective	0	0	0	0	0	0	0	2	7	4	6	5	4.5	4.3	
My concerns were adequately addressed and the review was beneficial to my area of responsibility and operations	0	0	0	0	0	0	0	2	4	4	9	5	4.7	4.3	
Overall assessment														4.6	4.3

Other comments including suggested improvements and areas of good performance:

Due to the transition, the work was originally set up with someone and then transferred across . It meant that we had to play catch up slightly in terms of audit objectives etc. would have been better to get all affected senior managers together at the outset.

Often internal audit can be viewed as a threat, but the reviewer was well received in the team and recommendations were viewed positively as a means of assisting future processes.

The audit was completed within the anticipated timescale.

We were undergoing transition to the new 9001:2015 standard and the recommendations / actions were very helpful giving us areas on which to focus.

Overall the whole process was very good. What I really liked was that there was plenty of notice, allowing time to schedule a meeting to discuss, ongoing communication on progress and further follo up meetings were planned too. Also very sensible and constructive, recommenadtions in a non critical way.

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*Control Environment – Trend Indicators

Audit							
rolling average	Q1 17/18	Q2 17/18	Q3 17/18	Q4 17/18	Q1 18/19	Q2 18/19	Trend
Poorly Controlled	2.0%	3.9%	3.6%	5.4%	7.2%	3.6%	
Requires Improvement or Poorly Controlled	32.0%	32.4%	32.7%	29.2%	20.8%	23.6%	
Finance ¹							
Invoices submitted by SMEs paid within 10 days	92.4%	92.6%	92.0%	90.3%	92.2%	93.0%	
Invoices paid within terms (BVPI8)	98.0%	97.9%	97.7%	97.7%	97.3%	98.0%	
Value of total payments in quarter	Data unavailable				£221.6m	£230m	-
Cumulative monies <u>Owed</u> to TfL arising from debit balances held by leavers	Data unavailable				0.00002% ²	0.00002% ³	
Cumulative monies <u>recovered</u> arising from debit balances held by leavers	Data unavailable				42.0%	50.0%	
Cumulative <u>outstanding</u> monies owed	Data unavailable				58.0%	50.0%	

¹Since Q1 2018/ 19, Finance indicators have been revised to align with business reporting

² £33,846

³ £58,787

* data has been updated since the publication of the papers

Commercial ⁴							
	Q1 17/18	Q2 17/18	Q3 17/18	Q4 17/18	Q1 18/19	Q2 18/19	Trend
Expenditure where PO issued retrospectively ⁵	2.8%	3.3%	1.1%	1.1%	4.1%	2.0%	
Expenditure outside of approved agreements ⁶							
No Purchase order	44.0%	42.0%	43.0%	45.0%	42.4%	44.0%	
Expenditure within approved agreements ⁷							
With Purchase order	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	
Outline Agreements ⁸	20.0%	19.0%	22.0%	20.0%	25.0%	23.0%	
Single sourced	Under development - estimate Jan 2019						
Technology							
Internal system availability	99.87%	98.68%	99.48%	99.50%	100.00%	99.97%	
Information Governance							
Number FOI requests	2317	2869	3100	3053	3034	2973	
On time FOI responses	82.10%	85.50%	88.90%	91.20%	91.7%	92.3%	

⁴ Since Q12018/ 19, Commercial indicators have been revised to align with business reporting

⁵ Includes GLA spend

⁶ Expenditure made off contract - further defined as being without a PO. This is all spend through the system excluding GLA

⁷ Spend made against a purchase order

⁸ The percentage of purchase orders that reference an outline agreement

Audit and Assurance Committee

Date: 29 November 2018

Item: Enterprise Risk Management Policy



This paper will be considered in public

1 Summary

1.1 The purpose of this report is to inform the Committee of the update to TfL's Enterprise Risk Management Policy.

2 Recommendation

2.1 **The Committee is asked to approve the updated Enterprise Risk Management Policy.**

3 Background

3.1 TfL's Risk Management Policy (as it was then called) was last updated in November 2014.

3.2 As has previously been reported to the Committee, since early 2018 TfL has been developing its approach to Enterprise Risk Management, in liaison with the Board and senior management. This has included development of a consistent Enterprise Risk Management Framework (ERMF) and Enterprise Risk Assessment Matrix (ERAM), applicable across TfL, and a programme of deep dive reviews of TfL's strategic risks. Each of the Strategic Risks has now been assigned to one of TfL's committees and panels, which will take the lead on monitoring the management of the risk. Reporting on risk to the respective panels and committees commenced recently.

3.3 The Enterprise Risk Management Policy has been updated to reflect the revised risk management arrangements in place. In particular, it specifically references the ERMF and the role of the Committees and Panels. The Policy will be supported by a more detailed Enterprise Risk Management Procedure, which is currently under development.

List of appendices to this report:

Appendix 1 – Enterprise Risk Management Policy

List of Background Papers:

None

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Policy

P021 A2

Enterprise Risk Management

Policy statement

TfL is committed to managing risks that may impact the achievement of our objectives outlined in our Business Plan and the Mayor's Transport Strategy.

Our commitments include:

- Managing risks and assuring controls consistently as set out in TfL's Enterprise Risk Management Framework;
- Regularly identifying, assessing, monitoring, controlling, mitigating and reporting threats and opportunities impacting the achievement of objectives to inform decision-making at all levels of the organisation;
- Prioritisation of risk mitigation activities where risks are outside of corporate tolerance levels;
- Cultivating a culture of risk awareness and clear accountability and ownership of risk;
- Consideration of risks throughout the business planning process.

The Commissioner has ultimate accountability for ensuring that risks are managed effectively. TfL's Board sets risk tolerance and appetite. The effectiveness of TfL's risk and control processes is reviewed via the Board's committees and advisory panels.

TfL's approach to risk management is aligned to ISO 31000:2018, Risk management - Guidelines.

Approved by:

Date:



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Audit and Assurance Committee



Date: 29 November 2018

Item: Independent Investment Programme Advisory Group (IIPAG) – Quarterly Report

This paper will be considered in public

1 Summary

- 1.1 The purpose of this paper is to present the Independent Investment Programme Advisory Group (IIPAG) Quarterly Report. The report also provides an update on implementation of the IIPAG review recommendations.

2 Recommendation

- 2.1 **The Committee is asked to note the Independent Investment Programme Advisory Group's Quarterly Report and the Management Response set out below.**

3 Background

- 3.1 Under its new Terms of Reference (2018), IIPAG is required to produce quarterly reports of its advice on strategic and systemic issues, logs of progress on actions and recommendations and the effectiveness of the first and second lines of project and programme assurance for the Audit and Assurance Committee.
- 3.2 The Quarter 2 IIPAG Report is the first produced by Alison Munro, the newly appointed IIPAG Chair. Given the short time since the last IIPAG Quarterly Report in September 2018, her report is focused on providing an update on the recruitment of new IIPAG members and early consideration of the future direction and scope of IIPAG.
- 3.3 There are no new recommendations in the IIPAG Quarterly Report.

4 Management Response

IIPAG Members

- 4.1 As noted in the IIPAG Quarterly Report, recruitment of new members is now progressing well with offers made recently to three new members. The contracts with four IIPAG members (Colin Porter, Terry Fitzgibbon, Paul Jenkins and Mike Woods) ended on 31 October 2018. They took part in the Sub-programme reviews planned for submission to the Programmes and Investment Committee on 11 December 2018. Two other members (Christine Shoukry and David Meyer) remain in post until their contracts end on 31 January 2019.

IIPAG Recommendation Tracking

- 4.2 The process to track the recommendations made by IIPAG and Project Assurance has been strengthened. Project teams are now required to explicitly state whether each recommendation is agreed or not agreed. The Project Assurance team actively tracks the progress against the recommendations as part of its Continuous Assurance, enabling any trends to be identified.
- 4.3 The number of overdue recommendations has decreased from 45 to 21, a reduction of 54 per cent. The IIPAG analysis records the recommendations against the original baseline date. A revised date for closing each of the 21 recommendations has been agreed with Project Assurance. Of these, four recommendations are tracking late against the revised target dates.
- 4.4 The project teams have been advised that IIPAG tracks progress against the original dates and reports on overdue recommendations to the Audit and Assurance Committee and the Programmes and Investment Committee.
- 4.5 The previous IIPAG Quarterly Report (September 2018) also highlighted eight recommendations that it considered to be not agreed. One was a duplicate and only one now remains not agreed but no further action is required. A detailed status report for the eight recommendations is included in Appendix 1.

5 IIPAG Review Implementation Update

- 5.1 The Committee has previously received a separate quarterly update on the progress being made to implement the recommendations made by TC Chew in his 2017 review of IIPAG.
- 5.2 There are now only two outstanding actions against those recommendations: completion of recruitment of IIPAG members; and establishing a TfL-IIPAG Memorandum of Understanding (MoU).
- 5.3 The IIPAG Quarterly Report provides an update on recruitment, with three new members expected to join the group by the end of November. TfL will arrange an introductory briefing session for the new members, including introductions to Committee Members, for the new year.
- 5.4 The MoU will also be developed with IIPAG in the coming months once the new model for IIPAG has been established.

List of appendices to this report:

Appendix 1 – Detailed status of each non-agreed IIPAG recommendation.
Appendix 2 – IIPAG Quarterly Report (November 2018)

List of Background Papers:

None

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Appendix 1 – Status of IIPAG Recommendations referred to in Appendix 1 of IIPAG September Quarterly Report

	Project Name	Recommendation	Management Response	IIPAG view (September IIPAG report)	Status (12 November 2018)
1	Major Stations Sub-Programme	No further Supplemental Agreements or CAP arrangements are put in place until a detailed review of them has been undertaken which identifies any benefits that may have accrued from them and sets out their risks and disadvantages.	CAP is embedded in TfL standard forms of NEC3 contract. Any future Supplemental Agreements in this programme will consider the benefits that will materialise before seeking approval. This approach has been reviewed by IIPAG.	IIPAG remains of the view set out in its recommendation.	Agreed. A benefit analysis report for CAP has been produced for IIPAG review and was sent on 29.10.18. The report indicates that of the 15 CAP referrals that made clear recommendations, 9 were in favour of TfL. The average cost of administering CAP was £3k, far lower than that for adjudication.
2	Major Stations Sub-Programme	The mechanism for escalating risks associated with claims is clarified and communicated to ensure that it provides appropriate information at all levels in TfL.	A general TfL Dispute Management process is available on the Commercial Toolkit. However a specific strategy for each program will be developed as disputes arise. This may need to remain confidential and have restricted circulation to avoid prejudice.	IIPAG has not been provided with the stated information from the Commercial Toolkit and, in its interviews, no individual was aware of any defined process.	Agreed. The strategy for each existing claim has been developed. The strategies were reviewed as part of the Major Stations sub-programme review just completed for the December Programmes and Investment Committee submission with full participation of IIPAG.

	Project Name	Recommendation	Management Response	IIPAG view (September IIPAG report)	Status (12 November 2018)
3	Major Stations Sub-Programme	No further Supplemental Agreements or CAP arrangements are put in place until a detailed review of them has been undertaken which identifies any benefits that may have accrued from them and sets out their risks and disadvantages.	<p>The benefits of the Supplementary Agreements are summarised below:</p> <ol style="list-style-type: none"> 1. compensations events to date are agreed; 2. specific contentious issues are identified and plan of action agreed; and 3. contractors are incentivised using KPIs to deliver to set milestones beneficial to passengers. <p>Any Supplemental Agreement would have the advantages and disadvantages set out, including the risk opportunities and threats.</p>	IIPAG remains of the view set out in its recommendation.	Duplicate of recommendation 1 above.
4	Fiveways Junction A23/A232	That the Project Team provides the evidence to support its view that the current scheme is the appropriate option to select.	The Project Team feels that sufficient evidence has been provided as part of the IAR that supports the view that the current scheme is the appropriate option to select.	No further information beyond that provided for the IAR received by IIPAG.	Not Agreed. The Project Team have supplied all the available information including Business Case to support the option selection. No further action planned.

	Project Name	Recommendation	Management Response	IIPAG view (September IIPAG report)	Status (12 November 2018)
5	Access Network and WAN Services	There should be an independent review of the capex costs included in this contract. TfL's costs to manage this contract effectively should be estimated and also be subject to independent review.	TfL have no issue with sharing the Financial Model that underpins the preferred bidder's tender and capex cost broken down, the purpose of such a review is unclear.	No further information of any independent review received by IIPAG.	Agreed. The contract has now been awarded to Capita. The Financial Model has been provided to IIPAG for review.
6	Cycle Superhighway 10	HSPB should consider the wider options for access to the rest of the Cycle Superhighway network from the West of London, for example considering whether routes might need to be linked such that there are fewer routes in more central areas.	Alignment of CS10 runs along 2 strategic cycling corridors identified in the Strategic Cycling Analysis (June 2017). Opportunity for further routes in future to link other key destinations. Future Cycle Routes programme submitted to Healthy Streets Portfolio Board 5 Oct 2017.	IIPAG does not believe that the issue was addressed in the Future Cycle Routes programme submission and has received no further information on this recommendation.	Agreed. The sponsor has now provided further information relating to future cycling routes which demonstrates the linkages between routes. IIPAG response pending.

	Project Name	Recommendation	Management Response	IIPAG view (September IIPAG report)	Status (12 November 2018)
7	Rotherhithe Canary Wharf Crossing	IIPAG recommends that the option selection is deferred until greater certainty can be provided of the likely cost and programme of the navigable bridge and a comparison can be made on a more informed basis of the business case underlying both options.	Substantial work has gone in to the options analysis work based on benchmarking data to determine the preferred option. However, a reference design is required to establish a preferred bridge design and to narrow the cost range of the scheme. This will be subject to consideration by IIPAG and by the Healthy Streets Portfolio Board.	IIPAG understands that the bridge option is preferred by TfL and work on finalising cost estimates and seeking to close the significant budget shortfall continues, but the option of a ferry crossing has not yet been discounted.	Agreed. Superseded by latest Integrated Assurance Review (September 2018) and more recent recommendations made by IIPAG.
8	Rail and Underground Step Free Access	Any works not directly necessary for the SFA scheme be funded and managed outside of the SFA Programme.	Funding: Not agreed. We have committed to fund the wider Accessibility Works as part of the Whole Journey approach to accessibility.	IIPAG agrees with TfL's response.	Closed.

Independent Investment Programme Advisory Group – Quarterly Report (November 2018)

This paper will be considered in public

1 Summary

- 1.1 In light of the short time since the last IIPAG report, there are no new systemic and strategic issues and risks to report from IIPAG reviews. Instead, this report provides an update on recruitment of the new IIPAG members, and early consideration of the future direction and scope of IIPAG.

2 Recommendation

- 2.1 There are no new recommendations.

3 Recruitment

- 3.1 Following final interviews conducted by Anne McMeel, Nelson Ogunshakin and Alison Munro, offers have been made to 3 new IIPAG members. We are hoping to get them on board as soon as possible. They bring a mix of expertise in project and programme delivery, assurance, commercial negotiations, procurement, and railway signalling and systems integration.
- 3.2 While this is good progress, we have a gap in civil engineering expertise, and will be seeking to address that as quickly as possible through further IIPAG recruitment. We will also need to establish a pool of experts whom we can call on for specific areas of expertise as needed, as recommended by the TC Chew Review (2017).

4 Future direction of IIPAG

- 4.1 The new Chair of IIPAG, Alison Munro, has been meeting some members of the TfL Board and the Executive to get an understanding of the business and how IIPAG can add most value. There will be further discussion with the Board and Executive once the new IIPAG members are on board, but some early themes are set out below.
- 4.2 There is a universal desire to see IIPAG succeed, both in providing effective third level assurance, and in being a supportive ‘critical friend’ to management. In terms of the scope of IIPAG’s work, there is an appetite for more cross programme strategic reviews, with potential areas including organisational capability, the application of the Pathway process, and cost estimating. There is also a need to ensure that IIPAG continues to provide in-depth reviews where appropriate. We will wish to consider the scope for a more risk based approach to prioritising IIPAG reviews of programmes and projects. In terms of how IIPAG

operates, the importance of integrating the work of IIPAG with internal assurance and governance has been emphasised.

5 Reviews and Actions

5.1 IIPAG has been involved in a total of four sub-programme reviews and nine Integrated Assurance Reviews since its last report (14 September). These are listed in Table 1 below.

Sub-Programme Reviews	Integrated Assurance Reviews
Major Stations	High Speed 2
Public Transport	Rotherhithe to Canary Wharf
Air Quality and the Environment	Sutton Link
Northern Line Extension	72 Tube Stock Weld Repairs
	Central Line Improvement Programme
	Surface Intelligent Transport System
	Mini Hollands
	Asset Resilience
	Parliament Square

Table 1: IIPAG Involvement in Assurance Reviews

5.2 Figure 1, below, sets out the number of recommendations that are Closed, not yet due (or no date noted) or Overdue (from original baseline date) in the recommendations tracker maintained by Project Assurance.

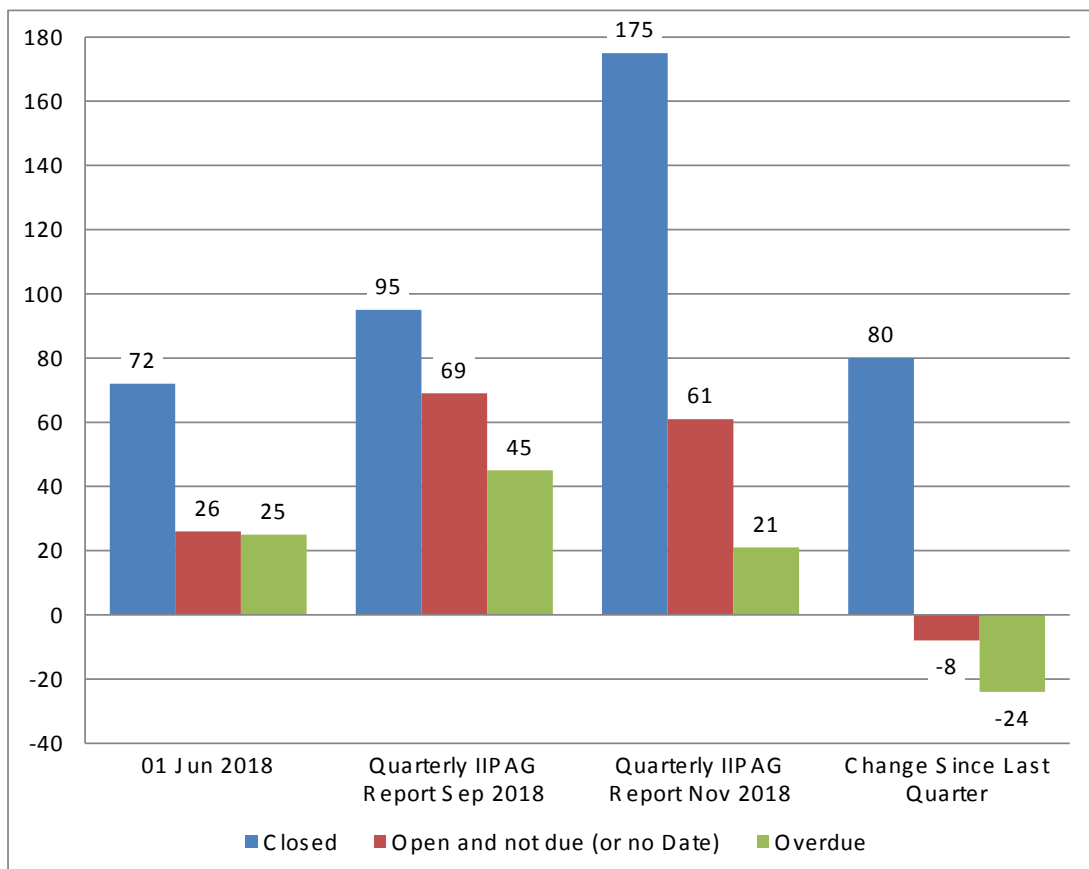


Figure 1: Status of IIPAG Recommendations

- 5.3 The total number of recommendations has increased from 209 to 257 between 3 August and 31 October, with a total of 48 new recommendations made.
- 5.4 There has been a decrease in the number of overdue recommendations from 45 to 21 in the last quarter (54% reduction).
- 5.5 The previous IIPAG Quarterly Report from September 2018 highlighter eight recommendations that we considered not to be agreed. Project Assurance has worked with the sponsor and delivery teams to provide an up to date commentary on each, which is included in the Management Response to this report.

List of appendices to this report:

None

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Audit and Assurance Committee

Date: 29 November 2018

Item: Crossrail Assurance Arrangements

This paper will be considered in public

1 Summary

- 1.1 The purpose of this paper is to report to the Committee on the assurance arrangements that have been in place for Crossrail, as requested by the Committee at its previous meeting.

2 Recommendation

- 2.1 **The Committee is asked to note the paper.**

3 Background

- 3.1 This paper describes the arrangements that were established for the independent assurance over delivery of the Crossrail Project (the Project).
- 3.2 Following the announcement at the end of August of the delay to the opening of the central section of the Elizabeth line, the Department for Transport and TfL, as Joint Sponsors, have commissioned independent reviews into Crossrail Limited's (CRL) governance and financing to ensure its projections are robust. These reviews are being carried out by KPMG.
- 3.3 It is anticipated that these reviews will make recommendations regarding assurance arrangements for CRL over the remaining life of the Project. TfL will review KPMG's recommendations and take appropriate action to amend the assurance arrangements, in consultation with the Audit and Assurance Committee. This will include a full review of future Internal Audit activity to ensure this is effectively targeted for the remainder of the Project.

Project Representative

- 3.4 The Crossrail Project Development Agreement (PDA) between the Secretary of State for Transport (the SoS), TfL and CRL; and the Sponsors Agreement between TfL and the SoS provided for the establishment of a Project Representative (P-Rep) function to oversee and report on the delivery of the Project. The P-Rep functions were defined as including:
- (a) advising the Joint Sponsors on any increase in the risk of triggering the Intervention Points;

- (b) providing independent, informed advice to the Joint Sponsors on progress of the Project in respect of time, costs and quality;
- (c) providing the Joint Sponsors with oversight and analysis of any changes in scope, including any Change;
- (d) monitoring CRL's compliance with the undertakings and assurances placed upon CRL;
- (e) reviewing CRL reporting output and carrying out additional audits or reviews to satisfy the Joint Sponsors of the adequacy and completeness of the same; and
- (f) advising the Joint Sponsors with regard to the capability and resources deployed by CRL and its contractors.

3.5 The Joint Sponsors appointed Jacobs Engineering Group to be the Crossrail P-Rep. In practice, the P-Rep's role has been to act as the Joint Sponsors' 'eyes and ears' on the Project. They are co-located with CRL at Canary Wharf, attending CRL meetings and engage with individuals and teams across the Project. They provide the Joint Sponsors with an overview of the end-to-end delivery of the railway. The Joint Sponsor team (JST) has met with P-Rep on a weekly basis to discuss progress, key issues and risks related to the Project. Members of the JST also meet members of the P-Rep team on an as required basis to discuss specific matters.

3.6 Some of the key elements of the P-Rep's role include the following:

- (a) Production of a 4-weekly Project Status Report for the Joint Sponsors, providing a critical review of the Project's progress, identifying key issues and risks in delivering Elizabeth line;
- (b) production of a Summary Report in relation to CRL's Semi-annual Construction Report (SACR), providing critical review and assessment of CRL's performance during the semi-annual reporting period in terms of cost, safety, scope, quality, strategy, risk, schedule. The SACR is a requirement of the PDA, and is CRL's formal notification to the Joint Sponsors of the Project's position in relation to cost, performance and output for the six month period;
- (c) support the JST in the review of the Crossrail Investment Model (CIM), which is submitted with the SACR. The CIM is the document that demonstrates how CRL has calculated its P50 and P95 forecast costs. P-Rep compare the data with the cost system PRISM, review cash flows, check risk allowances, carry out spot checks, review any unusual movements, analyse forecast indirect costs, and question any discrepancies. This exercise helps give assurance to the Joint Sponsors that the CRL CIM is accurate;
- (d) review the Quantitative Cost Risk Assessment and Quantitative Schedule Risk Assessment undertaken by CRL every six months. P-Rep ensures the results are appropriate, and any assumptions made are highlighted. This helps give assurance to the Joint Sponsors that the risk allowances made by CRL are appropriate and that any potential Sponsor risks are noted; and

- (e) provide assessment and oversight of the key risks to the delivery of Elizabeth line, as set out in the CRL risk register, and the mitigating actions being undertaken, identifying areas which require further challenge from the Joint Sponsors.

Internal Audit

- 3.7 The Crossrail Audit Committee was responsible for overseeing the audit, assurance, and risk arrangements for the Project. An annual Crossrail Audit Plan was developed each year through review of risk registers and wide consultation with CRL senior management and others such as the P-Rep and relevant TfL senior management. The Annual Audit Plan was presented to the March 2018 meeting of the Crossrail Audit Committee for approval and there was quarterly reporting of progress to the Committee.
- 3.8 There were three main elements to the Crossrail Audit Plans:
 - (a) Internal Audits – these were predominantly carried out by staff from the TfL Internal Audit team reporting to the Crossrail Head of Audit. There were typically around 15 audits per year covering areas such as financial controls, commercial management, IT and Security, and HR controls. Results of these audits were reported to the TfL Audit and Assurance Committee as well as to the Crossrail Audit Committee;
 - (b) Compliance Audits – these were carried out by the in-house Crossrail Audit team and covered HSE and technical compliance with CRL’s management system;
 - (c) Contractor Audits – these made up around two-thirds of the total Audit Plan and were typically short, very focused audits of compliance by CRL’s contractor’s with specific elements of HSE and technical requirements. Again this work was carried out by CRL’s in-house Audit team.
- 3.9 The focus of the Crossrail Audit Plans changed over time as the Project progressed. From 2017/18 onwards the Internal Audit effort was increasingly focused on audits related to transition and preparation for running of services. Time in the plan approved by the Crossrail Audit Committee in March 2018 was split roughly equally between Project completion and handover; financial/ corporate functions; and Elizabeth line operational assurance.
- 3.10 CRL took the decision to disband its Audit Committee following its June 2018 meeting. It was agreed that audit and risk matters in relation to delivery of the Project would also be reported to the Crossrail Board. Matters relating the transition of CRL to TfL and preparations for operational running would be reported to the TfL Audit and Assurance Committee as part of regular reporting on risk and assurance matters.

Other Assurance

- 3.11 For a number of years CRL operated a Contractor Commercial Assurance Review process. This was a regular review of the commercial performance of CRL’s tier 1 contractors against pre-defined criteria, which was used to benchmark

performance, highlight good and bad behaviours and drive improvement. The process ceased in March 2017.

3.12 CRL has also been subject to an annual external review of its management system by Lloyds Register Quality Assurance to assess its compliance with ISO9001 standards. These reviews did not give rise to any significant issues

List of appendices to this report:

None

List of Background Papers:

None

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Audit and Assurance Committee



Date: 29 November 2018

Item: Crossrail Transition Update

This paper will be considered in public

1 Summary

- 1.1 The purpose of this paper is to provide the Committee with an update on Crossrail transition arrangements, overseeing the transfer of functions, activities and accountabilities from those supporting Crossrail programme delivery to those supporting Elizabeth line operations. These are activities currently carried out by Crossrail Limited (CRL) which need to be transferred to and continued by TfL, and are largely back office functions.

2 Recommendation

- 2.1 **The Committee is asked to note the paper.**

3 Crossrail Update

- 3.1 Since the last transition update to the Committee, on 7 June 2018, CRL announced that the planned opening of the Elizabeth line will be delayed from December 2018 to autumn 2019. This additional time is required to ensure that the railway is safe and reliable when it becomes operational through the central section between Paddington and Abbey Wood. The original schedule has been compressed by more time being needed by contractors to complete the fit-out, integrated testing and commissioning of the rail infrastructure and the development of railway systems software.
- 3.2 The delay to the public opening of the Elizabeth line has altered the projected staff numbers and other requirements and these are being reassessed as part of the wider updating of Crossrail's programme.
- 3.3 TfL and Government continue to work through the financial and other implications of the delay in the opening of the central section. The Department for Transport (DfT) and TfL, as Joint Sponsors, have commissioned independent reviews into CRL's governance and financing to ensure its projections are robust. These reviews are being carried out by KPMG. These reviews commenced on 24 September and once this work is finalised a full financing agreement will be developed by the Government and Mayor of London. The Terms of Reference of the reviews were included in the papers to the meeting of the TfL Board on 24 October 2018.

4 Crossrail Limited Board and Management Appointments

- 4.1 Subsequent to the appointments of Anne McMeel and Dr Nelson Ogunshakin, reported in the last update in June, Andrew Pitt was appointed to the CRL Board in July 2018 as a DfT nominated non-executive director.
- 4.2 Mark Wild, previously Managing Director of London Underground took on the role of Crossrail Chief Executive on 19 November 2018.
- 4.3 David Hendry, former TfL Director of Finance, Surface Transport, joined Crossrail as Chief Finance Officer from 29 October 2018. This includes responsibility for the Finance, Legal Services and IT teams.

5 Crossrail Transition Update

- 5.1 Since the last Transition update to the Committee, the CRL community relations and marketing teams have now transitioned to the appropriate teams within the TfL. Given the delay to the project, media and public affairs functions remain at CRL and continue to work very closely with Joint Sponsors. The timing of the transition of these teams to TfL will be reviewed on completion of a revised delivery schedule for the project.
- 5.2 Budget and accountability for managing land acquisitions under compulsory purchase order has now transferred to TfL. The agreed CRL Land and Property capex budget was agreed and offset against the budget to be repaid to CRL for delivery of the Over Site Development preparatory works. The remaining budget was transferred to TfL Commercial Development at the end of June 2018.
- 5.3 The most recent transition has been the role and responsibilities for Crossrail safeguarding and planning applications to TfL Engineering in October. This follows and aligns with the transfer of utility searches to the same team in July.
- 5.4 Lessons learned review meetings continue to be held following transitions to TfL. The primary goal of these reviews has been to capture and disseminate the lessons to be learned from the early transition activities to those still in the planning, as well as identifying any outstanding issues to be resolved or recommendations for improvement. However, the capture and sharing of wider lessons in relation to the overall transition, its scope and objectives is also planned; elements of this have already been captured within each of the reviews.

6 Crossrail Accommodation and Information Technology Plans

- 6.1 Crossrail is preparing to implement its Accommodation and Information and Technology migration plans. The Crossrail project team will move from its principal offices at 25 Canada Square in December 2018, when the current lease expires and will move to the existing CRL office at Westferry Circus and TfL office at Endeavour Square in Stratford.
- 6.2 The changes to the CRL delivery programme means the number of people being migrated, and the associated IT transfer requirements, has increased significantly from those when this was first planned. CRL is looking at the possibility of obtaining further accommodation at Endeavour Square.

7 Two-month Look Ahead

- 7.1 The immediate focus of transition over the next two-months is on ensuring minimum disruption in the migration from the CRL IT infrastructure and support model to the TfL IT infrastructure and support model.
- 7.2 The focus is also on assessing the impact of the CRL programme delays on the planned transition timescales while continuing to ensure recent transitions are successfully embedded within TfL, including the resolution of any outstanding issues and continued adaptations to other transition arrangements where there are dependencies between them.
- 7.3 The updated delivery plans need to be reassessed against the transition plans as these changes to the CRL programme and the related demobilisation plans could significantly impact the potential demands, successes and mitigations of current transition assumptions.

List of appendices to this report:

None

List of Background Papers:

None

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Audit and Assurance Committee



Date: 29 November 2018

Item: Critical Accounting Policies

This paper will be considered in public

1 Summary

- 1.1 The purpose of this paper is to update the Committee on the Group's critical accounting policies to be applied in deriving the form and content of TfL's Statement of Accounts for the year ending 31 March 2019.
- 1.2 This update reflects any changes to the CIPFA/Local Authority (Scotland) Accounts Advisory Committee (LASAAC) Code of Practice on Local Authority Accounting (the "Code") and any other changes to International Financial Reporting Standards ("IFRS") which may have an impact on TfL's Statement of Accounts for the year ending 31 March 2019.

2 Recommendation

- 2.1 **The Committee is asked to note the paper.**

3 Background

- 3.1 TfL's Statement of Accounts is prepared in accordance with the provisions of the Local Audit and Accountability Act 2014 and the Accounts and Audit Regulations 2015 ("the Regulations"). The form and content followed in preparing the Statements are as prescribed in the Regulations and by the Code. The accounting policies followed are also substantially as prescribed by the Code.
- 3.2 The Code is updated annually by the CIPFA/LASAAC Joint Committee, a standing committee of the CIPFA and LASAAC, and is based on European Union Adopted IFRS, with adaptations and interpretations considered necessary for the local government context. The 2018/19 Code has been prepared on the basis of accounting standards and interpretations in effect for accounting periods commencing on or after 1 April 2018.
- 3.3 This paper deals with changes to the critical accounting policies as they relate to the accounts for the year ending 31 March 2019.

4 Developments in 2018/19 Code

- 4.1 The 2018/19 Code introduces two substantial new financial reporting standards:

IFRS 9 Financial Instruments (IFRS 9)

- 4.2 This standard is effective for years beginning on or after 1 January 2018 and supersedes IAS 39 Financial instruments: Recognition and Measurement. TfL applies IFRS 9 from 1 April 2018. IFRS 9 provides guidance on three areas: a) the classification and measurement of financial assets and financial liabilities b) impairment methodology and c) hedge accounting.
- 4.3 With respect to classification and measurement, initial recognition of financial instruments is at fair value with subsequent measurement either at amortised cost or fair value. The standard introduces a two step test to determine the appropriate classification and measurement of financial assets. This entails an assessment of the business model/purpose in holding the financial assets as well as the nature of the contractual cash flows arising. Financial liabilities are measured at amortised cost with limited exceptions. Further, the standard contains guidance on de-recognition criteria.
- 4.4 With respect to impairment methodology, IFRS 9 requires a probability based, forward looking, expected credit losses model, as opposed to the current standard which requires a provision to be recorded only when there is evidence of likely impairment.
- 4.5 With respect to hedge accounting, IFRS 9 strives to align the accounting impacts of a hedging strategy with the economic risks being managed. Hedge documentation and testing focus on the economic relationship upheld by the hedging strategy and introduces greater flexibility to the types of transactions eligible for hedge accounting treatment, specifically broadening the types of instruments that qualify as hedging instruments.

IFRS 15 Revenue from contracts with customers (IFRS 15)

- 4.6 This standard is effective for years beginning on or after 1 January 2018. TfL applies IFRS 15 from 1 April 2018. IFRS 15 replaces IAS 18 revenue standard. IFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contract with customers. The core principle of the standard is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. IFRS 15 focusses on transfer of control as opposed to transfer of risks and rewards under IAS 18.
- 4.7 TfL has performed an assessment of the impact of adopting IFRS 9 and IFRS 15. As stated in the annual report and statement of accounts for the year ended 31 March 2018, neither standard is expected to have a significant impact on TfL, although there are some process changes required to ensure compliance with the standards and some additional disclosures likely to be required in the statement of accounts for the year ending 31 March 2019.

- 4.8 Other standards and interpretations mandatory for years commencing on or after 1 January 2018 and that are not expected to have a material impact on TfL, include:
- (a) Amendment to IAS 40 Transfers of investment property;
 - (b) IFRIC 22 Foreign currency transactions and advance consideration;
 - (c) Amendments to IFRS 2: Classification and measurement of share-based payment transactions; and
 - (d) Amendments to IFRS 4: Applying IFRS 9 financial instruments with IFRS 4 insurance contracts.

5 Future Changes to IFRS

IFRS 16 Leases

- 5.1 IFRS 16 is effective for years beginning on or after 1 January 2019. TfL will apply IFRS 16 from 1 April 2019. IFRS 16 will replace the current guidance in IAS 17 on leases. The standard provides a single lessee accounting model requiring lessees to recognise right-of-use assets and lease liabilities for all leases, in a manner similar to the current treatment of finance leased assets. Instead of lease payments being charged to the profit and loss account through operating expenditure (as has previously been the case for operating leases), the profit and loss account will instead be charged with a notional depreciation charge in relation to the right-of-use asset. Payments made under the lease will be apportioned between a financing charge to the profit and loss account, and repayment of the balance sheet liability.
- 5.2 Lessors will continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting remaining substantially unchanged from the IAS 17 approach.
- 5.3 The standard is expected to have a significant impact for TfL. Although the impact has not yet been quantified, the TfL Group financial statements for 2017/18 show that, as at 31 March 2018, the Group had future financial commitments on operating leases (where TfL is a lessee) amounting to £1,450m. Currently these commitments are not included on the balance sheet, but are included in the disclosures to the financial statements. Discounting this figure back to its present value, would indicate that recognition of a right-of-use asset and lease liability on our balance sheet in relation to these leases could result in a gross up in the range of £800m - £900m (value derived based on set of assumptions).
- 5.4 The definition of, and guidance surrounding, what constitutes a lease has also changed, such that it is probable that historic operating lease commitment disclosures do not capture the full population of leases that will be caught by the new standard. There is therefore a scope for the right-of-use asset and liability to be materially above this ball park figure.
- 5.5 We have started the implementation project and have engaged Deloitte to help us. We have liaised with our auditors, Ernst & Young LLP, on the project timelines and intend to update them on a regular basis on our key judgements and conclusions.

- 5.6 We have engaged with each division to understand whether any of the significant contracts can be viewed as a lease under IFRS 16 and have initiated the data gathering process for the existing operating leases. We expect to obtain sign off from the divisions by December 2018.
- 5.7 The group has c.1,200 leases and we intend to use an IT tool to help in calculating the right-of-use assets and lease liabilities for each lease. We have engaged with the Tech and Data team who are coordinating with Commercial to procure the appropriate IT tool. This work stream is in very initial stage, but aims to have a system selected and in place by early March 2019. Once the IT tool is in place, data will need to be loaded in readiness to calculate TfL's opening IFRS 16 compliant numbers as at 1 April 2019.
- 5.8 Training on process changes and accounting, finalisation of accounting policy for leases and updating the chart of accounts will take place between January and February 2019.
- 5.9 We expect to quantify the impact of IFRS 16 in our disclosure note in our annual report for the year ending 31 March 2019.

Other Standards

- 5.10 At 1 April 2019 new processes, controls and forecasting capabilities will be in place to ensure compliance with the new standard.
- 5.11 Historically, credit rating agencies have not counted operating leases towards TfL's debt, unlike they do for other corporates. The introduction of the new leasing standard has prompted them to reconsider their approach on this matter, and they have confirmed to us that they will now include operating leases in TfL's debt metrics. While this will impact some of our financial ratios, we do not expect our credit ratings to be impacted solely as a result of this, as the change in ratios is driven by a change in accounting standards, not a change in the substance of what we are doing.
- 5.12 At 1 April 2019 new processes, controls and forecasting capabilities will be in place to ensure compliance with the new standard.
- 5.13 Other standards and interpretations mandatory for years commencing on or after 1 January 2019 and that are not expected to have a material impact on TfL, include:
- (a) Amendments to IFRS 9: Prepayment features with negative compensation;
 - (b) IFRIC 23 uncertainty over tax treatments (not yet endorsed by the EU);
 - (c) Annual Improvements to IFRS Standards 2015-2017 Cycle (not yet endorsed by the EU);
 - (d) Amendments to IAS 19: Plan amendment, curtailment or settlement (not yet endorsed by the EU); and
 - (e) Amendments to IAS 28: Long-term interests in associates and joint ventures (not yet endorsed by the EU).

6 Accounting Policies and Guidance Process

- 6.1 A clear process and communications with the divisions has been established for preparing technical accounting papers and guidance for the following types of transactions:
- (a) complex transactions;
 - (b) matters requiring significant judgements or estimates;
 - (c) significant capital projects on topics such as whether an expense should be capitalised or not;
 - (d) payments over time for use of an asset (i.e leases);
 - (e) service contracts that specify the use of a particular asset;
 - (f) use of financial guarantees or debt instruments; and
 - (g) formation of new legal entities
- 6.2 These technical accounting papers will reviewed by the Group Technical Accounting Team, where necessary and, if required, cleared by our external auditors prior to the year end.
- 6.3 A central inbox for technical queries has been set up where all final communications to the divisions will be maintained in one place, saved and archived.
- 6.4 An accounting queries log is maintained by the Group Technical Accounting Team for all accounting consultations raised and final communications to the divisions are saved on the Group's network drive. Further, on a quarterly basis, any significant matters are reported to the CFO Leadership Team.
- 6.5 In situations where a number of accounting queries are received on a particular topic, the team drafts appropriate guidance and adds it to the Group Accounting Policy Manual on the intranet.

List of appendices to this report:

None

List of Background Papers:

None

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Audit and Assurance Committee



Date: 29 November 2018

Item: National Fraud Initiative Update

This paper will be considered in public

1 Summary

1.1 To provide the Committee with an update to conclude the National Fraud Initiative (NFI) exercise for 2016. By convention, each exercise is referred to by the year in which the data was first submitted, hence the exercise reporting data for 2015 and 2016 is referred to as the “2016” cycle.

2 Recommendation

2.1 **The Committee is asked to note the paper.**

3 Background

3.1 The NFI coordinators held workshops to support the 2016 NFI exercise which addressed issues and potential improvements identified during the work conducted during 2014-15. For example, we identified alternative departments as potentially more appropriate to support specific queries – with TfL Human Resources rather than Payroll now investigating visa and immigration issues, for example. The workshops have also introduced those individuals new to the process as to their remit, including data submission, key dates and their obligations to Fair Process Compliance.

3.2 The TfL supporting data was uploaded in support of the 2016 NFI exercise prior to the 11 October 2016 deadline. The data complies with the datasets provided by the Cabinet Office.

3.3 The matches returned from the NFI were reviewed and allocated to the various TfL departments and functions supporting the exercise.

4 Progress Reporting

4.1 The table below highlights the overall TfL progress on the recommended High Priority matches to date.

Area	2016 Total	2016 Recommended	2016 High Priority Recommended	2016 High Priority cleared	2016 High Priority Cleared (%)
Payroll	139	32	25	22	88.00%
Pensions	638	286	286	253	88.46%
Creditors	19,364	3,858	3,858	3,847	99.71%
Blue badge licence exemptions (for Congestion Charging)	3,360	3,098	3,098	3,090	99.74%
Insurance	76	-	-	-	-
Taxi and Private Hire Vehicle Drivers	545	-	-	-	-
Amberhill matches	263	211	23	12	52.17%
Total	24,385	7,485	7,290	7,224	

Results

4.2 Appendix 1 provides a progress update on resolving the matches since the prior report along with key achievements from prior reports. All other matches are now closed as far as the 2016 exercise is concerned – Members should refer to earlier reports for supporting narrative in respect of resolution of matches not addressed here. Outstanding matches will be carried forward to the 2018 exercise and addressed as far as possible, but there will be no further reporting of the 2016 exercise.

4.3 Overall, the final results for the 2016 cycle are similar to those for 2014, with a couple of notable exceptions. Payroll results have improved from a 2014 performance of 48 per cent, largely as a result of more effective management of the workload. Resolution of the Amberhill matches remains a sticking area where we show less than satisfactory progress – a 52 per cent resolution rate shows a decline against a 70 per cent rate in the 2014 cycle, which was itself disappointing

for an area of more significant risk. The main driver for performance remains consistent between 2014 and 2016: there is a lack of traction from the Metropolitan Police in respect of resolving issues that may be two years old by the time that they are passed to the Amberhill team, and possibly older by the time that they are addressed further. The resolution rate reflects the pragmatic approach to triage taken by our counterparty.

Payroll

- 4.4 The NFI provide matches to identify cases where the employee might be in breach of their terms of employment and/or working illegally within the United Kingdom and further details are provided in Appendix 1.

Pensions

- 4.5 The Pensions team have identified three cases evidenced with death certificates, which confirm the demise of the pensioner and further details are provided in Appendix 1.

Taxi and Private Hire

- 4.6 There were no high priority matches. See Appendix 1 for further detail.

Blue Badges

- 4.7 The NFI provided 3,360 cases where blue badge holders are advised as being deceased. The Road User Charging Team (RUCT) reviewed and cancelled 3,352 blue badge cases. The results are discussed in more detail within the Appendix 1 to this report.

Insurance

- 4.8 There were no high priority matches. See Appendix 1 for further detail.

Creditors Payments

- 4.9 The Data Management team reviewed and identified three non-recommended historic cases where duplicate payments totalling £13,288 were made against two duplicate invoices. The matches also identified twelve cases where the TfL database had two different vendor ID's for the one vendor. Duplicate payments totalling £771,179 were noted – members will recall that these duplicates relate to the early months of 2015 prior to the full implementation of the Apex First Strike software, and that the major control risks have been addressed by automation. In all cited cases the monies have been subsequently recovered.

Creditors' Information (no recommendation by the NFI)

- 4.10 Matches supporting instances of vendor information appearing on more than one vendor on the TfL system continues to be reviewed by the Data Management team. Whilst not considered high priority by the NFI, they can identify instances where fraudulent activity could occur.

Amberhill

- 4.11 The Amberhill database holds information which when queried with other organisations can support ongoing criminal investigations. The TfL matches have been reviewed by the TfL Internal Audit Fraud Team (IAFT) due to the nature of these requests.
- 4.12 The results are discussed in more detail within the Appendix 1 to this report.

5 2018 NFI Exercise

- 5.1 The majority of the base data for the 2018 NFI exercise has been submitted to the Cabinet Office. This data covers the two years to 31 December 2018 and the remainder of the data will be submitted early in the Near Year. Data matches for the forthcoming exercise is expected to be available by January 2019, and the findings and progress in resolving issues identified will be reported to a future meeting.

List of appendices to this report:

Appendix 1 – 2015/16 NFI results

List of Background Papers:

None

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Payroll Results

Report	Progress
Payroll to Payroll Between Organisations	<p>Payroll to Payroll matches identify instances where the individual is on the TfL payroll as well as another organisation's payroll. This may potentially be against the terms of employment or an act of fraud. There are nine high priority matches, of which six matches have been reviewed and closed during the period, with no issues being noted.</p> <p>Three matches remain outstanding and will be followed up.</p>
Payroll to In-Country Immigration	<p>Payroll to In-Country Immigration matches identify instances where an employee of TfL potentially does not have the right to work or live in the UK. There were ten high priority items notified in this category which have been processed and closed with no issues noted.</p> <p>There were 4 other medium priority matches which were processed and closed with no issues to note.</p>
Payroll to Pensions	<p>The matches identify cases where employees who have gone back into employment after drawing a pension that could result in an abatement of pension.</p> <p>36 non-recommended matches been identified, reviewed and closed with no issues noted.</p>
Payroll to Creditors	<p>Six high priority matches have been identified where an employee on payroll is also linked to a creditor within the TfL system. 4 out of these 6 matches relate to TFL Board members who have been setup as creditors for their travel and other expenses connected to the TFL related services performed by them. These matches are therefore considered legitimate and closed with no issues noted.</p> <p>The other two matches related to freelancers who used to work as contractors for TFL and were later offered employment roles and hence been considered legitimate matches and closed with no issues being noted.</p> <p>.</p>

Pension Results

Report	Progress
Pensions to Deceased Persons	<p>The Pensions to Deceased Persons matches investigates occurrences whether a pension was being drawn against a deceased pensioner.</p> <p>169 high priority matches have been reviewed with 155 being closed with no issues to note. The matches closed to date confirmed the pensioner as deceased through the notification of change in circumstance. This was received before the NFI match was received.</p> <p>In addition, 159 non-recommended matches were reviewed and closed with no issues being noted.</p> <p>14 high priority matches are currently under review and will be followed up.</p>
Deferred Pensions to Deceased Persons	<p>The Deferred Pensions to Deceased Persons matches investigates whether a pension was being drawn against a deceased pensioner.</p> <p>Of the 30 high priority matches noted in the NFI database, 11 have been reviewed and closed with no issues to note.</p> <p>19 high priority matches are currently under review and will be followed up.</p>
Pensions to Payroll	<p>The Pensions to Payroll review identifies instances where a person drawing on a pension might also be in employment and therefore in possible breach of their pension terms and conditions.</p> <p>Of the 87 high priority matches noted, all the matches have been reviewed and closed with no issues to note.</p>

Creditor results

Report	Progress
Duplicate creditors by creditor reference	There were no high priority matches and 225 non-recommended matches reviewed and closed.
Duplicate creditors by creditor name	There were no high priority matches.
Duplicate creditors by address	There were no high priority matches.
Duplicate creditors by bank account number	There were no high priority matches.

Creditors results (cont.)

Report	Progress
Duplicate Records by reference, amount and creditor reference	There were 327 high priority matches provided by NFI, all of which have been processed and closed with no issues to note. The cases identify instances where a vendor identified has duplicate references on the TfL system and duplicate payments processed.
Duplicate Records amount and creditor reference	17,196 matches have been notified to TfL, of which the NFI have recommended TfL review 3,460 instances. This report notes that all high priority matches have been successfully reviewed and closed. Out of the remaining 13,736 non-recommended matches, this report notes that 2,738 were processed and closed with no issues to report.
Duplicate Records identified via various other combination of factors	This review noted 62 high priority cases of which 51 have been reviewed and closed. Twelve cases (totalling £771,179.86) were historic duplicate payments and the money has since been recovered. 3 non-recommended matches reviewed and closed were historic duplicate payments totalling £13,287.60. All monies have since been recovered and no further action required.
VAT Overpaid	There are 9 high priority matches of which 8 have been processed and closed with no issues to report. One review has noted an instance where the wrong VAT amount was paid in error. This had since been corrected.

Blue Badge

<i>Report</i>	<i>Progress</i>
Blue Badge Parking Permit to DWP deceased	<p>The Blue Badge Parking to DWP Deceased review seeks to identify instances when the blue badge has not been recalled following the legitimate badge holders demise.</p> <p>There are 3,098 high priority matches, of which 3,090 have been reviewed and closed.</p> <p>To date, 3,352 Blue Badge discounts have been cancelled. There are eight high priority matches open as the Blue badge holder is not deceased pending further enquiries.</p>

Insurance

<i>Match type</i>	<i>Progress</i>
Insurance Claimants	<p>There are no high priority matches.</p> <p>There are 76 non-recommended matches for review, of which 17 have been reviewed and closed.</p>

Taxi and Private Hire

<i>Match type</i>	<i>Progress</i>
Taxi and Private Hire Vehicle Drivers to In-Country Immigration	<p>There are no high priority matches.</p> <p>There are 545 non-recommended matches, all of which have been reviewed and closed with no issues noted.</p>

Amberhill

<i>Match type</i>	<i>Progress</i>
Taxi Drivers to Amberhill Data	<p>TfL were provided with 22 high priority cases of which 11 have been reviewed and closed.</p> <p>The NFI 2016 data notes one image is found on 43 different identities using one UK drivers licence, mainly of Sri Lankan origin. Amberhill examined the copy documents provided by TfL and found no evidence of forgery.</p> <p>The details of the remaining high priority matches have been forwarded to the Police for further investigation. These matches will remain open until Police investigation is concluded.</p>
Deferred Pensions to Amberhill Data	<p>There are no high priority matches.</p> <p>There is one non-recommended match which relates to a former member of staff found guilty of fraud in 2015 - passport, used to gain employment with TfL, had been obtained fraudulently using a fake birth certificate. TfL legal advised that the Pension cannot be withheld as it was earned. No further action was taken and the case was closed.</p>
Payroll to Amberhill Data	<p>There is one high priority match.</p> <p>The case shows document on Amberhill database is a counterfeit UK driver's licence - member of staff would not provide a driving licence when requested. The matter has been reported to police for them to act if they wish.</p> <p>There are two non-recommended matches, all of which have been reviewed and closed with no issues noted.</p>

Audit and Assurance Committee



Date: 29 November 2018

Item: Register of Gifts and Hospitality for Members and Senior Staff

This paper will be considered in public.

1 Summary

1.1 This paper sets out details of the gifts and hospitality declared by the Board and senior staff. This report covers the period 1 August to 31 October 2018. Details of the gifts and hospitality accepted by Members and the most senior staff are already routinely published on our website.

2 Recommendation

2.1 **The Committee is asked to note the paper.**

3 Background

3.1 TfL's policy on gifts and hospitality applies to TfL Board Members, all staff who work for TfL and staff contracted to work for TfL including on advisory groups or through a third party. It covers both gifts and hospitality offered directly or offered through a spouse or partner.

3.2 The policy was last reviewed and updated in November 2017. It starts from the premise that any gifts or hospitality offered should usually be declined. No offer should be accepted where there is a possibility, or a perception, of being influenced by it. The guidance provides advice on the few circumstances where acceptance might be appropriate but, as a guiding principle, Members and staff are advised to err on the side of caution. Acceptance of any offer requires line manager approval and an explanation as to why acceptance is appropriate.

3.3 Board Members and staff are required to register with the General Counsel any gift or hospitality received in connection with their official duties that has a value of £25 or over, and also the source of the gift or hospitality. For staff, declarations are made at the end of every month. As the acceptance of any offers of gifts or hospitality by Members is uncommon, they are asked to confirm any declarations at the end of every quarter. Offers accepted by Members and the most senior staff are then reviewed and published on tfl.gov.uk on a quarterly basis.

3.4 Gifts and hospitality declarations from Members, the Commissioner and Managing Directors, the General Counsel and the Chief Finance Officer have been published on tfl.gov.uk since 2012.

- 3.5 As part of the revised GLA Group Framework Agreement, considered by the Board on 22 September 2016, we committed to also provide a regular report to the Audit and Assurance Committee on the gifts and hospitality accepted. For these reports, the staff coverage has been extended to all staff that appear on the top level organisation chart published on <https://tfl.gov.uk/corporate/about-tfl/how-we-work/corporate-governance/chief-officers>.

4 Reporting Period and Issues for Consideration

- 4.1 Appendix 1 sets out gifts and hospitality declared by senior staff over the three month period from 1 August to 31 October 2018 (the latest reporting period). There were no declarations by Members during this period.
- 4.2 A total of 169 declarations were made by senior staff in relation to gifts and hospitality offered at a value of £25 or over within the period covered by the report (three months). A total of 137 offers were declined and 32 were accepted. Table 1 provides a summary of the number of offers accepted and declined by senior staff who received more than 10 offers during the period.¹

Table 1: Staff receiving more than 10 offers during the reporting period

Name	Role	Offers	Accepted	Declined
Mike Brown MVO	Commissioner	20	3	17
Graeme Craig	Director of Commercial Development	45	10	35
Stephen Field	Director of Pensions and Reward	20	3	17
Mark Wild	Managing Director London Underground	20	0	20

- 4.3 Table 2 shows the figures provided in previous reports since July 2018 and then breaks these down to a monthly average for each period reported, to enable some trend analysis.
- 4.4 On a monthly average basis, the actual number of offers received has fluctuated from a high of 83.3 to a low of 55. The number of offers received and accepted in the latest period (August-October 2018), is lower than the previous two reporting periods, and lower than the nearest similar period in 2017 (September-November 2017). The offers received and accepted have been reviewed to ensure they comply with the policy and guidance. Where there are concerns that the policy or guidance is not being followed, these are raised with the member of staff and their line manager.

¹ After the publication of the papers, this paragraph was updated to include two further offers that had been received and accepted.

Table 2: Figures reported to previous meetings and monthly averages

	01/09/17-30/11/17	01/12/17-31/01/18	01/02/18-30/04/18	01/05/18-31/07/18	01/08/18-31/10/18²
Period reported to Committee	3 months	2 months	3 months	3 months	3 months
Total offers	250	110	237	249	169
Total declined	177	78	201	185	137
Total accepted	73	32	36	64	32
Monthly average					
Total offers	83.3	55	79.3	83	56.3
Total declined	59	39	67	62	45.6
Total accepted	24.3	16	12	21.3	10.6

List of appendices to this report:

Appendix 1 – Gifts and Hospitality Register, Members and Senior Staff 1 August to 31 October 2018³.

List of Background Papers:

Corporate Gifts and Hospitality Register

Contact Officer: Howard Carter, General Counsel
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² After the publication of the papers, this column was updated to reflect the two further offers received and accepted (see paragraph 4.2)

³ After the publication of the papers, the appendix was updated to include two further offers that had been received and accepted.

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**Gifts and Hospitality - TfL Board Members and Senior Officers
1 August - 31 October 2018**

Name of Officer	Offer Status	Donor/Provider of Gift/Hospitality	Detail of Gift/Hospitality	Reason for Accepting Gift / Hospitality	Date of Event/Hospitality
Adams Simon	Accepted	London First	Speakers dinner pre-conference.	Networking and promotion.	10/09/2018
Adams Simon	Accepted	Mott MacDonald	Infrastructure Awards Dinner	Industry Event	12/09/2018
Barton Glynn	Accepted	ERTICO	ITS World Congress High Level table	Spoke at High level round table on behalf of TfL	25/09/2018
Barton Glynn	Accepted	JCT	Attended 3 day JCT Symposium event on traffic signal technology with colleagues in Network Management	To see latest technology	11/09/2018
Barton Glynn	Accepted	Jack Dangermond - ESRI UK	018 European Transportation GIS summit	Speaker and presenting TfL	02/10/2018
Brown Andy	Accepted	Arup	Innovation in Urbanism exhibition, panel and drinks reception	Professional development and networking	16/10/2018
Brown Mike	Accepted	KPMG	KPMG C Suite Leadership Programme Grad Dinner	To support Stuart Harvey who was graduating from the programme	19/09/2018
Brown Mike	Accepted	Abdul Bhanji, Director, Directorbank	Lunch	Networking	21/09/2018
Brown Mike	Accepted	Lincoln Leong, Chief Executive Officer, MTR	Dinner	networking	23/10/2018
Cernoia-Russo Emanuela	Accepted	Conor Hennebry, Head UK/Ireland Financing & Solutions Group	Business Breakfast meeting with Deutsche Bank	Update on Business Relationship	30/08/2018
Craig Graeme	Accepted	Pocket Living	Dinner	Networking	02/08/2018
Craig Graeme	Accepted	J C Decaux	Drinks to celebrate successful year of sales from J C Decaux MDs and CD Finance Director	Networking	22/08/2018
Craig Graeme	Accepted	U+I	Celebration Dinner to celebrate contract signing on Landmark Court and successful progress at HammerHammersmith Grove.	Networking	11/09/2018
Craig Graeme	Accepted	Dar BCO	British Council Offices President's Lunch from DAR - Major Industry Event	Networking	19/09/2018
Craig Graeme	Accepted	J C Decaux	Dinner with J C Decaux and TfL CFO to discuss success of relationship and opportunities to work together in future	Networking	20/09/2018
Craig Graeme	Accepted	Tower Transit Operations	Dinner	Networking	24/09/2018
Craig Graeme	Accepted	John McAslan	Hidden Homeless Winners Announcement	Networking	27/09/2018
Craig Graeme	Accepted	St. James Property Developers	Groundbreaking Ceremony White City Living	Networking	02/10/2018
Craig Graeme	Accepted	Deloitte	Annual Reception	Networking	11/10/2018
Craig Graeme	Accepted	NLA	MIPIM UK - Capturing Value from Transport Infrastructure Panel	Networking	18/10/2018
Dix Michèle	Accepted	Wessex Advisory	Infrastructure Dinner and discussion	Discuss "Transaction to Enterprise; the challenge of driving a more productive and collaborative approach to delivering infrastructure	24/09/2018
Dix Michèle	Accepted	Curzon and Company LLP	Curzon Masterclass Dinner	Chairman talk regarding Businesses and Business Leaders shaping Gt Britain	11/10/2018
Doig Patrick	Accepted	PwC	Working dinner provided as part of training course (CFO Quest Programme)	Part of training course (CFO Quest Programme)	26/09/2018
Field Stephen	Declined	Robert Eamey, Senior VP, Business Development, PineBridge Investments Europe Ltd	Talk by the Rt. Hon. Iain Duncan Smith re The Great Unknown - the Future of UK Pensions at 6pm	Networking	13/09/2018
Field Stephen	Accepted	Sion Cole, Senior Partner, Investment, Aon	Aon's DB Investment Conference: Actively Seeking Returns, London	Complimentary Conference and CPD	27/09/2018
Field Stephen	Accepted	Wayne Segers, Xafinity Consulting	Annual Review Meeting followed by Lunch	Annual Review Meeting followed by Lunch	08/10/2018

**Gifts and Hospitality - TfL Board Members and Senior Officers
1 August - 31 October 2018**

Field Stephen	Accepted	Neil Lalley, Principal	Xafinity Punter Southall - Annual Pensions Conference followed by lunch	Networking and CPD	04/10/2018
Hampson Lester	Accepted	Savills	Car from JFK to hotel New York	Part of a visit relating to business planning/viewing other sites	19/09/2018
Hampson Lester	Accepted	Savills	Car from hotel back to JFK airport	Part of visit to site for business planning	21/09/2018
Hughes David	Accepted	Turner and Townsend	Enhanced Performance - Connect Breakfast	Enhancing the performance of major infrastructure programme	31/10/2018
Hurwitz Michael	Accepted	Bosch	Future Transport Lunch @ LCG2018 with Bosch	To continue future transport discussion	13/09/2018
Kilonback Simon	Accepted	J C Decaux	Dinner with J C Decaux and Managing Director CD to discuss success of relationship and opportunities to work together in future	Networking	20/09/2018
Mann Claire	Accepted	Basaira Elderly Centre	Monthly Basaira Elderly Centre luncheon	Networking	03/10/2018
Mann Claire	Accepted	Pelican Bus and Coach	Guest on a table	Networking	31/10/2018
Miller Elspeth	Accepted	BNP Paribas	attend the Turner Prize 2018 exhibition	Corporate event and a new partnership with BNP Paribas	25/09/2018
Miller Elspeth	Accepted	BNP Paribas	A bouquet of flowers were given by one of our clients	Did a presentation at BNPP conference	11/09/2018
Mullins Sam	Accepted	Museums+Heritage	Awards show lunch	Part of judging panel; networking in museums and heritage sector	22/08/2018
Page Tom	Accepted	SYTRAL, Lyon	Meal provided to UITP members by host, SYTRAL	No contractual relationship, collaborative event as part of international association.	08/10/2018
Smith Howard	Accepted	The Bruton Group	Network Reception for Senior Execs	Good networking opportunity	26/09/2018
Williams Alex	Accepted	Ruter	Dinner with Ruter the public transport authority of Norway's capital Region, Oslo	Dinner following an official visit / presentation by Ruter	08/08/2018
Wylie David	Accepted	Chartered Institute of Purchasing and Supply	Awards Ceremony and Dinner	Networking with suppliers	12/09/2018
Wylie David	Accepted	Invest Northern Ireland	Construction Supply Chain & Procurement Dinner	Networking	26/09/2018
Youngman Ken	Accepted	J C Decaux	Drinks to celebrate successful year of sales from J C Decaux MDs and Director CD	Networking	22/08/2018

Audit and Assurance Committee



Date: 29 November 2018

Item: Legal Compliance Report (1 April 2018 – 30 September 2018)

This report will be considered in public

1 Summary

1.1 This paper summarises the information provided by each TfL Directorate for the Legal Compliance Report for the period 1 April 2018 to 30 September 2018.

2 Recommendation

2.1 The Committee is asked to note the report.

3 Background

3.1 The Legal Compliance Report is compiled from information supplied through questionnaires completed by each TfL Directorate and follow up discussions concerning known legal compliance issues.

4 Scope of the Report

4.1 The Directorates were asked to identify where they are aware of any alleged breaches of law between 1 April 2018 and 30 September 2018. The questionnaire sought responses concerning the following:

- (a) prosecutions against TfL;
- (b) formal warnings or notices from the Health and Safety Executive, the Office of Rail and Road (ORR), the London Fire Commissioner, the Environment Agency, the Information Commissioner or other Government Agencies;
- (c) investigations by an Ombudsman;
- (d) alleged legal breaches notified by Local Authorities or other bodies;
- (e) judicial reviews;
- (f) involvement in inquests;
- (g) commercial/contract claims in excess of £100,000;
- (h) personal injury claims;
- (i) proceedings in relation to discrimination on the grounds of race, sex, disability, age, religion or belief, sexual orientation, equal pay or breach of contract;

- (j) wrongful or unfair dismissal;
 - (k) actions to recover unpaid debt in excess of £5,000;
 - (l) breaches of EU/UK procurement rules and/or the Competition Act;
 - (m) other material breaches of the law;
 - (n) any other material compliance issues; and
 - (o) any initiatives introduced by Directorates to address compliance issues.
- 4.2 The reporting periods for the tables included in this report follow the six monthly Legal Compliance reporting periods from April to September and October to March. Tables are included where there is sufficient data from which to consider any trend analysis. The tables commence in the reporting period covering April 2014 – September 2014. Each period includes any ongoing matters carried over from previous reporting periods where applicable. Any new matters appear in blue font. In accordance with TfL’s commitment to transparency, the legal compliance report is included in this public paper.

5 Commentary on Legal Compliance Issues

Prosecutions

- 5.1 On 4 June 2016 a contractor working on track improvements was injured as a result of being crushed against a platform at Whitechapel Station by a road rail vehicle and suffered severe injuries. The Office of Rail and Road (ORR) issued criminal proceedings in the Magistrates’ Court against London Underground and Balfour Beatty Rail Limited (BBRL) for breach of section 3(1) of the Health and Safety at Work etc. Act 1974. At the first appearance hearing on 17 May 2018 at Thames Magistrates’ Court, London Underground and BBRL both pleaded guilty on the basis to be agreed with the ORR. A hearing took place on 4 September 2018 where the Magistrates’ Court decided to refer the case to the Crown Court. The case is listed for a sentencing hearing on 29 November 2018.
- 5.2 London Underground has been taking steps to prevent a reoccurrence of such an incident by reviewing its approach and the contractor’s approach to manage work safety. Safety performance has improved significantly over the past 12-18 months due to an increased focus on safe working environments.

Formal Warnings or Notices from the Health and Safety Executive (HSE) or Office of Rail and Road (ORR)

- 5.3 Surface Transport previously reported an incident on the A40 in November 2011, in which a motorcyclist was injured as a result of temporary bridging plates installed over defective expansion joints on the A40 Westway. The HSE investigation is still ongoing and no formal warnings or notices have been issued to date.

Formal Warnings or Notices from the London Fire Commissioner (LFC)

- 5.4 London Underground reported receiving a notice under the Regulatory Reform (Fire Safety) Order 2005 following a routine London Fire Brigade inspection on 12 June 2018 at South Kensington Station. The notice required London Underground to take steps to ensure that the fire doors testing was adequate, emergency exits and routes were available and could be safely and effectively used. All issues have been addressed and awareness was raised as to how to address similar issues in future. No further action is required.
- 5.5 Commercial Development reported a notice received for non-compliance with fire regulations at a retail premises at Canary Wharf DLR station. TfL has written to the tenant to request that all items identified by the London Fire Brigade are addressed. The tenant is in the process of correcting the items. TfL plans to undertake regular inspections and supply the relevant certification to the tenants in future.
- 5.6 Commercial Development also reported receiving a notice regarding the non-compliance of the waste management arrangements of a tenant on Great Portland Street station. The tenant has confirmed in writing that it will take steps to improve the arrangements. TfL continues to monitor the matter.

Formal Warnings or Notices from the Environment Agency

- 5.7 No formal warnings or notices were reported for this period.

Environment Agency Formal Warnings/Notices

	Reporting Period								
	04/14-9/14	10/14-3/15	4/15-9/15	10/15-3/16	4/16-9/16	10/16-3/17	4/17-9/17	10/17-3/18	4/18-9/18
Surface Transport	4			1	1	2			
Underground		1		5					

Formal Warnings or Notices from the Information Commissioner

- 5.8 The Information Commissioner's Office (ICO) investigates alleged instances of non-compliance with the General Data Protection Regulation (GDPR), the Data Protection Acts (DPA) 2018 and 1998 and the Privacy and Electronic Communications (EC Directive) Regulations 2003 (the PECR) (together, data protection legislation), the Freedom of Information Act 2000 (the FOIA) and the Environmental Information Regulations 2004 (the EIRs).
- 5.9 No formal action was taken by the ICO between 1 April and 30 September 2018 in connection with TfL's compliance with data protection legislation.
- 5.10 During this period, the ICO notified TfL of six new complaints from individuals who considered that TfL had failed to process their personal data in accordance with the DPA 1998 (for complaints relating to processing prior to 25 May 2018) or GDPR (for complaints relating to processing after 25 May 2018).

- 5.11 The first of the new complaints arose from the circulation of information about a volunteer working at the London Transport Museum. The ICO found that TfL had complied with the DPA.
- 5.12 The second and third new complaints arose from employee subject access requests (SARs) where the requesters were not satisfied that all data had been provided. The ICO found that TfL was in breach of the DPA in both cases by not releasing all relevant data within the statutory timescale but required no further action to be taken.
- 5.13 The fourth new complaint came from an employee in connection with a SAR that had not received a response. The ICO found TfL had not complied with the GDPR by failing to respond within the statutory timescale. It emerged that a response had been sent on time had been returned as undeliverable. It has since been resent and no further action is required.
- 5.14 The fifth complaint was received from a prospective private hire driver, in connection with an approach he received from someone claiming to be a TfL employee who said they could guarantee that the driver would pass the topographic assessment in return for payment. This matter had already been referred to the police and the ICO (see paragraph 5.21 below) and a prosecution is pending. The ICO has been kept informed and is not intending to take further until more is known regarding the outcome of the prosecution.
- 5.15 The sixth complaint arose when TfL refused a request to delete data from its systems. This related to a disputed cycle hire charge for failure to return a Cycle Hire bicycle. The complainant stated that they had never used the Cycle Hire Scheme but had been the victim of identity theft as a result of a third party data breach. TfL refused to delete the data on the grounds that it might be necessary for the establishment and defence of legal claims. The ICO's response is awaited.
- 5.16 There was also one outstanding data protection complaint from the previous reporting period.
- 5.17 The outstanding complaint arose in connection with a PCN issued to a member of the public in relation to a car with the same Vehicle Registration mark (VRM) as their car. The ICO considered that there was a risk that this was a systemic issue within TfL and asked for clarification of how this occurred and staff training arrangements. TfL has sent a response explaining its processes for mitigating the risk of cloned VRMs. The ICO's response is still awaited.
- 5.18 During this reporting period there were seven data protection breaches that required TfL to notify the ICO. The GDPR introduced a new requirement, from 25 May 2018, for a data breach to be reported to the ICO if it is likely to result in a risk to people's rights and freedoms.

- 5.19 The first breach occurred when images were posted on Facebook showing a photograph of a PHV driver and screenshots of documents relating to that driver's suspension. Three non-permanent staff were found to have accessed the driver's file though only one had a legitimate reason to do so. One individual's contract was terminated and one other had already left TfL. The ICO found that TfL was the victim of an offence under the DPA and that the sanction of termination was proportionate to the sanctions that a court might impose. The ICO therefore decided to take no further action.
- 5.20 The second breach relates to the same events referred to above in paragraph 5.14. The ICO enforcement team indicated that they would take no further action at this stage as the matter is the subject of a prosecution.
- 5.21 The third breach involved the accidental disclosure to a number of Trade Union representatives of data relating to a selection and assessment exercise which involved number of employees. The representatives agreed to delete the data and the employees were notified. The ICO was notified and took no further action.
- 5.22 The fourth breach occurred when one of TfL's suppliers, sent data to their subcontractor in China for the purpose of carrying out pre-employment screening checks on prospective employees who had spent time living in China. One data subject, who is a current employee, was contacted by an anonymous individual who claimed that data the employee had provided to the supplier as part of the screening process was available for sale on [the dark web/online] and that they could get it removed for a fee. The supplier stated that their checks [of the dark web/online] had not located any further data and their Chinese sub-contractor had refused to co-operate in any investigation or provide any details. The employee affected has been provided with identity theft protection. The ICO has not yet responded to TfL's notification of this incident.
- 5.23 The fifth breach occurred in relation to a member of the public visiting one of TfL's office buildings. An individual at the building made a note of the visitor's details and then contacted her privately and posted inappropriate comments on her Facebook page. The individual was suspended by the security contractor who employed them. The ICO has taken no action on this to date.
- 5.24 The sixth breach arose in the context of a complaint by a member of the public about the behaviour of a taxi driver. When the outcome of the complaint was sent to the driver, the name and contact details of the complainant were accidentally included. The driver was contacted and asked to delete the data. The ICO has taken no action to date.
- 5.25 The seventh breach occurred when an employee accidentally emailed notes from a sickness review meeting to a number of staff. The employee realised the mistake regarding the distribution list and attempted to recall the email which was partially successful. The ICO has confirmed that no enforcement action will be taken in response to the incident.

- 5.26 The FOIA and the EIRs give a general right of access to information held by public authorities. Public authorities are generally required to respond to requests for information within 20 working days and provide the requested information unless an exemption applies. Any person who has made a request to a public authority for the disclosure of information under the FOIA or the EIRs can apply to the ICO for a decision on whether a request has been dealt with in accordance with the FOIA or EIRs. Unless the complaint is resolved informally, the ICO records the outcome in a Decision Notice. Appeals against the ICO's decisions are heard by the First-Tier Tribunal (Information Rights).
- 5.27 TfL received 1246 requests under the FOIA and EIRs between 1 April 2018 and 30 September 2018. 1193 of these were replied to on time (95.7 per cent, compared to 91 per cent for the same period last year).
- 5.28 Four complaints to the ICO were open at the end of the last reporting period.
- 5.29 The first related to whether TfL holds a summary list of the risk assessments forwarded to TfL under contractual agreement from various bus operators in 2016 for accidents, vehicle and operational changes. A Decision Notice from the ICO found that the original FOI request was unclear and that clarification should have been sought from the requester. TfL complied with the ICO's directions and sought the clarification advised from the requester to resolve the complaint.
- 5.30 The second complaint arose from the refusal of a request on the grounds it was vexatious. There had been a series of requests for information about the London Highways Alliance Contract (LoHAC). Following re-consideration and correspondence with the ICO TfL relied on the commercial interests exemption. This reflected a prior ICO Decision Notice. The complaint was taken no further by the requester.
- 5.31 The third complaint arose from a refusal to provide information on the decision for an application to renew a private hire operator's licence, to avoid prejudice to law enforcement and the administration of justice. During the course of the ICO's investigation, TfL decided to disclose the information the requester was seeking, in view of the passage of time since the original request was received. However the requester asked the ICO to continue to issue a Decision Notice, which found that the exemption had been appropriately applied at the time the request was made.
- 5.32 The fourth complaint related to whether TfL holds a list of wheelchair accessible taxis in accordance with section 176 of the Equality Act 2010. Following correspondence with the requester, which clarified the position, the ICO closed this case, without requiring any action to be taken.
- 5.33 During the reporting period TfL was notified by the ICO of four new complaints regarding TfL's handling of FOI and EIR requests. One complaint related TfL's decision to withhold a list of the specific stations and/or locations of 'person under a train' incidents on the Underground, to avoid prejudice to health and safety. The ICO found that the exemption was not engaged and has issued a Decision Notice requiring that the information is disclosed. TfL is considering the decision.

- 5.34 The three remaining complaints were closed during this period without the ICO issuing a Decision Notice. Two of the complaints related to the application of the costs limit and in the first case no further action was required by the complainant and in the second the complainant withdrew their complaint. The third complaint related to a refusal to 'confirm or deny' whether personal data sought (in connection with the handling of a complaint made to an LU station) was held. After further review it was found that the information was not held and with the agreement of the ICO, TfL issued a further response to the complainant explaining the position.

Information Commissioner Formal Warnings/Notices

	Reporting Period								
	4/14-9/14	10/14-3/15	4/15-9/15	10/15-3/16	4/16-9/16	10/16-3/17	4/17-9/17	10/17-3/18	4/18-9/18
Commercial Development						1			
Customers, Communication and Technology							1		
Finance									
General Counsel					1	1		1	1
Group HR		1			1				
Planning								1	
Rail	1								
Surface Transport	4	1	3	1	2		5	3	1
Underground				1					1
Crossrail									

Formal Warnings or Notices from any other Government Department or Agency Indicating a Breach of Law

- 5.35 No warnings or notices were reported for this period.

Investigation by an Ombudsman

- 5.36 Surface Transport reported two outstanding investigations from the last report and six new investigations. The outstanding investigations relate to complaints about the manner in which a topographical assessment and a Disclosure and Barring Service (DBS) check were administered and the delay in issuing a PHV driver licence. The six new investigations relate to the relocation of a bus stop near the complainant's home and a proposal to plant trees as part of delivering Phase 2 of the North-South Cycle Superhighway; processing of an application for a PHV drivers licence; whether a private hire vehicle operator was charged the correct licensing fee; the manner in which a bailiff collected an outstanding Penalty Charge Notice fee; the manner in which payment of Penalty Charge Notice was handled; and the manner in which a Congestion Charging resident's account and their Auto Pay account were administered.

- 5.37 In the first outstanding investigation, the LGO identified failings in the procedures and recommended TfL pay compensation to the complainant for the delays caused to the application. TfL complied with the recommendations.
- 5.38 In the second outstanding investigation, TfL complied with the LGO's request to provide further information on the DBS procedure. The LGO found that TfL was at fault in terms of the time it took to respond but that the delay did not cause any injustice to the complainant.
- 5.39 In the first new complaint, the LGO found some fault by TfL but did not find that the decision to relocate the bus stop should change. No further action was taken.
- 5.40 In the second new complaint, the LGO recommended TfL review its processes, apologise and pay compensation to the complainant. TfL complied with the recommendations.
- 5.41 In the third new complaint, TfL provided the LGO details of the new fee structure and information on relevant amounts charged. The LGO found TfL was not at fault and the matter was closed.
- 5.42 In the fourth new complaint, TfL complied with the LGO's request to provide details of the actions by the bailiffs and how the complaint was handled. The LGO was satisfied with the information provided and found TfL was not at fault.
- 5.43 In the fifth new complaint, the LGO found that the payments had been processed incorrectly. The LGO was satisfied that TfL agreed to accept payment at the original amount and took no further action.
- 5.44 In the sixth new complaint, the LGO found no fault. As a gesture of goodwill TfL refunded the difference between the full charge rate and the residents charge rate for the period in which the complainant's account was inactive.

Investigations by Ombudsman

	Reporting Period								
	4/14-9/14	10/14-3/15	4/15-9/15	10/15-3/16	4/16-9/16	10/16-3/17	4/17-9/17	10/17-3/18	4/18-9/18
Rail									
Surface Transport	4	4	3	3	5	8	8	11	2+6

Notices Received Regarding any Alleged Breach of Law by a Local Authority or Other External Agency

- 5.45 Planning reported five outstanding Enforcement Notices from the previous reporting period and one new notice.

- 5.46 The first outstanding notice (received on 25 February 2014) was an Enforcement Notice from the London Borough of Haringey relating to an unauthorised front extension to units on 231-243 High Road and 249a High Road Tottenham. The tenant failed to remove the extension by 31 July 2014 as required by the Notice. TfL wrote to the tenant to remind them of their lease obligations and the risk of prosecution by the London Borough of Haringey. The tenant lodged an appeal with the Planning Inspectorate. The Enforcement Notice remains stayed while a property management company prepares proposals for the frontages of the properties and all the adjacent properties. TfL continues to monitor the matter.
- 5.47 The second outstanding Enforcement Notice (received on 20 April 2017) from the London Borough of Tower Hamlets is in relation to the material change of use to a shisha club at 568A Mile End Road. TfL is in correspondence with the London Borough of Tower Hamlets and plans to re-inspect the site to establish whether the breach still exists. TfL continues to monitor the matter.
- 5.48 The third outstanding Enforcement Notice (received on 14 August 2017) is in relation to change of use of the underground tunnels from storage to the growing of plants at Clapham North Deep Tube Shelter. The property has been returned to TfL and the matter is now closed.
- 5.49 The fourth outstanding Enforcement Notice (received on 14 August 2017) from the London Borough of Harrow is in relation to the change of use to a minicab office at 251–253 Preston Road, Harrow. TfL wrote to the London Borough of Harrow to inform them that the premises are tenanted and it is the responsibility of the tenant to seek planning permission. The tenant has now vacated the premises after planning permission was refused for the change of use of the premises. The matter is now closed.
- 5.50 The fifth outstanding Enforcement Notice (received on 24 January 2018) from the London Borough of Hackney relates to a breach of planning control at a site at Holywell Lane in Shoreditch (under the East London Line). The site is being used as a car park although it was granted temporary planning permission for the use as office/ retail/ mixed use. The tenant has submitted a planning application to the London Borough of Hackney to regularise the use of the site which was refused. TfL awaits the London Borough of Hackney's decision as to whether to take planning enforcement action. TfL continues to monitor the situation.
- 5.51 Commercial Development received an Enforcement Notice on 11 April 2018 from Westminster City Council regarding a contravention of the control of advertising by a TV screen positioned behind a shopfront of a retail store in the West One Shopping Centre. TfL has written to the tenant to inform them of the notice. The tenant has confirmed that they have existing planning consent for their shop front and will contact Westminster City Council. TfL is monitoring the matter.

Alleged Breaches of Law by a Local Authority/Other External Agency

	Reporting Period								
	4/14-9/15	10/14-3/15	4/15-9/15	10/15-3/16	4/16-9/16	10/16-3/17	4/17-9/17	10/17-3/18	4/18-9/18
Commercial Development							1	1	1
Customers, Communication and Technology								1	
Finance									
Planning	6	6	6	7	9	7	8	5	5
Underground	1						3		
Surface Transport							1		

Decisions Subject to a Judicial Review

- 5.52 Surface Transport previously reported an application for judicial review by Westminster City Council in relation to TfL's decision to proceed with the Cycle Superhighway 11 and construction works at Swiss Cottage. A hearing was held on 6 September 2018 at which the application was granted. TfL has made an application seeking permission to appeal the decision.
- 5.53 Crossrail previously reported a judicial review application on 23 August 2017 in relation to a decision by Crossrail to dispose of a site at Woolwich on the open market rather than negotiate a sale of the land exclusively with one interested party. A hearing took place on 21 March 2018 in the High Court and the claim was dismissed. Since then, the Claimant has made an application for leave to appeal. A decision is awaited.

Judicial Reviews of decisions by TfL¹

	Reporting Period								
	4/14-9/14	10/14-3/15	4/15-9/15	10/15-3/16	4/16-9/16	10/16-3/17	4/17-9/17	10/17-3/18	4/18-9/18
Crossrail		1	1		1	1	1	1	1
Customers, Communication and Technology	1	1	1	1	1				
Finance									
Planning		1							
Surface Transport	2	1	2	3	4	3	2	2	1
Underground		1		1	1	1	1		

¹ Judicial Reviews in which TfL is an interested party are not included in the table.

Inquests

- 5.54 London Underground has been involved in 49 inquests, 26 have been carried forward from the previous report. 23 new London Underground inquests are included in this report for the first time.
- 5.55 Of the 26 inquests carried forward from the previous report, six were suicides, two open conclusions, one accident and 17 are awaited. Of the 23 new inquests reported, one was suicide, one accident, one rail collision and 20 are awaited.
- 5.56 Surface Transport has been involved in 176 inquests, 144 have been carried forward from the previous report. 32 new Surface Transport inquests are included in this report for the first time.
- 5.57 Of the 144 outstanding inquests, 87 inquests were adjourned pending the outcome of criminal proceedings or police investigations, 33 are awaited, 11 await the Coroner's decision on whether to resume the inquests, one resulted in a non-fatality, there were two suicides, five deaths by road traffic collision and five deaths by careless or dangerous driving.
- 5.58 Of the 32 newly-reported matters, 31 inquests were awaited and one was a road traffic collision.

Inquests

	Reporting Period								
	4/14-9/14	10/14-3/15	4/15-9/15	10/15-3/16	4/16-9/16	10/16-3/17	4/17-9/17	10/17-3/18	4/18-9/18
Crossrail	2								
Surface Transport	12	13	13	57	79	101	155	163	176 (144 +32)
Rail	3	3	1	1	7	7			
Underground	32	21	29	35	31	46	74	56	49 (26 + 23)

Inquest Findings

	Reporting Period								
	4/14-9/15	10/14-3/15	4/15-9/15	10/15-3/16	4/16-9/16	10/16-3/17	4/17-9/17	10/17-3/18	4/18-9/18
Other	1	1	2	5	7		5	11	11
Narrative	1		1	2	1	1	2	6	
Self-harm									
Misadventure	1		1						
Open Verdict	2	2	2	1	3	5	8	3	2
Accidental	8	4	3	5	18	7	19	6	2
Suicide/ took own life	11	13	6	17	8	14	29	23	9

Commercial / Contract Claims Brought by or Against TfL in Excess of £100,000 (Not Including Personal Injury Claims)

- 5.59 Surface Transport previously reported a claim brought against a licensee for failure to pay rent arrears and other charges. Proceedings were issued on 19 January 2018 to recover the arrears. A trial date is awaited. The matter is ongoing.
- 5.60 On 9 September 2016 the TfL Trustee Company Limited, TfL's pension trustee subsidiary, issued proceedings against HMRC for overpaid VAT on fund management services. A stay of the proceedings has been agreed, pending the outcome of two test cases which may be subject to appeal. The matter is ongoing.
- 5.61 Customers, Communication and Technology previously reported that TfL issued proceedings against Visa and MasterCard in August 2016 in the High Court and separate but related proceedings against MasterCard in September 2016 in the Competition Appeal Tribunal in relation to Multi-lateral interchanges fees (MIFs). TfL is charged MIFs by Visa and MasterCard on all credit card transactions. The claims are on the same basis as many other claims which have been brought by other organisations in the US and the UK on the basis that the MIF arrangements unlawfully restrict competition and are anti-competitive. The proceedings have been stayed pending the outcome of a number of test cases which are currently being considered by the courts. The matter is ongoing.
- 5.62 In the last report, Customers, Communication and Technology reported a claim by Train Operating Companies (TOCs) for revenue due as a result of fares changes in 2015. The matter is ongoing.

Commercial/ Contract Claims

	Reporting Period								
	4/14-9/14	10/14-3/15	4/15-9/15	10/15-3/16	4/16-9/16	10/16-3/17	4/17-9/17	10/17-3/18	4/18-9/18
Crossrail						1	1	1	
Finance					1	1	1	1	1
Surface Transport				1	2	1	1	2	1
Underground	1			1	2	1			
Customers, Communication and Technology						1	1	1	2

Personal Injury Claims

- 5.63 London Underground has been the subject of 212 claims for personal injury that were closed during the reporting period, of which 40 claims were employers' liability claims by staff and 172 claims were for public liability by customers/members of the public.
- 5.64 Of the 172 claims for public liability, 135 were closed without payment and 37 were settled.

- 5.65 Of the 40 claims for employers' liability, 19 were closed without payment and 21 were settled.
- 5.66 Surface Transport has been the subject of 159 claims for personal injury that were closed during the reporting period, of which four claims were for employers' liability and 155 claims were for public liability. London Rail personal injury claims are reported as part of the Surface Transport personal injury claims.
- 5.67 Of the 155 claims for public liability, 114 were closed without payment and 41 were settled.
- 5.68 Of the four claims for employers' liability, two were closed without payment and two were settled.
- 5.69 Finance has been subject to six claims for personal injury that were closed during the reporting period. The six claims were for employers' liability of which two were closed without payment and four were settled.
- 5.70 Out of the 377 personal injury claims closed by TfL during this period, 272 were closed without payment and 105 were settled. There was an increase by 22 personal injury claims closed for this reporting period compared with the 355 claims closed and reported in the last reporting period (1 October 2018 – 31 March 2018).

Personal Injury Claims Concluded in the Reporting Period

	Reporting Period								
	4/14-9/14	10/14-3/15	4/15-9/15	10/15-3/16	4/16-9/16	10/16-3/17	4/17-9/17	10/17-3/18	4/18-9/18
Crossrail						1		1	
Finance	2	1	2	3	2	2	1	2	6
London Transport Museum				1					
Surface Transport	331	371	256	241	220	291	204	152	159
London Rail	10	12	10	13	2	3			3
Underground	249	271	253	259	234	230	231	200	212
Total	592	655	521	517	458	527	436	355	377

Personal Injury Claims – Concluded Employers' Liability (Staff)

	Reporting Period								
	4/14-9/15	10/14-3/15	4/15-9/15	10/15-3/16	4/16-9/16	10/16-3/17	4/17-9/17	10/17-3/18	4/18-9/18
Crossrail						1			
Finance	1	1	1	1	1	1		2	6
Surface Transport	4	5	7		4	5	3	2	4
Underground	51	40	44	41	44	36	38	33	40

Personal Injury Claims – Concluded Public Liability (Customers)

	Reporting Period								
	4/14-9/14	10/14-3/15	4/15-9/15	10/15-3/16	4/16-9/16	10/16-3/17	4/17-9/17	10/17-3/18	4/18-9/18
Crossrail								1	
Finance	1		1	2	1	1	1		
London Transport Museum				1					
London Rail	10	12	10	13	2	3	2		
Surface Transport	327	366	249	241	216	286	201	150	155
Underground	198	231	209	218	190	194	193	167	172

Personal Injury Claims – Concluded Cases

	Reporting Period								
	4/14-9/14	10/14-3/15	4/15-9/15	10/15-3/16	4/16-9/16	10/16-3/17	4/17-9/17	10/17-3/18	4/18-9/18
£15,000	87	88	69	51	29	89	36	38	37
£10,000 - £14,999	56	38	45	24	22	17	16	21	13
£5,000 - £9,999	51	60	46	44	32	32	26	18	15
£1 - £4,999	95	98	104	78	64	63	57	47	40
£0	303	371	255	320	311	326	301	231	272

Employment Tribunal (ET) Proceedings

- 5.71 TfL continues to take a proactive and robust approach to managing ET cases, coupled with an extensive training programme for managers on the latest developments in the law and best practice so as to avoid employment disputes as far as possible.
- 5.72 London Underground has been the subject of 57 ET claims during the period of this report. Of these, 20 were for unfair dismissal, five were for sex discrimination, two were for trade union detriment, 15 were for disability discrimination, nine were for race discrimination, three were for unlawful deductions from wages, one was for the breach of the Agency Worker Regulations, one was for victimisation and one was not being allowed time off to carry out Health and Safety Duties.
- 5.73 Surface Transport has been the subject of 16 ET claims during the period. Of these, seven were for unfair dismissal, two were for unlawful deductions, two were for deductions of holiday pay, four for race discrimination and one for sex discrimination.
- 5.74 Major Projects has been the subject of one ET Claim. The claim was for unfair dismissal.

- 5.75 Professional Services have been the subject of ten ET claims during the period. Of these, three were for disability discrimination, five for unlawful deduction from wages, one for race discrimination and one was for sex discrimination.
- 5.76 Of a total of 84 ET claims brought during the period, 53 cases are ongoing and 31 were concluded during the period. Of the 31 ET cases concluded during this period, seven were won, eight were withdrawn, five were struck out, one was lost, eight settled, one dismissed and one was partially lost.
- 5.77 There was an increase of 24 ET claims during this reporting period compared with the 60 claims reported in the last reporting period (1 October 2017 – 31 March 2018).

Total number of Claims²

	Reporting Period								
	4/14-9/14	10/14-3/15	4/15-9/15	10/15-3/16	4/16-9/16	10/16-3/17	4/17-9/17	10/17-3/18	4/18-9/18
Commercial Development								1	
Corporate	11	10	14	16	15	14	9	10	10
Crossrail	2	1	1		2	2			
Major Projects									1
Surface Transport	3	7	10	8	6	4	3	8	16
Underground	62	52	43	40	45	43	33	41	57
Total	78	68	68	64	68	63	45	60	84

Employment Tribunal Cases Concluded

*Claims won include withdrawn and struck out claims

	Reporting Period								
	4/14-9/14	10/14-3/15	4/15-9/15	10/15-3/16	4/16-9/16	10/16-3/17	4/17-9/17	10/17-3/18	4/18-9/18
Lost	1	4	8	3	5	6	1	2	2
Settled	12	6	8	7	11	9	9	5	8
Won *	23	21	15	14	14	19	9	15	21

Civil Debt in Excess of £5,000

- 5.78 No claims of Civil Debt were reported for this period.

² A number of the reported claims have more than one head of claim (for example a claimant may claim unfair dismissal and race discrimination or sex discrimination and race discrimination). Where this is the case, the claim is reported once. Where claims involve unfair dismissal, these are reported as the main claim. In cases where there is no obvious main claim (such as multiple types of discrimination) one head of claim is selected.

Unpaid Debt

	Reporting Period								
	4/14-9/14	10/14-3/15	4/15-9/15	10/15-3/16	4/16-9/16	10/16-3/17	4/17-9/17	10/17-3/18	4/18-9/18
Commercial Development								1	
Crossrail	1								
Finance				1	1	1			
Planning	3								
Surface Transport		1	1	1	2	1			
Underground			1				1		

Breaches or Alleged Breaches of EU/UK Procurement Rules and/or the Competition Act 1998

- 5.79 London Underground received three High Court claims during this reporting period from the unsuccessful bidders in the procurement process for new rolling stock on the deep tube lines (Piccadilly, Bakerloo, Central and Waterloo & City) from the unsuccessful bidders in the process. The issue of the High Court proceedings automatically suspended the procurement process, preventing London Underground from entering into a contract with the successful bidder. On 2 November 2018 the High Court lifted the automatic suspension allowing London Underground to enter into contracts with the successful bidder. The claims continue as claims for damages based on alleged errors in the procurement process. A hearing is awaited and London Underground is robustly defending the claims.

Breaches or Alleged Breaches of EU/UK Procurement Rules and/or the Competition Act 1998

	Reporting Period								
	4/14-9/14	10/14-3/15	4/15-9/15	10/15-3/16	4/16-9/16	10/16-3/17	4/17-9/17	10/17-3/18	4/18-9/18
Crossrail									
Commercial Development				1					
Finance	1	1	1	5	1	3			
Planning									
Surface Transport									
Underground	4	2	2	1		1	1		1

Other Known Breaches

- 5.80 No other alleged breaches were identified.

Other Material Compliance Issues

- 5.81 City Planning reported that on 26 June 2018, the Secretary of State for Transport designated the Airports National Policy Statement ('ANPS') in which a third runway at Heathrow was identified as the preferred scheme for achieving increased airport capacity in south-east England. The Mayor considers that the ANPS fails to adequately address the significant health impacts of the proposed scheme in terms of air quality and noise, the adverse impact on surface transport infrastructure which will result from the huge increase in staff, passenger and freight movements, and the implications for the UK's obligations in respect of climate change. The Mayor has joined with the London boroughs of Hammersmith and Fulham, Hillingdon, Richmond and Wandsworth, the Royal Borough of Windsor and Maidenhead and Greenpeace in bringing a legal challenge against the designation of the ANPS by way of judicial review. TfL is an interested party in the proceedings and has provided evidence in support of the claim. The challenge will be heard with five other claims in March 2019.
- 5.82 Commercial Development previously reported a dispute in relation to highways land that was vested in various London boroughs which TfL maintain and was transferred to TfL on 3 July 2000 pursuant to the GLA Roads and Side Roads (Transfer of Property) Order 2000. Of the 32 London boroughs, agreement has been reached for land transfers with 29 boroughs. A hearing in the Court of Appeal was held on 1 and 2 March 2017 in relation to the remaining two boroughs. On 4 August 2017 the Court of Appeal allowed the appeal. TfL was granted permission to appeal to the Supreme Court and a hearing took place on 24 and 25 October 2018. A decision is awaited in 2019.
- 5.83 Surface Transport previously reported that on 22 September 2017 TfL refused to grant Uber London Limited (ULL) a new private hire vehicle operator's licence on the basis that it was not a fit and proper person. ULL appealed TfL's decision and the appeal was heard by the Chief Magistrate at the Westminster Magistrates' Court on 25 and 26 June 2018. On 26 June 2018 the Court granted ULL a 15 month licence subject to conditions to allow the new governance arrangements and other commitments to be implemented and assessed. ULL was ordered to pay TfL's legal costs of £425,000.
- 5.84 During the reporting period the United Cabbies Group has issued a judicial review claim against the decision on the basis of alleged bias on the part of the Chief Magistrate who heard the case as a result of information about a potential conflict of interest which has come to light since the case was heard and that the Magistrate applied the wrong legal test when considering the appeal. On 2 November 2018 the claim was granted permission to proceed and a hearing date is awaited. TfL is an interested party in the proceedings as are Uber London Limited and the Licensed Taxi Drivers Association.
- 5.85 Surface Transport previously reported receiving a claim for compensation under the Land Compensation Act resulting from the Archway Gyratory scheme. The matter is ongoing.

Management of Compliance Issues

- 5.86 TfL's legal and compliance risks are managed as part of TfL's overarching strategic risk management framework. A range of operational and assurance processes are in place to mitigate these risks at all levels in the organisation.
- 5.87 These safeguards are supported by the provision of advice on and training in relevant legal and corporate governance issues, which are tailored to the needs of TfL's business units.
- 5.88 The legal and compliance framework is the subject of continuous review and improvement. Initiatives to address compliance in Information Governance and across TfL have included:
- (a) ongoing work to update commercial templates and forms to ensure they align with legal requirements;
 - (b) promoting TfL's compliance with information governance legislation (including the FOIA, the DPA, and the EIRs) and associated statutory Codes of Practice to the business;
 - (c) maintaining a GDPR Compliance Programme, to oversee and co-ordinate activity and ensure appropriate arrangements are in place, to ensure GDPR compliance across TfL;
 - (d) training and advice to staff on the GDPR requirements and how to ensure appropriate processes and systems are in place;
 - (e) the promotion through the TfL Management System of Information Governance policies, instructions and guidance;
 - (f) the promotion of more pro-active publication of information, to improve transparency and simplify the handling of FOI requests;
 - (g) collaborative working to promote and maintain a programme of pro-active publication of information, to improve transparency and simplify the handling of FOI requests;
 - (h) ongoing bespoke training to the business and HR on a range of employment issues including employment law updates, reasonable adjustments requirements and effective case management and providing guidance and best practice learned from Employment Tribunal cases;
 - (i) training on a range of legal issues including duties under the Equality Act 2010, NEC Contracts, procurement regulations and Alternative Dispute Resolution;
 - (j) continued collaboration to produce training materials and the implementation of an assurance process to ensure TfL's procurement processes are robust and legally compliant;
 - (k) working with Risk and Assurance to identify potential areas for improvement in procurement and commercial processes, alongside a review of processes to ensure they align with TfL Standing Orders;

- (l) ongoing support in relation to the pan-TfL e-tendering portal which has functionality to enable TfL to comply better with its legal procurement obligations and minimise the risk of errors when conducting tender evaluations;
- (m) continued collaboration to ensure better visibility of the correct way of sourcing requirements compliantly, and enable staff to use the resource to seek advice and assistance with procurements;
- (n) continued collaboration to improve contract payment approval processes with the aim of reducing opportunities for fraud in high value works and construction contracts;
- (o) implementation of new Direct Vision Standard and Work Related Road Risk requirements to help improve safety on London roads, including more robust reporting and implementation checks to ensure compliance with legal safety requirements and mitigate road risk; and
- (p) the ongoing issue of the Commercial Law Bulletin to the Commercial Teams to support the dissemination of important messages relating to regulatory and legal issues.

6 Conclusions

- 6.1 The Legal Compliance Report for the period 1 April 2018 to 30 September 2018 sets out the legal and compliance matters of which TfL senior management is aware. There are no material breaches of the law which would affect TfL's continued operations.
- 6.2 Reported matters continue to be broadly in line with previous reports.

List of Appendices to this report:

None

List of Background Papers:

None

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Audit and Assurance Committee

Date: 29 November 2018

Item: Cyber Security Update

This paper will be considered in public

1 Summary

- 1.1 This paper provides an update status to our cyber security programme.
- 1.2 A paper is included on Part 2 of the agenda which contains exempt supplemental information and documentation. Subject to the decision of the Committee, this paper is exempt and is therefore not for publication to the public or press by virtue of paragraph 7 of Schedule 12A of the Local Government Act 1972 in that it contains information relating to action which might be taken in relation to prevention, investigation or prosecution of a crime.

2 Recommendation

- 2.1 **The Committee is asked to note the paper.**

3 Background

- 3.1 TfL relies on digital technologies to deliver services. The use of such technology also exposes us to risks in three broad ways:
 - (a) disruption of operations: through attempts to overwhelm web services and attacks against the control systems of operational services;
 - (b) theft of money or intellectual property: banks have faced attacks on their cash machine networks and trading systems; and
 - (c) theft of confidential data, including personal data: probably the most publicised area, with successful attacks in a number organisations leading to customer details being compromised.
- 3.2 We have an established Cyber Security and Incident Response Team (CSIRT), led by a Chief Information Security Officer reporting to the Chief Technology Officer. The purpose of this team is to maintain resilience against cyber threats.
- 3.3 We work closely with Government security partners and the Department for Transport's Cyber Security Coordination team.
- 3.4 We have implemented a series of risk-based frameworks and policies that align with industry and Government best practice such as the National Cyber Security Centre's "10 Steps to Cyber Security" guidance.
- 3.5 The standards which underpin our policies are published on the staff intranet site and shared with relevant suppliers and third parties. User education and awareness forms a significant part of CSIRT's work.

List of appendices to this paper:

Supplementary information is included in Part 2 of the agenda.

List of Background Papers:

None

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Audit and Assurance Committee



Date: 29 November 2018

Item: Transformation Programme Update

This paper will be considered in public

1 Summary

1.1 This paper provides an update on the Transformation Programme.

2 Recommendation

2.1 **The Committee is asked to note the paper.**

3 Transformation Programme Background

3.1 We are undertaking our largest ever change programme to reduce costs and increase revenue as part of turning an operating deficit into a surplus, as set out in the TfL Business Plan.

3.2 The Programme recognises that change is continuous. Action taken to reduce our back office organisation over the last three years has realised total savings over the period of £209m and annual recurring savings of £111m. Total headcount has reduced by 1,770.

4 Current Organisational Change Activity

4.1 As part of our latest phase of Transformation, four further functions launched organisational change with staff and Trade Unions on 31 October 2018.

4.2 The functions involved are:

(a) Surface Transport, Public Transport Service Planning;

(b) London Underground, Transplant;

(c) London Underground, Track; and

(d) Professional Services, Human Resources.

4.3 This involves reviewing 629 roles with a proposed reduction in posts of 26 per cent (subject to consultation) and an estimated recurring annual saving of £13.9m. We will do all we can to mitigate redundancies and retain the skills and talent we need. This includes not filling posts that are currently vacant and reducing non-permanent labour.

5 A New Business Services Function

- 5.1 To date, our cost reduction programme has largely concentrated on ‘vertical’, divisional organisational change. We are now looking at potential further cost reduction and revenue opportunities through end-to-end process and structural integration ‘across’ the organisation.
- 5.2 In addition to reviewing the four areas mentioned in 4.2 above, we have created a new Business Services function. To begin with, this is responsible for transactional processes in Finance and HR and will deliver savings of around 30 per cent through standardisation of core processes. This is a common model in many organisations and will be structured to provide the option for further transactional services to be added to it over time.
- 5.3 The Business Service function is being led by Andrew Pollins, Transformation Director. We have moved 300 staff into the new function and staff have been engaged through a series of face-to-face briefings.
- 5.4 The immediate priority is to conduct end-to-end reviews of eight core business processes. We will do this while maintaining focus on business as usual activity and will ensure our staff are fully engaged throughout. Internal Audit will provide assurance during the development of the new processes

List of appendices to this report:

None

List of Background Papers:

None

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Audit and Assurance Committee



Date: 29 November 2018

Item: Members Suggestions for Future Discussion Items

This paper will be considered in public.

1 Summary

- 1.1 This paper presents the current forward programme for the Committee and explains how this is put together. Members are invited to suggest additional future discussion items.

2 Recommendation

- 2.1 **The Committee is asked to note the forward programme and is invited to raise any suggestions for future discussion items.**

3 Forward Plan Development

- 3.1 The Board and its Committees and Panels have forward plans. The content of the plans arises from a number of sources:
- (a) standing items for each meeting: minutes; matters arising and actions list; and any regular quarterly reports. For this Committee these include quarterly risk and assurance reports; Crossrail updates; and IIPAG quarterly updates;
 - (b) regular items (annual, half-year or quarterly) which are for review and approval or noting: examples include the legal compliance report, integrated assurance plan, and TfL annual report and accounts;
 - (c) matters reserved for annual approval or review: examples include those already mentioned above as well as annual audit fee, and
 - (d) items requested by Members: the Deputy Chair of TfL and the Chair of this Committee will regularly review the forward plan and may suggest items. Other items will arise out of actions from previous meetings (including meetings of the Board or other Committees and Panels) and any issues suggested under this agenda item.
- 3.2 The Committee is required to meet in private, on an annual basis, with the Director of Internal Audit, External Auditors and Chief Finance Officer. These discussions are scheduled after the following Committee dates:

14 March 2019:	Chief Finance Officer
June 2019:	External Auditors
September/November 2019:	Director of Risk and Assurance

4 **Current Plan**

- 4.1 The current plan is attached as Appendix 1. Like all plans, it is a snapshot in time and items may be added, removed or deferred to a later date.

List of appendices to this report:

Appendix 1 – Audit and Assurance Committee Forward Plan

List of Background Papers:

None

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Membership: Anne McMeel (Chair), Dr Lynn Sloman (Vice Chair), Kay Carberry CBE, Dr Mee Ling Ng OBE and Dr Nelson Ogunshakin OBE

14 March 2019		
Risk and Assurance Quarterly Report	D. Risk and Assurance	Quarterly
Integrated Assurance Plan 2019/20	D. Risk and Assurance	[to include Model of Assurance/Minute Ref 06/03/18]
Crossrail Transition Governance Update	D. Operations - Crossrail	Standing Item
Strategic Risk Management Report	D. Risk and Assurance	Quarterly
Gifts and Hospitality Register	General Counsel	Quarterly
Independent Reporting Lines for the Year Ended 31 December 2018	General Counsel	Annual
Personal Data Disclosure to the Police and Other Agencies	D. Enforcement	Annual
IIPAG Quarterly Update	Director of Risk and Assurance	Quarterly
Transformation Update	D. Transformation	Standing Item.
Integrated Assurance Plan	D. Risk and Assurance	Annual

Annual informal meeting with the Chief Finance Officer

Regular items:

- Risk and Assurance Quarterly Reports
- Gifts and Hospitality
- IIPAG Quarterly Reports
- Crossrail Transition Update
- Transformation Update

Items to be scheduled:

None

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By virtue of paragraph(s) 3, 5, 7 of Part 1 of Schedule 12A of the Local Government Act 1972.

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