

Agenda

Meeting: Audit and Assurance Committee

Date: Wednesday 2 December 2020

Time: 10.00am

Place: Teams Virtual Meeting

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](https://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
Tuesday 24 November 2020

**Agenda
Audit and Assurance Committee
Wednesday 2 December 2020**

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 11 September 2020
(Pages 1 - 8)**

General Counsel

The Committee is asked to approve the minutes of the meeting of the Committee held on 11 September 2020 and authorise the Chair to sign them.

4 Matters Arising and Actions List (Pages 9 - 10)

General Counsel

The Committee is asked to note the updated actions list.

5 Update on TfL's Approach to Delivering Value for Money Across the Investment Programme (Pages 11 - 16)

Director of Investment Delivery Planning

The Committee is asked to note the paper.

External Audit Items

6 External Audit Plan TfL, TTL and Subsidiaries - Year Ending 31 March 2021 (Pages 17 - 70)

Chief Finance Officer

The Committee is asked to note the paper.

7 EY Report on Non-Audit Fees for Six Months Ended 30 September 2020 (Pages 71 - 74)

Chief Finance Officer

The Committee is asked to note the report.

Audit, Risk and Assurance Items

8 Risk and Assurance Quarter 2 Report 2020/21 (Pages 75 - 102)

Director of Risk and Assurance

The Committee is asked to note the report and the supplementary information on Part 2 of the agenda.

9 Independent Investment Programme Advisory Group Quarterly Report (Pages 103 - 106)

Director of Risk and Assurance

The Committee is asked to note the Independent Investment Programme Advisory Group's quarterly report and the management response.

10 Elizabeth Line Audit and Assurance (Pages 107 - 118)

General Counsel and Director of Risk and Assurance

The Committee is asked to note the paper.

11 Enterprise Risk Update - Major Security Incident (ER4)

(Pages 119 - 120)

Director of Compliance, Policing, Operations and Security

The Committee is asked to note the update and the supplementary paper on Part 2.

Accounting and Governance

12 Finance Control Environment Trend Indicators (Pages 121 - 126)

Chief Finance Officer

The Committee is asked to note the dashboard at Appendix 1.

13 Annual Tax Governance Framework Update (Pages 127 - 146)

Chief Finance Officer

The Committee is asked to approve the Anti-Tax Evasion Policy and the Anti-Tax Evasion Statement, and note the TfL Annual Tax Strategy and the Senior Accounting Officer Policy.

14 Legal Compliance Report (1 October 2019 - 30 September 2020)

(Pages 147 - 172)

General Counsel

The Committee is asked to note the report.

15 Register of Gifts and Hospitality for Members and Senior Staff

(Pages 173 - 182)

General Counsel

The Committee is asked to note the paper.

16 Members' Suggestions for Future Discussion Items (Pages 183 - 186)

General Counsel

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.

17 Any Other Business the Chair Considers Urgent

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

18 Date of Next Meeting

Wednesday 17 March 2021 at 10.00am.

19 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&7 of Schedule 12A to the Local Government Act 1972 (as amended), in order to consider the following items of business.

Agenda Part 2

Papers containing supplemental confidential or exempt information not included in the related item on Part 1 of the agenda.

20 Risk and Assurance Quarter 2 2020/21 (Pages 187 - 200)

Director of Risk and Assurance

Exempt supplemental information relating to the item on Part 1.

21 Enterprise Risk Update - Major Security Incident (ER4)
(Pages 201 - 204)

Director of Compliance, Policing, Operations and Security

Exempt supplemental information relating to the item on Part 1.

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Transport for London

Minutes of the Audit and Assurance Committee

Teams Virtual Meeting 11.00am, Friday 11 September 2020

Members

Anne McMeel	Chair
Dr Lynn Sloman	Vice Chair (from Minute 40/09/20)
Kay Carberry CBE	Member
Dr Mee Ling Ng OBE	Member

Executive Committee

Howard Carter	General Counsel
Michèle Dix	Managing Director, Crossrail 2 (Minute Reference 45/09/20)
Simon Kilonback	Chief Finance Officer

Staff

Mushtaq Ali	Interim Head of Internal Audit
Richard Bevins	Head of Information Governance and Data Protection Officer (Minute Reference 46/09/20)
Tanya Coff	Divisional Finance and Procurement Director, London Underground
Andy Ferrar	Head of Finance Controls and Systems (Minute Reference 38/09/20 and 39/09/20)
Siwan Hayward	Director of Compliance, Policing and On-Street Services (Minute Reference 44/09/20)
Lorraine Humphrey	Head of TfL Project Assurance
David Jones	Interim Deputy to Chief Procurement Officer (Minute Reference 38/09/20 and 39/09/20)
Tony King	Group Finance Director and Statutory Chief Finance Officer
Nico Lategan	Head of Enterprise Risk
Richard Mullings	Head of Counter-Fraud & Corruption
Jonathan Patrick	Chief Procurement Officer, Finance (Minute Reference 38/09/20 and 39/09/20)
Rachel Shaw	Head of External Reporting, Finance
Mike Shirbon	Head of Integrated Assurance
Clive Walker	Director of Risk and Assurance
Sue Riley	Secretariat

Also In Attendance

Karl Havers	Partner, Ernst & Young
Caroline Mulley	Associate Partner, Ernst & Young
Alison Munro	Independent Investment Programme Advisory Group, Chair
Joanne White	Independent Investment Programme Advisory Group, Member

32/09/20 Apologies for Absence and Chair's Announcements

The Chair welcomed everyone to the meeting. TfL's meetings now fell within the Flexibility of Local Authority Meetings Regulations 2020 and the meeting was being broadcast live on YouTube, with the exception of the discussion of items exempt from publication on Part 2 of the agenda.

An apology for absence had been received from Dr Nelson Ogunshakin OBE. Dr Lynn Sloman had submitted an apology for lateness and joined the meeting from Minute 40/09/20.

The Chair reminded those present that safety was paramount at TfL and encouraged Members to raise any safety issues during discussions on a relevant item or with TfL staff after the meeting. The Chair raised the issue of a potential over-crowding incident witnessed at the DLR interchange at Bank, due to a delayed train. Station staff were aware of the importance of maintaining passenger safety at all times and staff across all of TfL's services would be reminded to adopt appropriate messaging and crowd control measures where services were delayed and likely to lead to similar incidents.

33/09/20 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.

34/09/20 Minutes of the Meeting of the Committee held on 8 June 2020

The minutes of the meeting held on 8 June 2020 were approved as a correct record and for signing by the Chair.

35/09/20 Matters Arising and Actions List

Howard Carter introduced the paper which set out progress against actions agreed at previous meetings of the Committee.

The Committee noted the Actions List.

36/09/20 TfL's Statement of Accounts for the Year Ended 31 March 2020 – Changes Made Prior to Finalisation

Tony King introduced the paper, which presented information on material changes made to TfL's Statement of Accounts for year ended 31 March 2020, delegated to the Statutory Chief Finance Officer by the Committee at its meeting on 8 June 2020, prior to submission to the Board. Members of the Committee had been advised of the changes prior to the Board approving the Statement of Accounts at its meeting on 29 July 2020.

The Committee noted the paper.

37/09/20 Financial Reporting Council Review of the Audit of the TfL Financial Statements and Value for Money Arrangements for the Year Ended 31 March 2019

Tony King presented the results of the review by the Financial Reporting Council of the audit of the financial statements and value for money arrangements of TfL for the year ended 31 March 2019.

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

38/09/20 Procurement Update

Jonathan Patrick and David Jones introduced the update on key actions being taken by TfL's Procurement and Supply Chain team to address the results of external and internal audits since the previous update to the Committee on 3 December 2019, particularly in relation to the management of non-competitive transactions (NCTs).

Several key changes had been made, including ensuring that the subject of NCTs were reviewed weekly by the Procurement and Supply chain leadership team, issuing revised policy and procedure for staff, improvements to the governance processes and investigating the causes, number and value of NCT events and trends. The aim was to increase the competition and value for money culture within TfL and promote a more consistent approach across procurement teams.

In due course, a broader procurement and supply chain improvement programme would be launched, which would complement and build on these approaches. A small internal team had been established to manage the interface with the support partner, particularly in improved data and analytical resources.

The proposed changes would improve efficiency and enhance the reputation of TfL within the supply chain.

The Committee endorsed the use of compulsory procurement training for staff across the organisation, as appropriate.

Within the Procurement and Supply Chain Strategy and Performance function there was a specific team which led on both TfL's and the GLA's Responsible Procurement initiative.

A further update on procurement would be submitted to the meeting of 17 March 2021, including matrix and key performance indicators. **[Action: Jonathan Patrick]**

The Committee noted the paper.

39/09/20 Control Environment Trend Indicators

Andy Ferrar introduced the paper, setting out financial control environment trend indicators for quarterly reporting to the Committee across finance, business services and procurement.

The re-structuring of the Finance and Business Services teams had improved the management of finance processes, reduced operating costs and embedded good practice. Enhanced financial controls and governance would contribute to reducing fraud opportunities and increasing value for money.

Controls and work practices would be kept under review in the context of increased home working, due to Covid-19.

Data driven decision making was helping to drive a culture of discipline, cost controls and quality.

The Committee noted the proposed Financial Indicators and approved the dashboard for reporting at future meetings.

40/09/20 Effectiveness Review of the External Auditors

Rachel Shaw introduced the annual paper on the performance and effectiveness review of the external auditors across the TfL Group.

The continuity of senior auditors working with TfL was welcomed and Member feedback on the external auditors had been positive in the clear and insightful information provided to the Committee.

It was agreed that EY would submit a timetable for the succession of the lead audit partner to the next meeting. **[Action: Karl Havers]**

The Committee thanked EY and all the TfL staff involved in the finalisation of the accounts for 2019/20, particularly considering the challenging circumstances.

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

41/09/20 Annual Audit Letter

Karl Havers presented the Annual Audit Letter issued by EY, summarising their conclusions on the Annual Statement of Accounts and Value for Money. The letter had been circulated to Committee Members on 24 July 2020.

The Committee noted the letter.

42/09/20 Independent and Investment Programme Advisory Group Quarterly Report

Lorraine Humphrey introduced the management response to the quarterly report of the Independent and Investment Programme Advisory Group (IIPAG) for August 2020.

A considerable number of recommendations were overdue, as a result of the impact of Covid-19 and numerous projects being paused. All the outstanding actions would be reviewed, and a revised timetable agreed with IIPAG.

Alison Munro presented the IIPAG quarterly report. Activity had been substantially reduced due to Covid-19, so the focus had been on the completion of the cost cutting review work, updating the work programme and supporting the Programmes and Investment Committee. Reviews of the Programme Management Office and asset conditions would be started in the next quarter,

The Director of Investment Delivery Planning would be asked to report on value for money work, with support from Finance, to a future meeting, as appropriate.

[Action: Tony King/Alexandra Batey]

IIPAG had identified the need for improvements in the business case process and robust discussions were taking place at the Investment Group meetings. All future Programmes and Investment Committee reports would include value for money assessments and a number of items in the IIPAG Quarterly report would be discussed in more details by the Programmes and Investment Committee.

The IIPAG cross cutting report on London Underground Standards explained the importance of the Engineering Standards Improvement Programme and it was agreed that a briefing on this programme would be submitted to a future meeting.

[Action: Director of TfL Engineering Delivery]

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

43/09/20 Risk and Assurance Quarter 1 Report 2020/21

Clive Walker introduced the quarterly report, informing the Committee of work completed, work in progress and work planned to start. Mushtaq Ali, Interim Head of Internal Audit, was welcomed to his first meeting.

Crossrail risks would be incorporated into the TfL Enterprise Risk Schedule, when the migration of the organisation was complete. The Committee welcomed the work to date on the risk schedule and requested that the assigned Board Committee/Panel for Enterprise Risk 10 (Inability to Support New Ways of Working) be reviewed.

[Action: Nico Lategan]

It was agreed that any internal audit reports related to Crossrail migration would be circulated outside of the meeting.

[Action: Mushtaq Ali]

It was confirmed that in light of Covid-19 all outstanding management actions had been reviewed and closed, cancelled or had the due date revised

Fraud data and trends had been included in the report, as requested at the previous meeting. It was agreed that dates of case referral for each case would be included in future reports

[Action: Richard Mullings]

Howard Carter informed the Committee that the Board would receive an update at its 21 October 2020 meeting on the transition governance arrangements for Crossrail, including assurance arrangements.

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

44/09/20 Pan-TfL Revenue Protection Programme

Siwan Hayward introduced the paper, which provided an update on the pan-TfL Revenue Protection Programme to tackle fare evasion and ticket fraud.

The Committee endorsed the work of the Revenue Protection team to reduce fare evasion, implement mask enforcement and take action to reduce assaults against staff.

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

45/09/20 TfL International Benchmarking During Covid-19

Michèle Dix presented the paper on the work to date by TfL to learn from and share with others best practice in responding to the Covid-19 crisis and planning for recovery.

The Committee noted the paper and the work to date.

46/09/20 Freedom of Information Update

Richard Bevins introduced the annual Freedom of Information update for 2019/20 and 2020/21 to date.

The Committee congratulated staff on maintaining the high levels of service responses and the continued reduction in the number of complaints.

The Committee noted the paper.

47/09/20 Governance Improvement Plan 2020/21

Howard Carter introduced the Governance Improvement Plan 2020/21. An update on progress against the previous plan had been presented under the Annual Governance Statement item to the previous meeting of the Committee.

It was agreed that further details would be included in future Improvement Plans in areas where work was described as ongoing. **[Action: Howard Carter]**

The Committee noted the paper and approved the Improvement Plan 2020/21.

48/09/20 Members' Suggestions for Future Discussion Items

Howard Carter presented the forward plan.

The Committee noted the paper.

49/09/20 Any Other Business the Chair Considers Urgent

Silvertown Tunnel

The Chair agreed to accept a discussion on the Silvertown Tunnel project as an urgent item of business, as Members had received copies of correspondence relating to the project, including a request to TfL's external auditor to investigate a number of issues. The Chair highlighted that there had been extensive correspondence between TfL officers and the Stop the Silvertown Tunnel Coalition but decisions on capital project and programme priorities were not within the remit of the Committee.

It was also noted that the Chair of the London Assembly's Oversight Committee intended to write to the Deputy Mayor and TfL regarding the impact of Covid-19 on travel patterns and transparency around cancellation costs. The Coalition had requested a copy of the current risk register, although it was not clear which risk register it was referring to.

The Chair proposed that the results of the external auditor's conclusions, once they had been reviewed, would be considered by the Committee. She requested that officers circulate copies of any correspondence between the London Assembly and TfL in respect of the issues raised. **[Action: Tony King]**

The request for the risk register would be dealt with under TfL's Freedom of Information procedure.

50/09/20 Date of Next Meeting

The next scheduled meeting was due to be held on Wednesday 2 December 2020 at 10.00am.

The annual informal meeting with EY would be re-scheduled.

51/09/20 Exclusion of Press and Public

The Committee agreed to exclude the press and public from the meeting, in accordance with paragraphs 3, 5 & 7 of Schedule 12A to the Local Government Act 1972 (as amended), in order to consider the following items of business: Financial Reporting Council Review of the Audit of the TfL Financial Statements and Value for Money Arrangements for the Year Ended 31 March 2019; Effectiveness Review of the External Auditors; Independent Investment Programme Advisory Group Quarterly Report; Risk and Assurance Quarter 1 Report 2020/21; and Pan-TfL Revenue Protection Programme.

The meeting closed at 2pm.

Chair: _____

Date: _____

Audit and Assurance Committee Actions List (reported to 2 December 2020 meeting)

Actions from last meeting

Minute No.	Item/Description	Action By	Target Date	Status/Note
38/09/20	Procurement Update A further update on procurement to be submitted to the meeting of 17 March 2021, including matrix and key performance indicators.	Jonathan Patrick	17 March 2021 meeting.	Scheduled on Forward Plan.
40/09/20	Effectiveness Review of the External Auditors EY to submit a timetable for the succession of the lead audit partner to the next meeting.	Karl Havers	2 December 2020 meeting.	Work in progress and oral update to be provided at the meeting.
42/09/20	Independent and Investment Programme Advisory Group Quarterly Report The Director of Investment Delivery Planning to report on value for money work, with support from Finance, to a future meeting as appropriate.	Tony King/ Alexandra Batey	2 December 2020 meeting.	Item on agenda. Completed.
	A briefing on the Engineering Standards Improvement Programme to be submitted to a future meeting.	Caroline Sheridan	17 March 2021 meeting.	Scheduled on Forward Plan.
43/09/20	Risk and Assurance Quarter 1 Report 2020/21 The assigned Board Committee/Panel for Enterprise Risk 10 (Inability to Support New Ways of Working) to be reviewed.	Nico Lategan	2 December 2020 meeting.	Risk reviewed with ExCo and updated list in quarterly report. Completed.
	Any internal audit reports related to Crossrail migration to be circulated outside of the meeting.	Mushtaq Ali	2 December 2020 meeting.	Update provided in the quarterly report. Completed.

Minute No.	Item/Description	Action By	Target Date	Status/Note
	Dates of case referral for each case to be included in future reports.	Richard Mullings	2 December 2020 meeting.	Incorporated into report on agenda. Completed.
47/09/20	Governance Improvement Plan 2020/21 Further details to be included in future Improvement Plans in areas where work was described as ongoing.	Howard Carter	September 2021 meeting.	Scheduled on Forward Plan.
49/09/20	Any Other Business the Chair Considers Urgent -Silvertown Tunnel The results of the external auditor's conclusions, once they had been reviewed, would be considered by the Committee and officers to circulate copies of any correspondence between the London Assembly and TfL in respect of the issues raised.	Tony King	17 March 2021 meeting.	Scheduled on Forward Plan.

Actions from previous meetings: None

Audit and Assurance Committee



Date: 2 December 2020

Item: Update on TfL's Approach to Delivering Value for Money Across the Investment Programme

This paper will be considered in public

1 Summary

1.1 The purpose of this paper is to report to the Committee on the approach TfL is taking to ensuring value for money (vfm) is optimised in delivering the investment programme, what tangible progress has been made to-date, and what further work is underway to fully embed a cost-conscious mindset across the organisation.

2 Recommendation

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

3 Background

- 3.1 In TfL's current financial circumstances, it is more important than ever that there is a strong culture of vfm. There has never been a more important time to scrutinise every penny that TfL spends on its investment programme, and ensure we deliver projects in the most cost-effective manner possible. This requires a vfm focus including on prioritisation of the investment programme and at decision points through the entire project lifecycle stages.
- 3.2 Following the phased removal of TfL's general operating grant over the previous few years, we have been working on an extensive programme to run our organisation more efficiently. We have made difficult decisions to reduce our cost base and increase revenue. By firmly gripping our costs, both internally and through our supply chain, we have successfully reduced the annual net cost of operations by more than £1bn (excluding the grant previously received from government).
- 3.3 We have also sought to learn lessons from previous delivery challenges, along with responding to external and internal reviews/audits. In particular, vfm has been highlighted in several audit reports, often relating to sub-standard procurement practices driven by the desire to achieve delivery milestones and political commitments.
- 3.4 With the advent of the COVID-19 pandemic, and the ongoing discussions with HM Treasury and the Department for Transport to secure a sustainable long-term funding settlement, there is now an even greater emphasis to be placed on ensuring all our investment is delivering the greatest possible vfm. With this in mind, we have re-doubled our efforts across the entire organisation to extract the

maximum possible value out of all our capital programmes. This covers several different areas, including procurement, design standards, value engineering, governance changes, process improvements, and increased senior scrutiny of investment prioritisation, business cases and planned expenditure.

4 Definition and Culture

- 4.1 TfL is committed to ensuring that public money is invested to enhance London's transport network and provide the greatest benefits to all of society in the most efficient way. It is therefore vital that all investment decisions are based on clear and robust analysis of vfm.
- 4.2 TfL defines vfm as the optimal use of resources to achieve the intended outcomes. This focuses on spending less, spending well, spending wisely and spending fairly.
- 4.3 We adopt the following principles in practice as developed by National Audit Office (NAO) which consist of four main elements:
- (a) Economy: minimising the cost of resources used or required (inputs)
 - (a) spending less;
 - (b) Efficiency: the relationship between the output from goods or services and the resources to produce them – spending well; and
 - (c) Effectiveness: the relationship between the intended and actual results of public spending (outcomes) – spending wisely.
 - (d) Equity: the extent to which services are available to and reach all people that they are intended to – spending fairly. Some people may receive differing levels of service for reasons other than differences in their levels of need.

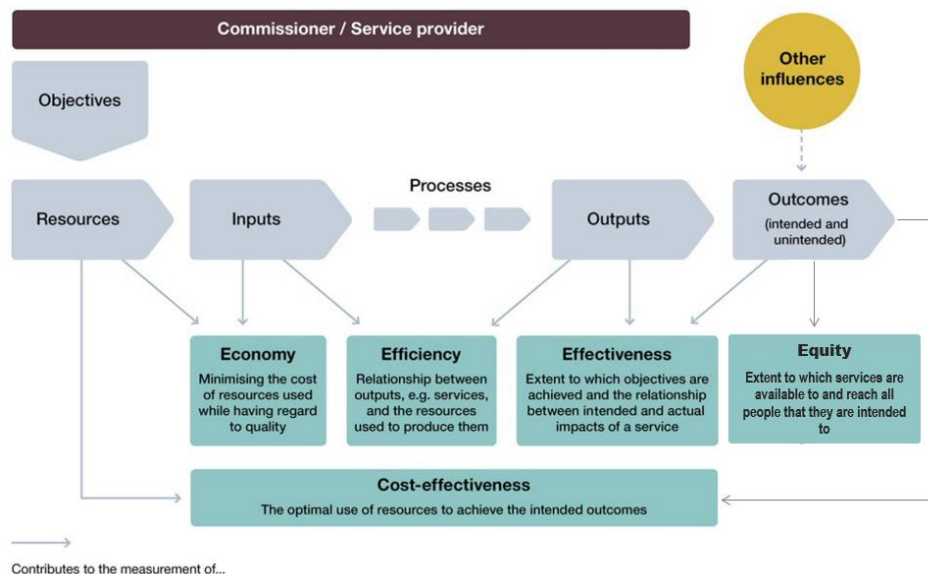


Figure 1 – Adapted from NAO's Toolkit on assessing vfm

- 4.4 Through our investment programme TfL will deliver the optimal combination of whole-life cost, safety, reliability, effective commercial management, customer perception, mandatory standards and environmental impact in a sustainable way to meet requirements within constraints.
- 4.5 Our outcomes include:
- (a) cultivating a vfm culture within TfL ensuring it is one of the key considerations of any decision making involving the use of public funds;
 - (b) ensuring that the Five Case model of decision-making recommended by HM Treasury and adopted by TfL in its business cases is the key driver of our investment decisions;
 - (c) ensuring vfm is considered at every stage of the decision making process or lifecycle. This spans from consideration of asset strategy and reference to the Long-Term Capital Plan, right through to Stage 7 of the project lifecycle defined in Pathway; and
 - (d) to monitor and regularly report our vfm initiatives alongside the achievement of objectives.
- 4.6 The Chief Finance Officer has ultimate accountability for ensuring that all investment decisions are evidenced based and includes an assessment of vfm. The effectiveness of TfL's investment processes is reviewed via the Board's committees and advisory panels.
- 4.7 In addition to a clearly understood definition of vfm and improvements to processes and guidance, a fundamental shift in TfL's approach to vfm will only occur if cultural change is enacted.
- 4.8 Key interventions to drive a cultural shift are:
- (a) leading from the top – A clear definition of 'value for money' and a TfL policy statement on this topic is now set out in corporate strategy to embed a vfm culture. In addition, a programme of senior communication across TfL is planned which will underline the importance of delivering increased vfm, demonstrating the urgency and importance of making tangible progress, no matter how small;
 - (b) increased scrutiny of expenditure by senior management – The Financial Commitment Oversight Group (FCOG), now ensures that there is greater visibility of spend and control afforded at a senior manager level, particularly Chief Financial Officer and Managing Directors. In addition, individual programmes and projects are undertaking 'deep dives' reviews to ensure that project costs are clearly understood, and efficiencies identified. This will reinforce the cost-conscious culture and guard against complacency. For example, a 15 per cent cost reduction challenge across the largest Healthy Streets schemes was set by the Surface Managing Director, and this challenge has now largely been achieved through more innovative use of materials and ways of working; and

- (c) asking the right questions, at the right time – A continual effort must be made to critically examine all expenditure, referring to the original requirements and benefits, and assessing whether the investment is still valid. By helping the delivery community ask the right questions at key decision points, through a mix of checklists, templates and training, a heightened awareness and acceptance of stopping/de-scoping investment that doesn't deliver value can be achieved.

5 Workstreams

5.1 Various workstreams are underway that will ultimately deliver enhanced vfm. These include:

- (a) Project Initiation – A more stringent 'Gate 0' process at project initiation will be implemented to ensure the quality of the business case, that there is clear strategic alignment to the Mayors Transport Strategy or the Long-Term Capital Plan, consideration of multiple available options and overall affordability at an early lifecycle stage.
- (b) High Quality Business Cases – Consistent application of HM Treasury's 'five case model' approach, ensuring that there is a compelling strategic case for each programme or project. Greater focus in the TfL Business Case narrative on the commercial, financial and management cases, explicitly demonstrating how the project/programme is delivering vfm.
- (c) Operational and Supply Chain Engagement – This will consider how whole life cost and affordability are explored at the outset, and how procurement strategies, standardisation and contractual commitments are agreed to provide flexibility and efficiency. Appropriate time will be afforded to ensure that a project will be effectively reviewed for VfM and that accelerated procurement, with a robust VfM check, will be integral to this.
- (d) Decision Points – More active consideration of vfm should be given at key decision points, with no additional authority granted until the business case has been updated and options to increase vfm explored.
- (e) Training – Ranging from specific training on 'value', to writing a better business cases and articulating the full case for investment. Much of this training is already underway and will continue to be rolled out to relevant teams.
- (f) Reporting – We need to be able to articulate our progress against our strategic goals, including the Long-Term Capital Plan, and Mayoral targets through our Investment reporting. This includes a greater focus on benefits and outcomes, rather than annual delivery targets.
- (g) Benchmarking – Assessing how TfL delivers against our peers, focussing on the Transport Infrastructure Efficiency Strategy and exploring the use of Modern Methods of Construction.

6 TfL's Sponsorship Function

- 6.1 TfL's single sponsorship function, the Investment Delivery Planning (IDP) Directorate, spans the entire project lifecycle, as well as LU and Surface Transport. It is imperative that IDP take a holistic view across the investment programme and drive a vfm culture at all stages of project.
- 6.2 This includes ensuring that that a high-quality business case is in place at initiation, and that the case for investment remains valid through the entire project lifecycle. The sponsors should actively manage risk to ensure that changes to requirements or business case (e.g. cost, benefits and timescales), remain in alignment with the key outcomes, deliver vfm and realise key benefits for our customers and London.

7 Coordination and Reporting

- 7.1 Given the urgency at which we need to deliver savings across the investment programme, and the myriad of improvement initiatives underway across the organisation, a senior level steering group has been initiated (Strategic Investment Improvement Group, SIIG) chaired by the IDP Director. This group will oversee all related improvement workstreams, ensure alignment and coordination of effort, provide critical review and support, and allocate resources (where required).
- 7.2 The SIIG has representation from all key areas of the businesses and meets on a periodic basis. Reporting from this group will then be routed through TfL's Investment Group, and subsequently presented to Programmes and Investment Committee on a quarterly basis.

List of appendices to this report:

None

List of Background Papers:

National Audit Office Toolkit on assessing value for money

Contact Officer: Alexandra Batey, Director of Investment Delivery Planning
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Email: AlexandraBatey@tfl.gov.uk

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Audit and Assurance Committee

Date: 2 December 2020

Item: External Audit Plan TfL, TTL and Subsidiaries - Year
Ending 31 March 2021

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 2021.

2 Recommendation

- 2.1 The Committee is asked to note the paper.

3 Background

- 3.1 The Plan has been developed by EY and sets out the work that they propose to undertake for the 2020/21 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. As set out in the Plan, audit materiality has been reduced to reflect the increased enterprise risk of TfL.
- 3.2 As was the case for 2019/20 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.

List of appendices to this report:

Appendix 1 - Financial Statements Audit Plan 2020/21 from EY

List of Background Papers:

None

Contact: Tony King, Group Finance Director, Statutory Chief Finance Officer
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Email: AntonyKing@tfl.gov.uk

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Transport for London Audit planning report

Year ending 31 March 2021

2 December 2020



The Audit and Assurance Committee

2 December 2020

Transport for London
5 Endeavour Square
Stratford
London
E20 1JN

Dear Members of the Audit and Assurance Committee

We are pleased to enclose our audit planning report for the forthcoming meeting of the Audit and Assurance Committee. The purpose of this report is to provide the Committee with a basis to review our proposed audit approach and scope for the 2021 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 2 December 2020 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 2021 audit strategy



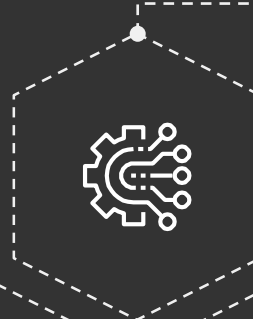
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04 Scope of our audit



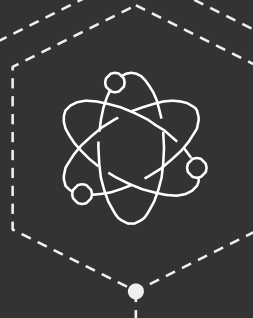
05 Audit team



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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.



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Overview of our 2021 audit strategy



Overview of our 2021 audit strategy

The Global COVID-19 pandemic has accelerated during the course of 2020, creating a downturn in the global economy which is expected to continue to have an impact on TfL and our planned audit procedures. We expect that COVID-19 will continue to impact our risk assessment and audit strategy, following on from the impact on concluding the 31 March 2020 year end. We have outlined the expected impact and planned responses which we will continue to reassess throughout the audit.

Going concern and the availability of funding to deliver current operational and capital plans

TfL has been significantly impacted by the COVID-19 pandemic and national lockdown. Fares revenue declined by 90% in the latter part of the 2019/20 financial year, the decline continued into the 2020/21 financial year, with a decline of 70%. The decline further impacted other revenue streams such as advertising revenue. The Group provides essential transport services and the level of service, with social distancing adaptations had to be maintained throughout the period, even though passenger numbers had declined. The reduced revenue, whilst maintaining service levels negatively impacted the Group's ability to generate income.

An Extraordinary Funding and Financing Agreement was agreed with the GLA and Government earlier this year, which provided funding through to 17 October 2020. In October 2020 a further funding package was agreed for the period to 31 March 2021, to provide sufficient financial resources to mitigate loss of passenger revenue.

We note there remains a shortfall of £160m per the current budget agreed. The Group has identified various areas where cost savings will be implemented to eliminate the shortfall. These areas include capex reductions and deferrals, headcount control and limitations on 60+ concessions.

During the funding period the Group will continue to work with the GLA and Government, with a view to securing longer term funding that is financially sustainable. In addition to this, a review is ongoing of the capital programme to identify which projects can and will be funded to completion, including whether projects can be safely paused, whether the costs of termination are more extensive than completing the projects or whether the projects are needed to ensure the Group meets its statutory obligations in respect of safety. It is also possible that the review could deem some current services as non-essential, which could then lead to an impairment of affected assets related to those services.

At the time of writing this report there is still a level of uncertainty surrounding the funding of the Group and ultimately its ability to continue to operate the current level of services, including the planned capital programme post 31 March 2021. This is similar to the position at the date of sign off of the 31 March 2020 financial statements and our audit opinion included details of this material uncertainty.

Understanding the impact in the business

We have reflected the knowledge obtained of the impact of COVID-19 on TfL's business, in the completion of our planning risk assessment. Further details are set out in section 2 of this report.

The areas of our existing audit approach where we expect to perform further procedures are:

- Assessment of going concern and funding arrangements
- Assessment of impairment of assets and disclosures in the annual accounts
- Assessment of the current estimate of costs for Crossrail and further delay in planned opening schedule
- Consideration of any material uncertainty in the conclusions of the Group's property values

We will continue to reassess our audit strategy and update over the course of the audit with any additional information obtained.

Overview of our 2021 audit strategy

The following 'dashboard' summarises the significant accounting and auditing matters outlined in this report. It seeks to provide the Committee with an overview of our initial risk identification for the upcoming audit and any changes in risks identified in the current year.

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	<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>During the prior year, weaknesses were identified by management and internal audit in procurement controls. We will continue to assess management's progress with implementation of action plans and consider this during our testing response to the risk of management override of controls. We will also assess whether the impact of furloughing employees and remote working has impacted the effectiveness of the operation of key controls.</p>
Inappropriate Revenue recognition, required by ISA (UK & Ireland) 240 (including expenditure as required by Practice Note 10)	Fraud risk	No change in risk or focus	<p>TfL needs to have robust controls in place to forecast and accurately recognise and report revenue in its financial statements.</p> <p>Based on our previous experience, we have concluded that there is significant risk of material misstatement in the recognition of fare income which comprises £843m (P7 Actuals YTD 2020/21) generated through various sources including cash and contactless payments which is apportioned with the Train Operating Companies "TOC" and recognised appropriately according over the period of the travel card. The process of revenue recognition is complex and involves significant judgement with regards to the apportionment of revenue between TfL and TOCs.</p> <p>Further to this we have noted that revenue for the group has been severely impacted by COVID-19 and local lockdowns imposed. The reduction in revenue has negatively impacted the Group's funding and going concern. We will assess the continued impact of COVID-19 on revenue during 2020-21 and consider the appropriateness of apportionments to TOCs, refunds of unused tickets, Oyster card releases and other changes in assumptions arising from the impact of COVID-19.</p> <p>We have not identified any specific risk areas in relation to expenditure.</p>

Overview of our 2020 audit strategy

The following 'dashboard' summarises the significant accounting and auditing matters outlined in this report. It seeks to provide the Committee with an overview of our initial risk identification for the upcoming audit and any changes in risks identified in the current year.

Audit risks and areas of focus

Risk / area of focus	Audit risk identified	Change from PY	Details:
Going concern TfL Funding	Significant risk	No change in the risk or focus	<p>COVID-19 has negatively impacted TfL's ability to generate revenue given the significant drop in passenger journeys, due to travel restrictions and local lockdown. Funding has been agreed for the 2020/21 financial year and a process is in place to agree longer term funding with the GLA and Government before the financial year end.</p> <p>We will monitor the progress of ongoing funding discussions and assess the impact on capital projects in progress and the Group's ability to maintain levels of service.</p> <p>At the time of writing this report there is still a level of uncertainty surrounding the funding of the Group and ultimately its ability to continue to operate the current level of services, including the planned capital programme post 31 March 2021. This is similar to the position at the date of sign off of the 31 March 2020 financial statements and our audit opinion included details of this material uncertainty.</p>
Crossrail funding			<p>Due to the COVID-19 pandemic, all physical works on all Crossrail sites were temporarily paused on 24 March. The physical works have recommenced on several Crossrail project sites and continues to be informed by the latest guidance from the Government and Public Health England.</p> <p>During the 2019/20 financial year management assessed sources of funding to meet the Group's obligations. In addition to this the Government has also stated in the Extraordinary Funding and Financing Agreement dated 31 October 2020, that Crossrail remains a vital project for both London and the UK. A further funding package will be separately discussed and agreed for Crossrail. We will monitor the progress of ongoing funding discussions to assess the impact on the Group.</p>



Overview of our 2020 audit strategy

Audit risks and areas of focus			
Risk / area of focus	Audit risk identified	Change from PY	Details
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 the 2020/21 financial year, TfL's capital expenditure is budgeted to be £1.5 billion. 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; • Whether costs capitalised for projects being terminated or mothballed due to funding limitations, are assessed for impairment; • Adequate assessment of estimated cost to complete and relevant pain/gain appropriately accounted for; • In particular, we will continue to assess the impact of Crossrail progress and funding on the ability of TfL to complete and fund other in progress projects; • We will understand what the impact of COVID-19 is on all capital projects selected as part of our sample; and • We will assess the additional spend on exceptional cost incurred to manage the impact of virus in accordance with government regulations. <p>As noted earlier, there is an ongoing process, to assess which projects can be funded to completion. Until the review is complete, there is a material uncertainty as to whether any of the projects, included in assets in the course of construction will not be funded to completion and the extent of any changes required, there could be a material impairment in value. . This is similar to the position at the date of sign off of the 31 March 2020 financial statements and our audit opinion included details of this material uncertainty.</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 portfolio, with a total book value for property of £1.4bn as at 31 March 2020 (of which £113m was Assets Held for Sale). Included within the portfolio are office buildings and investment properties. 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>There is an on-going uncertainty with regards to the valuation and rapid changes in market values in the current market conditions as a result of COVID-19. This resulted in an Emphasis of Matter paragraph in our audit opinion and additional disclosures in the financial statements for the year ended 31 March 2020.</p>



Overview of our 2020 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	Inherent 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, fares revenue compensation and contractual disputes are subject to significant estimation and include uncertainty around negotiations. We also note that there are some legal proceedings against TfL for which provisions have been recorded.</p>
IFRS 16 Leases - Lease accounting, including the complexity of the estimating the Incremental borrowing rate (IBR)	Inherent risk	No change in risk however increased focus due to unadjusted audit differences in the prior financial year	<p>IFRS 16 was adopted for the first time in the 31 March 2020 financial statements. It requires entities to recognise a right of use asset and corresponding lease liability in its Statement of Financial Position. There are a number of judgements relating to accounting for IFRS16 assets and liabilities and we noted a number of unadjusted audit differences were identified in the prior year audit which affect our risk assessment of the lease accounting in the current year. These matters will be re-assessed in the current year and any changes to contracts assessed for IFRS16 accounting. Further, as with all assets, there will need to be an assessment of whether there are any impairments of these IFRS16 assets as a result of the impact of COVID-19.</p>
Judgemental assumptions impacting TfL's pension deficit	Inherent risk	No change in risk or focus	<p>At 31 March 2020, TfL's defined benefit pension schemes had a deficit of £4.08 billion. The TfL Group balance sheet also TfL's share of the deficit on the Local Government Pension Scheme, the deficit on the Crossrail section of the Railways Pension Scheme and the 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>Audit of pension scheme assets requires particular care given the current market volatility. Any update to the financial assumptions should be supported by management in the context of the business plans and general outlook. In particular, we expect short to medium term impacts of Covid-19 should be balanced against the long-term nature of the changes in financial assumptions.</p>

Overview of our 2020 audit strategy

Audit risks and areas of focus

Risk / area of focus	Audit risk identified	Change from PY	Details
Complexity of accounting and disclosures for TfL's borrowing and treasury management	Inherent risk	No change in risk or focus	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.

Other areas of audit focus

Impact of COVID-19

We have reviewed our risk assessment of COVID-19 and its potential effect on TfL and have identified various relevant areas within the Group impacted. Key areas impacted include going concern, funding for future capital projects, ability to generate revenue, the impact on level of service provided and compliance with government changes.

Other areas impacted include the recoverability of debtors, IFRS 16, additional provisions recognised as a result of COVID-19, employee relates costs such as redundancies and pension valuation.

Further details of this risk and our proposed audit approach are included in section 2 of this report.

We have assessed the impact of COVID-19 on our materiality thresholds used, we have adjusted our materiality thresholds accordingly.

Engagement risk assessment

Due to the increased public scrutiny of TfL's funding needs, we have assessed the overall engagement risk for TfL as close monitoring risk assurance engagement. A close monitoring risk assurance engagement is one in which:

- The engagement possesses more than higher risk to the member firm. A close-monitoring designation involves more judgment and experience.
- Requires specific procedures to be performed as discussed in the report.

As such, we have performed a risk assessment to identify matters that contributed to the assessment. The main risk identified relates to uncertainty with regards to funding required by TfL and any consequential impact on capital funding and services. We have not found there to be any additional risks to the matters risks identified above.

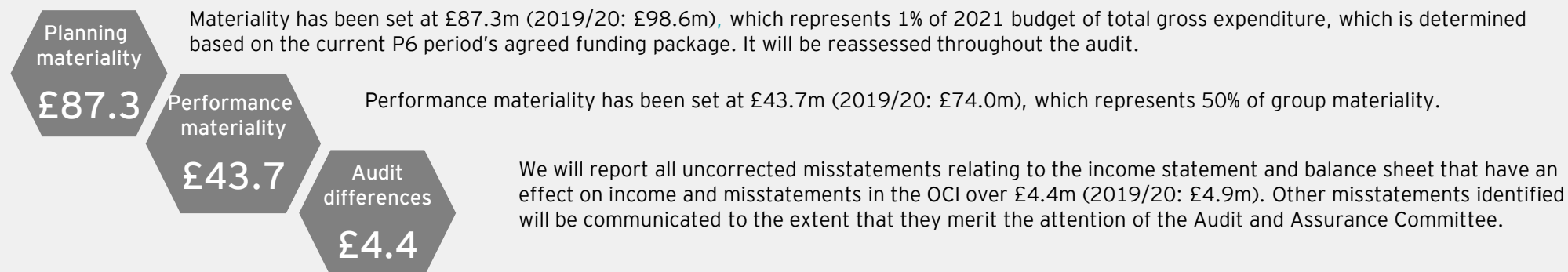
In response to the risk assessment, the audit will be subject to an enhanced Audit Quality review. The team will be supported throughout by our Professional Practice Group and our Financial Reporting Group.

Overview of our 2020 audit strategy

Materiality

We have calculated planning materiality using gross expenditure as our basis, which is consistent with the prior year. We have noted a drop in planning materiality due to reduced gross expenditure for the 2020/21 financial year.

In addition to this we have reassessed the threshold used for performance materiality and reduced it from 75% to 50% of planning materiality due to increased engagement risk and unadjusted audit differences identified in the 2019/20 financial year. This will impact the amount of testing performed.





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02 Audit risks



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:

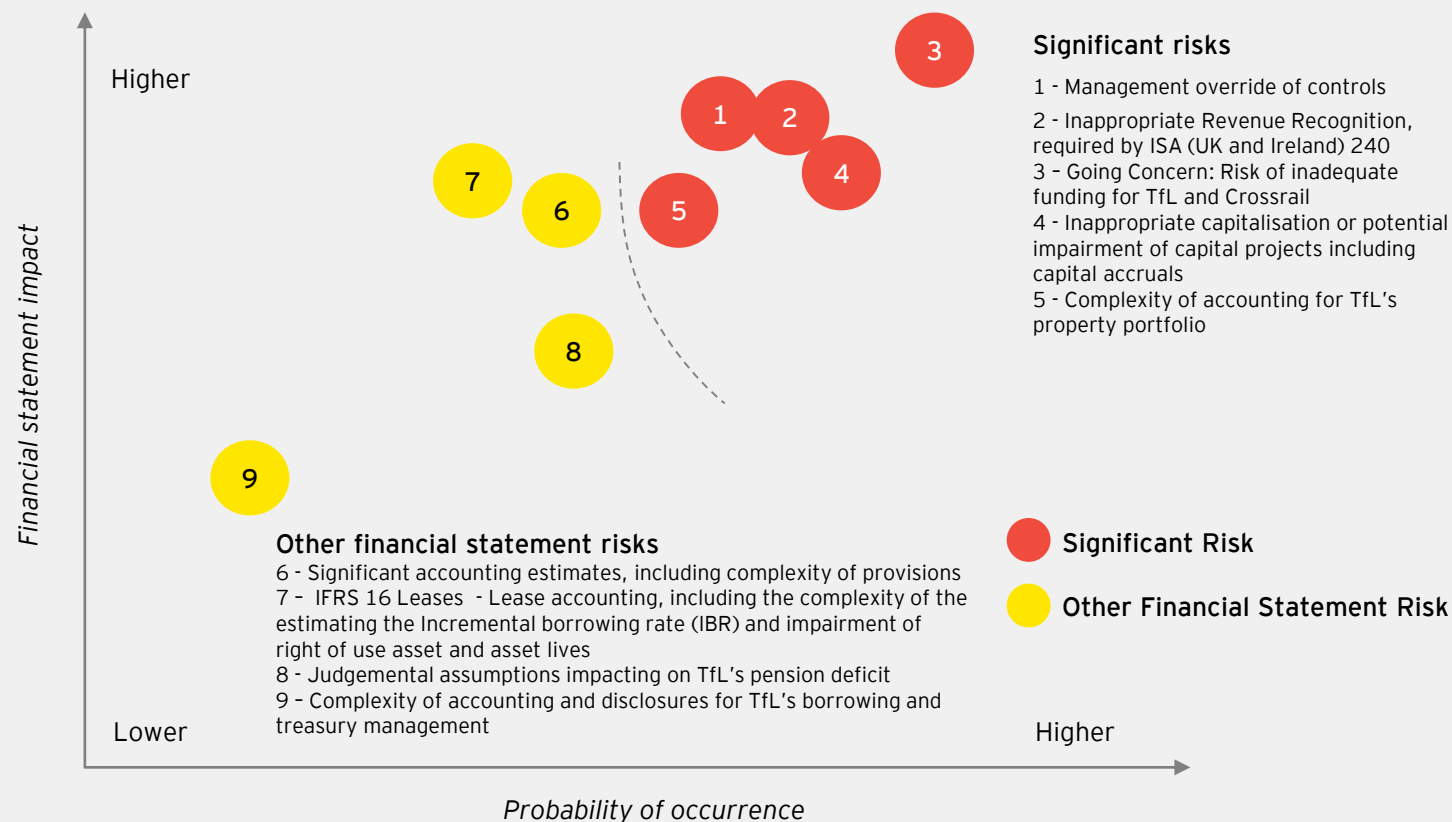
- ▶ Areas of higher or significant risk
- ▶ Areas involving significant judgment, including accounting estimates with high estimation uncertainty
- ▶ Significant events or transactions that occurred during the period

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 2020 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



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.

Management override of controls*

What is the risk?

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.

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.

During the prior year, weaknesses were identified by management and internal audit in procurement controls. We will continue to assess management's progress on action plans partially implemented during prior year and consider this during our testing response to the risk of management override of controls.

In addition to this the business is under increased pressure due to employees being furloughed for extended period of time and working remotely - internal controls may not be operating as designed. As a result, we have re-assessed risks of material misstatement due to fraud or irregularity. Whilst no specific additional fraud risks have been identified, we will heighten our levels of challenge, professional scepticism and senior team involvement in areas impacted by COVID-19

What will we do?

For both TfL, TTL groups and subsidiaries, we will:

- ▶ 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;
- ▶ Understand the oversight given by those charged with governance of management's processes over fraud;
- ▶ Perform journal entries testing with specific focus on journals related to cost capitalised indicative of management override (posted by members of management, with blank or unusual descriptions, etc.) with specific focus on top side journals;
- ▶ Test significant transactions that are outside the normal course of business or that appear unusual; and
- ▶ Test procurement transactions pre and post action plan implementation to identify any material override of controls.

Should the control environment have been negatively impacted by the pressures of COVID-19 and furloughed employees this could impact our audit strategy requiring more substantive testing or additional mitigating controls testing.

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.

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

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:

- £843m fare revenue (P7 Actuals YTD 2020/21) 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.
- £157m (P7 Actuals YTD 2020/21) of congestion charging revenue, which is made up of a high volume of low transaction amounts
- £15m (P7 Actuals YTD 2020/21) of commercial advertising revenue which is based on a mixture of minimum guaranteed amount and share based revenue; and
- £27m (P7 Actuals YTD 2020/21) of rental revenue generated from over 2,400 contracts.

The significant risk only relates to the fares revenue stream. This is due to the complexity and judgement involved in the process of apportioning of 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;
- Recalculate the ageing for a sample of dormant oyster card balances to ensure accuracy;
- 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. Review all settlement differences identified during the year and related communications with TOCs;
- Review the ISAE 3402 controls report and the agreed upon procedures report;
- Test the calculation behind any refund provision made as a result of Covid-19 and compare the provision amount to actual refund payments made post year end;
- Assessing changes to underlying assumptions used for the recognition of revenue such as TOC apportionment and Oyster Card releases; and
- Review journal entries for unusual postings related to Covid-19 adjustments to revenue.

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 2020 financial statements:

- Income Statement Account: £843m (P7 Actuals YTD 2020/21)
- Gross Operating expenditure: £3,415m (Actuals YTD 2020/21)

Our response to significant risks (continued)

Going concern, including TfL and Crossrail funding

Financial statement impact

We noted there is a shortfall of £160m per the current budget agreed. TfL has identified various areas where costs savings will be implemented to eliminate the shortfall. These areas include capex reductions and deferrals, headcount control, financial commitment and group oversight and limitations on 60+ concessions.

During the funding period TfL will be working with the GLA and Government on a long term budget that is financially sustainable.

As part of the Government review of the Group, a review is ongoing of the capital programme to identify which projects can and will be funded to completion, including whether projects can be safely paused, whether the costs of termination are more extensive than completing and whether the projects are to ensure the Group meets statutory obligations in respect of safety. It is also possible that the current review could deem some current services as non-essential, which could then lead to an impairment of some assets related to those services.

In addition to the funding requirements for TfL, the GLA and Government have identified Crossrail as a vital project. During the 2019/20 financial year management assessed the sources of funding to meet the obligations. In addition to this the Government has also stated in the Extraordinary Funding and Financing Agreement dated 31 October 2020. A further funding package will be separately discussed and agreed for Crossrail.

What will we do?

For TfL, TTL group and subsidiaries, we will:

- ▶ Discuss and review the business plan prepared by the management;
- ▶ Determining an appropriate strategy to address those identified risks;
- ▶ Review the group's forecast;
- ▶ Review management's assessment of funding requirements and commitments;
- ▶ Assess impact of funding requirements on TfL projects that could result on the cancellation or delay of major projects;
- ▶ Evaluate management's judgements and assumptions used in determining the future benefits expected from the projects and ensuring they are appropriate and supportable;
- ▶ Assess whether any additional obligations exist within the various contractual arrangements that have been omitted from the financial statements;
- ▶ Test the nature of the expenditure incurred to determine if capitalisation is appropriate;
- ▶ Obtain an understanding of the group's plans for discontinuation of service and assess related assets for impairment; and
- ▶ Perform additional procedures in response to the continued impact of COVID-19.

What is the risk?

There is uncertainty with regards to the going concern assumption for Crossrail and TfL and carrying value of assets, should the funding requirements continue to increase.

Financial statement impact

TfL's fares revenue has significantly declined in the latter part of 2019-20 financial year which is expected to continue in the 2020/21 financial year. The drop in revenue has negatively impacted TfL's funding requirements.

An Extraordinary Funding and Financing Agreement has been agreed with the GLA and Government earlier this year, which provided the funding through to 17 October 2020. In October 2020 further discussions were held and funding has been agreed till 31 March 2021 to provide sufficient financial measures to mitigate loss of passenger revenue as a result of COVID impacts and Government led measures such as social distancing.

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

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 2020 financial statements:

Balance Sheet Account:

- Assets under construction: £19,252.7m; and
- Capital accruals: £677.0m

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 2020/21 financial year, TfL's capital expenditure is budgeted to be £1.4 to £1.5 billion.

There is a risk of improper capitalisation of cost (through improper calculation of the accruals or improper split between capital and operating expenditure). In addition there is a risk of potential impairment of projects as a result of funding constraints.

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;
- ▶ Test controls focused on the effectiveness of the approval process for expenditure and for capitalisation;
- ▶ 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;
- ▶ Review of capital projects to assess progress and potential impairment, in particular, we will continue to assess the impact of Crossrail progress and funding on the ability of TfL to complete and fund other in progress projects;
- ▶ Review claims and contracts for existence of additional obligations or expenditure that is inappropriate to capitalise;
- ▶ Review the accounting and test for COVID-19 payments on projects;
- ▶ Review the impairment of projects not included in funding plans. As noted above, there is material uncertainty relating to future funding of capital projects; and
- ▶ Perform additional procedures in response to the continued impact of COVID-19 where appropriate.

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.

Complexity of accounting for TfL and TTL property portfolios

Financial statement impact

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 2020 financial statements:

Balance Sheet Account:

- Investment property: £1,430.5m
- Assets Held for Sales: £113.4m
- Office buildings £204.2m

What is the risk?

TfL and TTL groups have extensive property portfolios, with a total book value for property of £1.7 billion as at 31 March 2020 (of which £113.4 million was Assets Held for Sale). Included within the portfolios are office buildings and investment properties.

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.

TfL will need to comply with the Mayor's housing programme. The Mayor has committed to prioritising affordable home delivery on surplus or under utilised owned by the GLA Group, including TfL. This might have a negative impact on the valuation of TfL's property portfolio.

In prior year, as part of the Group's commercialisation strategy, the Group consolidated properties available for non-operational use in a new subsidiary entity. This resulted in a change in use from 'owner-occupied' to newly separable investment property assets. This could result in inappropriate classification of assets and presentation of revaluation changes.

Further, with the continued impact of COVID-19 pandemic on the market conditions and growing uncertainty around valuation, the fair value assessment of property portfolio is also changing.

What will we do?

For TfL, TTL groups and subsidiaries, we will:

- ▶ Discuss with management and review evidence to gain understanding of TfL and TTL group's property portfolios;
- ▶ Discuss and review valuation assumptions and methodology applied by external valuers along with the TfL property team;
- ▶ Perform substantive testing and corroborate explanations for property additions, disposals and accounting for lease contracts;
- ▶ Review the valuations report prepared by TfL's external valuers, agreeing the entries in the report back to the financial statements to confirm the accuracy of the entries;
- ▶ Assess the classification of TfL and TTL property portfolios, the valuation basis and any material increases or impairments that arise during 2020/21;
- ▶ Assess the work of TfL's property valuers. We will use our EY property valuation team as appropriate to assist in our review of whether TfL's key assumptions are within an acceptable range based on comparative market data for rental yields;
- ▶ Review the accounting treatment of valuation movements for non-core assets and ensure it is appropriately disclosed;
- ▶ Review infrastructure and office buildings, PFI accounting models and appropriateness of accounting and disclosures;
- ▶ Consider classification of assets between investment properties, property, plant and equipment and assets held for sales in accordance with IFRS;
- ▶ Review sites to ensure affordable housing density needs are appropriately built into site valuations; and
- ▶ Perform additional procedures in response to the continued impact of COVID-19.

Other areas of audit focus





Areas of Audit Focus

Other areas of audit focus

Impact of COVID-19

Remote audit

As a result of COVID-19, all non-essential travel is currently prohibited. As such, we have utilised our technology to perform the reviews of working papers remotely which combined with regular video/conference calls will provide sufficient evidence for the group audit. We will hold regular status calls between EY and management throughout the audit.

What is the risk?

The COVID-19 pandemic has had a significant impact on TfL's operational activities and its finances. We will continue to assess the impact of COVID-19 on the business and the additional uncertainty gives rise to a increased risk in our audit.

We consider the effects of COVID-19 on our determination of Key Audit Matters throughout our audit, as the facts and circumstances may change rapidly during the audit period. During this unprecedented event, we understand the impact COVID-19 has both on the entity (e.g., disrupted operations or inability to operate etc) and our audit (e.g., our audit strategy, access to client personal and audit evidences).

We have identified various areas impacted by COVID-19. In addition to the risks already identified we have noted that COVID-19 might have an potential impact on the following areas:

- ▶ Debtors - recoverability;
- ▶ IFRS16 - impact on credit rating/discount rates and lease liabilities at year-end;
- ▶ Provisions - new provisions as a result of COVID-19;
- ▶ Employees - furloughing, redundancies, changes to remuneration, illness;
- ▶ Other income - recognition and disclosure of furlough income as other income; and
- ▶ Pensions valuation - issues faced as a result of current market conditions and discount rates.

What will we do?

The Covid-19 pandemic has had a significant impact on the business and our audit procedures have addressed the increased risk and issues which have emerged as a result in the following areas:

- ▶ Debtors - we will challenge management's assessment on the recoverability of debtors for material balances;
- ▶ IFRS16 - we will assess the impact on credit rating/discount rates and lease liabilities at year-end;
- ▶ Provisions - we will challenge new provisions as a result of COVID-19;
- ▶ Employees - detail audit procedures will be performed on employee related costs including furloughing, redundancies, changes to remuneration, illness
- ▶ Pensions valuation - an understanding will be obtained for issues faced as a result of current market conditions and discount rates, specialists will be engaged in the assessment where needed to support the audit team; and
- ▶ Revenue - detail audit procedures will be performed on areas of revenue impacted by COVID-19 including refund for of tickets due to travel restrictions - see above



Areas of Audit Focus

Other areas of audit focus

IFRS 16 Leases

IFRS 16 was adopted for the first time in the 31 March 2020 financial statements. It requires entities to recognise a right of use asset and corresponding lease liability in its Statement of Financial Position. When applying IFRS16 there are a number of judgements and estimates to be taken by management including:

- ▶ Determining the interest rate to be used in the calculation of lease liabilities - Management has utilised the same rate from the date of IFRS16 adoption for all deliveries of rolling stock in the 2020/21 financial year end.
- ▶ Assessing the length of - In particular with respect to station and track access.
- ▶ Assessing the value of 'peppercorn' leases - the CIPFA Code requires the recognition of values related to peppercorn leases (this is not required under IFRS adopted in the EU).
- ▶ Calculating an estimate of costs relating to bus contracts - management uses the same allocation across the whole fleet of contracts, based on contracts in place. As the proportion of non-diesel vehicles increases the cost allocation may change.

We noted a number of unadjusted audit differences were identified in the prior year audit which affect our risk assessment of the lease accounting in the current year. These matters will be re-assessed in the current year and any changes to contracts assessed for IFS16 accounting. Further, as with all assets, there will need to be an assessment of whether there are any impairments of these IFRS16 assets as a result of the impact of COVID-19.

Judgemental assumptions impacting TfL's pension deficit

At 31 March 2020, TfL's defined benefit pension schemes had a deficit of £4.08 billion. The Group's balance sheet reflects the deficit on the TfL defined benefit pension scheme, TfL's share of the deficit on the Local Government Pension Scheme, the deficit on the Crossrail section of the Railways Pension Scheme and the liability for unfunded pensions obligations.

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.

Audit of pension scheme assets requires particular care given the current market volatility. Any update to the financial assumptions should be supported by management in the context of the business plans and general outlook. In particular, we expect short to medium term impacts of Covid-19 should be balanced against the long-term nature of the changes in financial assumptions. The audit team will assess the impact of these developments on the net pension liability with the help of our internal specialists.



Areas of Audit Focus

Other areas of audit focus

Significant accounting estimates - including complexity of provisions

Certain provisions (e.g. Compulsory purchase orders, litigation, claims and disputes) require complex estimates involving high levels of management judgement and uncertainty. 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. We also note that there are some legal proceedings against TfL for which provisions have been recorded.

We will critically assess and challenge management's assessment of judgements and estimates.

Climate related risks

In response to increasing concerns about the impacts of climate change on the economy and financial stability, the FRC is calling for companies to be more transparent on how they are addressing climate risk. Whilst reporting, in itself, cannot limit the effect of climate change, transparency of how companies are responding to this risk provides stakeholders with better information and may guide how they interact with a company: whether it is investors deciding whether to invest; employees deciding which companies they would like to work for; customers deciding which products to buy; or suppliers deciding which company to sell their products to.

As a result we will perform the following audit procedures:

- Obtain an understanding of the Group's climate risk assessment;
- Review the accuracy and completeness of the climate risk assessment;
- Review substantive evidence supporting climate-related disclosures made in the Annual Report; and
- Review climate-related narrative in the Annual Report.

Value for money "VfM"



Audit risks

Value for money “VfM”

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 2020/21 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.

Prior year conclusion and impact on current year

In 2020, we issued a value for money conclusion stating that there were arrangements in place to secure economy, efficiency and effectiveness, except in relation to the following areas:

- ▶ A series of weaknesses identified by management and internal audit in respect of procurement processes;
- ▶ Funding requirements for the TfL Group;
- ▶ The governance arrangements relating to Crossrail’s delivery of the Elizabeth line.

In both cases, at the time of concluding 2020, management was in the process of implementation action plans to address these points. However these action plans were not fully implemented as at 1 April 2020, the start of the current audit period. The period prior to full implementation and operation of these action plans will therefore impact our overall conclusion for the year ending 31 March 2021 and we will also need to assess whether the actions fully address the issues identified during 2019/20. We have therefore identified these two areas as significant risks for our audit procedures on the value for money conclusion for the current year. See further detail on the following page.

Matters identified in the current year

In addition to the risks identified above, we have received extensive correspondence from members of the public questioning the appropriateness of TfL’s decision making with regards to the Silvertown Tunnel project and TfL’s Data Centre contract.

We will investigate the allegations made using a specialist team. We will communicate our progress to management throughout the execution of the project and share our findings with the Audit and Assurance Committee.

Value for money “VfM”

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 2024/25 as a result of:</p> <ul style="list-style-type: none"> ➤ Material uncertainty relating to future funding required from the GLA and Government beyond March 2021; ➤ Significant cumulative cost reductions planned to be delivered over the course of the next five years to 2024/25 	<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 progress made on Crossrail against planned execution and evaluating the impact thereof on funding requirements; • Assess TfL plans for and consider addressing the financial and legal risks it is exposed to on capital projects; and • Review the assumptions included in 2020/21 budget. <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 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>During the prior year, a series of weaknesses were identified by management and internal audit in respect of certain areas procurement processes. In addition to procurement, there is uncertainty over Crossrail funding in light of recent pandemic. TfL have agreed an extraordinary financing and funding package with the Secretary of State to cover the operating expenditure until 17th October 2020 however it is unclear how the long-term funding (capital and operating) requirements of TfL will be met given the significant decrease in revenue from fares.</p>
<p>Informed decision making - Significant audit risk</p> <p>Despite sound governance arrangements around budgeting and the financial planning for TfL as a whole, the governance arrangements relating Crossrail’s delivery of the Elizabeth Line was an area of significant scrutiny in 2019/20.</p>	<p>During 2019/20, an action plan was drawn up to address these matters, with implementation ongoing during 2020/21. We will test the implementation of these actions and consider whether they address the weaknesses identified. We will also consider the period that such changes were in place for and the associated impact on our conclusion as to whether proper arrangements are operating effectively during the year covered by our conclusion.</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 FY2020/21 has been set at £87.3m (2019/20: £98.6m). This represents 1% of the Company's 2020/21 budget for total gross expenditure which is in line with the prior year. We have noted a drop in planning materiality due to the reduction of the Group's gross expenditure. Planning materiality will be reassessed throughout the audit process.

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

We have reassessed the thresholds used for calculating performance materiality. Due to the increased engagement risk and the number of unadjusted differences, 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 £43.7m (2019/20: £74.0 million) which represents 50% of planning materiality. This is lower than the 75% of planning materiality used in the prior year.

Audit difference threshold – we propose that misstatements identified below this threshold are deemed clearly 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 FY21.

Financial reporting

Audit of TfL Corporation, Group, TTL Group and Crossrail 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 2020/21 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 audit opinions on the standalone financial statements for Crossrail Limited.
- ▶ For the year ending 31 March 2021, 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 continue to apply section 479A of the Companies Act 2006 that enable certain UK subsidiary companies to claim exemption from the audit of their accounts.

Assessment of Internal Control

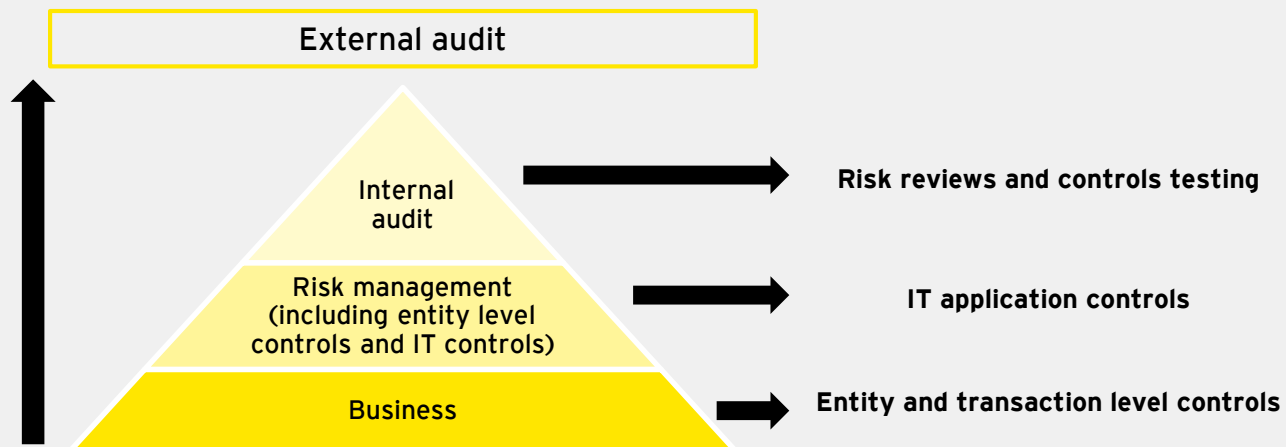
Gaining assurance through the control environment

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. We will consider the circumstances arising from COVID-19 may mean that internal controls (including IT general controls) may not operate as designed at all times due to significant staff absence, or due to limitations as a result of working remotely. 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; 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

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 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, on purchase to pay, payroll and journal entries as well as planned analytics on revenue and capital projects.

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 Section 2 of the report '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.

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. Section 2 of the report 'Other areas of audit focus' sets out our planned audit work.



05

Audit team



Audit team

Audit team structure

Karl Havers has been the Lead Audit Partner since the 2014/15 financial year and was due to rotate off the engagement at the end of the 2019/2020 financial year-end in accordance with partner rotation requirements. Considering the exceptional circumstances caused by the COVID-19 pandemic and heightened engagement risks the need for an engagement partner's continuity was paramount to sustaining audit quality. Approval has been obtained from TfL, the EY Risk Team and the FRC for Karl Havers to continue as Lead Audit Partner for the 2020/2021 financial year.

Karl Havers
Lead Audit Partner

Caroline Mulley
Associate Partner

Jeanne-Marie van Coller
Senior Manager

Tax Audit

Nick Wilson
Director

Investment properties

Mark Gerold
Director

IT Application controls

Maree-Louise Kernick
Associate Partner

Derivative instruments

Sean Whelan
Senior Manager

Pensions

Iain Brown
Partner

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

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





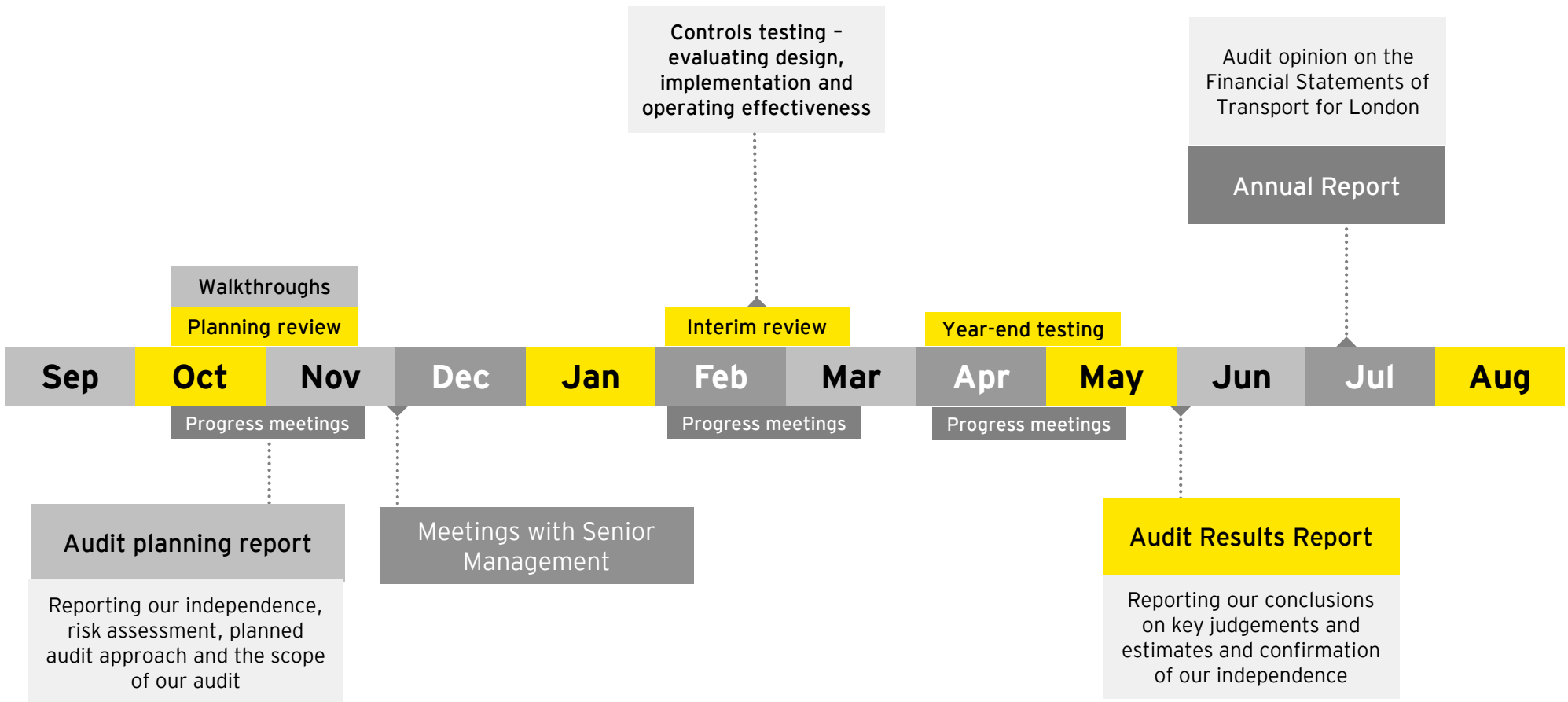
Audit timeline

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 2021.

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 December 2019, 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 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. 	<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/additional 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; ▶ Details of any non-audit/additional services to a UK PIE audit client where there are differences of professional opinion concerning the engagement between the Ethics Partner and Engagement Partner and where the final conclusion differs from the professional opinion of the Ethics Partner ▶ 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 all breaches of the IESBA Code of Ethics, the FRC Ethical Standard and professional standards, and of any safeguards applied and actions taken by EY to address any threats to independence; 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 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 receive 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 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.

Non-audit fees for the year to date amounted to £7,500, pre-approval was obtained for the service and the fees are not material when comparing it to the audit fees.

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 decisions 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.

Karl Havers has been the Lead Audit Partner since the 2014/15 financial year and was due to rotate off the engagement at the end of the 2019/2020 financial year-end in accordance with partner rotation requirements. Considering the exceptional circumstances caused by the COVID-19 pandemic and heightened engagement risks the need for an engagement partner's continuity was paramount to sustaining audit quality. Approval has been obtained from TfL, the EY Risk Team and the FRC for Karl Havers to continue as Lead Audit Partner for the 2020/2021 financial year. A familiarity threat may arise considering Karl's longstanding involvement in the engagement. We have therefore implemented safeguards which include the completion of additional internal audit quality reviews of the audit engagement for this year, which will be completed during the audit and points arising will be cleared prior to issue of our report.

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

Other communications

EY Transparency Report 2019

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 28 June 2020 and can be found here:

https://www.ey.com/en_uk/who-we-are/transparency-report-2020



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08

Appendices






Appendix A

Required communications with the Audit and Assurance Committee





We have detailed the communications that we must provide to the Audit and Assurance Committee.

Our Reporting to you

Required communications	 What is reported?	  When and where
Terms of engagement	Confirmation by the Audit and Assurance 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 	These matters will be included within our Audit Results Report for the year ending 31 March 2021




Appendix A

Required communications with the Audit and Assurance Committee (continued)

		 Our Reporting to you
Required communications	 What is reported?	  When and where
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 2021.
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 2021.
Subsequent events	<ul style="list-style-type: none"> ▶ Enquiries of the Audit and Assurance 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 2021.
Fraud	<ul style="list-style-type: none"> ▶ Enquiries of the Audit and Assurance 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"> a. Management; b. Employees who have significant roles in internal control; or c. 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 and Assurance Committee responsibility 	These matters will be included within our Audit Results Report for the year ending 31 March 2021.

Appendix A



Required communications with the Audit and Assurance Committee (continued)

		 Our Reporting to you
Required communications	 What is reported?	 When and where
Related parties	<p>Significant matters arising during the audit in connection with the entity's related parties including, when applicable:</p> <ul style="list-style-type: none"> ▶ 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 	These matters will be included within our Audit Results Report for the year ending 31 March 2021.
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>	These matters are included within this report and will also be included within our Audit Results Report for the year ending 31 March 2021.

Appendix A





Required communications with the Audit and Assurance Committee (continued)

Our Reporting to you

Required communications	 What is reported?	 When and where
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 2021.
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 and Assurance 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 and Assurance Committee may be aware of 	If applicable this will be included, as necessary, within our Audit Results Report for the year ending 31 March 2021.
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 2021.
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 ▶ 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. 	These matters are included within this report and will also be included within our Audit Results Report for the year ending 31 March 2021.

Appendix A

Required communications with the Audit and Assurance Committee (continued)

			 Our Reporting to you
Required communications	 What is reported?	  When and where	
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 2021.	
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 2021.	
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 will be included within our Audit Results Report for the year ending 31 March 2021.	

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 for TTL and Crossrail and under the CIPFA Code for TfL.

Our responsibilities in relation to the financial statement audit are set out in our engagement letter. 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 and Assurance Committee reporting appropriately addresses matters communicated by us to the Audit and Assurance Committee and reporting whether it is materially inconsistent with our understanding and the financial statements
- ▶ Maintaining auditor independence

Appendix B

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.



Appendix B

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
- ▶ 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.

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ED None

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Audit and Assurance Committee



Date: 2 December 2020

Item: EY Report on Non-Audit Fees for Six Months ended 30 September 2020

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 the 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.

List of appendices to this report:

Appendix 1 – letter from EY

List of Background Papers:

None

Contact: Antony King, Group Finance Director and Statutory Chief

Finance Officer

Number: 020 7126 2880

Email: AntonyKing@TfL.gov.uk

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**Audit and Assurance Committee
Company Secretariat
Transport for London
Post Point 10 City Hall
The Queen's Walk
London SE1 2AA**

2 December 2020

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

Dear Sirs

Audit fees – Period ending 30 November 2020

Under Transport for London's policy on external audit services we are required to provide to the Audit and Assurance Committee, a report on fees for all services, we reported the non-audit services incurred in the 6 months to 31 March 2020 to a previous committee meeting. Appendix 1 to this letter includes a summary of our non-audit fees during the period 1 April 2020 to 30 November 2020.

Yours faithfully

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

Appendix 1

Summary of fees

	TfL Corporation 2020/21 £	Comments
Agreed upon procedures	7,500	Procedures performed for the Queen's Award for Enterprise.
Agreed upon procedures	14,500	Procedures performed for the Office of Road & Rail Returns

Audit and Assurance Committee



Date: 2 December 2020

Item: Risk and Assurance Quarter 2 Report 2020/21

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 during Quarter 2 of 2020/21, the work in progress and planned to start, and other information about the Directorate's activities.
- 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 paragraphs 3, 5 and 7 of Schedule 12A of the Local Government Act 1972 in that it contains information relating to the business and financial affairs of TfL, that is commercially sensitive and likely to prejudice TfL's commercial position; and information relating to ongoing fraud and criminal investigations and the disclosure of this information is likely to prejudice the prevention or detection of crime and the apprehension or prosecution of offenders.

2 Recommendation

- 2.1 **The Committee is asked to note the report and the supplemental information on Part 2 of the agenda.**

3 Background

- 3.1 This is the quarterly report to the Audit and Assurance Committee highlighting the activities of the five teams making up the Risk and Assurance Directorate, namely: Enterprise Risk; Internal Audit; Integrated Assurance; Project Assurance; and Fraud.

4 Enterprise Risk Management

- 4.1 TfL's risk management processes are now well established and each of the Level 0 Strategic risks had been reviewed by the Executive Committee and the relevant Board Committee or Panel at least once by the end of 2019/20. As previously reported, in Q1 the Level 0 risks were reviewed and reframed in light of the impact on TfL of Covid-19, and a new set of 14 Level 0 enterprise risks was agreed by the business. Work on development of these new risks has been ongoing during Q2.

- 4.2 The following enterprise risks have had title changes:
- (a) Cyber and protective security (ER4) has been renamed to 'Major security incident'; and
 - (b) Asset condition (ER12) has been renamed to 'Asset condition unable to support TfL outcomes'.
- 4.3 The following enterprise risks have been fully developed since their identification in Q1, and papers detailing the contents of these risks and their mitigations have been presented to the Executive committee for review:
- (a) Major Health, Safety or Environmental crisis or incident (ER1);
 - (b) Protecting the wellbeing of our employees (ER2);
 - (c) Major security incident (ER4);
 - (d) Supply chain disruption (ER5);
 - (e) Delivery of key projects and programmes (ER8);
 - (f) Asset condition unable to support TfL outcomes (ER12);
 - (g) Governance and controls suitability (ER13); and
 - (h) Opening of the Elizabeth Line (ER14).
- 4.4 The remainder of the enterprise risks are either under development or are scheduled for a workshop.
- 4.5 The Executive Committee has continued to review the enterprise Level 0 risks periodically. Two or three risks are reviewed in detail at each meeting, with the opportunity to agree or challenge any risk assessments and discuss upcoming challenges or emerging risks.
- 4.6 By the end of the calendar year, the Executive Committee and the relevant Board Committee or Panel will have reviewed all enterprise risks. A list of the Level 0 and Level 1 risks is included in Appendix 1.

5 Audit and Assurance

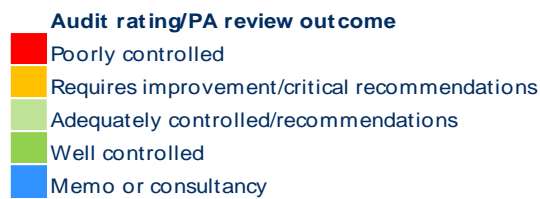
- 5.1 In TfL, assurance is delivered in accordance with the 'three lines of defence' model:
- (a) First line of defence – control and monitoring arrangements carried out by the functions responsible for managing the risks/ controls;
 - (b) Second line of defence – typically audit and inspection regimes 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 The table below maps the outcomes of audit and integrated assurance reviews carried out by the teams in Risk and Assurance up to Q2 against the TfL Enterprise Risks. If a risk is not listed, this means that no work has been completed against it in the year to date.

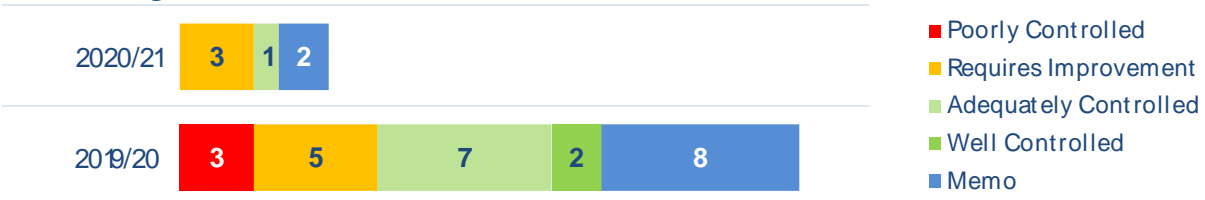
	←2nd line assurance	Total	←3rd line assurance	Total
ER1- Major health, safety or environmental	4	4		
ER7 - Financial sustainability	1	1	1 2	3
ER8 – Delivery of key projects and programmes	3	3		
ER10 – Inability to support new ways of working			1	1
ER12 - Asset condition	1	1		
ERB – Governance and controls suitability	1	1	1	1
ER4 – Opening of the Elizabeth Line			1	1



5.4 The Internal Audit plan forms part of the integrated assurance plan that the Audit and Assurance Committee approved on 16 March 2020. A revised plan, taking account of the impacts of Covid-19 on the Internal Audit team’s work was approved by the Committee in September 2020. Schedule 1: Internal Audit Q2 summary includes highlights from work completed during the quarter, an overview of the delivery of the audit plan, a summary of the reports issued and conclusions and information on overdue audit actions.

5.5 The chart below summarises the reports issued up to the end of Q2 2020/21, together with comparative figures for 2019/20:

Audit ratings to Q2



5.6 To the end of period 7 we have delivered 20 per cent (11 audits) of the revised audit plan. This represents a decrease compared to the same period in 2019/20

due to the effects of the Covid-19 pandemic and furlough of the team. The team only fully returned to work on 7 September 2020.

- 5.7 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, and details of changes to the audit plan can be found in Appendix 5.
- 5.8 Based on the current work underway we anticipate a significant increase in audits completed by the end of Q3. These include a number of audits that were added to the revised audit plan as a result of the consequences of the Covid-19 pandemic on TfL. This will include audit work on the accelerated integration of Crossrail into TfL.
- 5.9 We have commenced our annual audit planning for 2021/22 and are in discussions with the business. The level of uncertainty that is still prevalent is providing challenges to us and the wider business around forward planning.

Other matters – The Brydon Report

- 5.10 The UK Government commissioned a review, led by Sir Donald Brydon, to consider how the (external) audit process and product could be developed to better serve the needs of users and the wider public interest. The 'Report of the Independent Review into the Quality and Effectiveness of Audit' ('The Brydon Report') was published in December 2019. The Chair of the Committee requested that we perform a review of the Brydon Report and its implications for Internal Audit.
- 5.11 We have completed the review. The Brydon Report is currently only an advisory report to government and none of its recommendations have been adopted into law. The Report is primarily focused on the external audit process, with only brief mention of internal audit, and we do not consider there to be any implications for the work of the Internal Audit team. Furthermore, the Brydon Report is only applicable to designated 'Public Interest Entities' and would not, in any case, apply to TfL. Should the government adopt recommendations from the Brydon report in the future, we will assess whether TfL may wish to voluntarily adopt any of these as part of our regular benchmarking of TfL against the UK Corporate Governance Code.

Mayoral Directives

- 5.12 Mayoral Directions fall into three broad categories: those addressing technical issues relating to statutory powers; those related to commercial development activities; and those related to projects and programmes.
- 5.13 Since the last meeting of the Committee, there has been one direction to TfL, which does not affect Internal Audit activity. The Mayor approved a new Mayoral Delegation and Direction to TfL, which incorporates and expands the range of vehicles covered by the two existing vehicle scrappage schemes that support the Ultra Low Emission Zone, which related to vans and mini-buses and cars and motorcycles. The new Direction and Delegation supersedes and replaces

these previous delegation and directions MD2417, MD2563 and MD2489, which are revoked.

Management Actions

- 5.14 Internal Audit monitors the completion of all management actions and confirms whether management has adequately addressed them. We report by Directorate, on the percentage of actions closed on time over the past six periods. Schedule 1, provides additional information relating to action management trends over the last six periods.
- 5.15 Following our work with the business, reported to the last Audit and Assurance Committee meeting, to reduce the number of overdue actions, we have continued to focus on this and although there has been a small increase in the number of overdue actions it is being managed successfully. There are no actions more than 60 days overdue.

Changes to Audit Plan

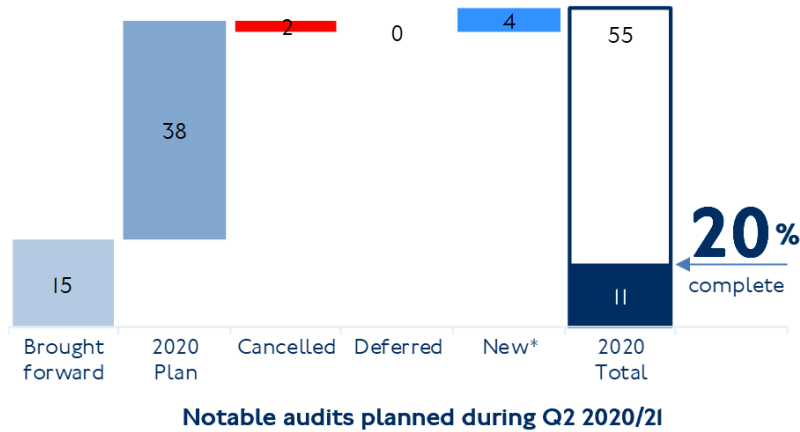
- 5.16 The ability to adapt the plan in order to respond to changing risk and business priorities is a key part of delivering a valuable Internal Audit service to TfL. The Committee will note a small number of changes to the plan this quarter.
- 5.17 Since our revision of the plan submitted to the Committee in September 2020, we have added three new audits, cancelled two and re-instated one omitted from the revised plan. The full list of changes can be found in Appendix 5.

Elizabeth Line Audit Service Delivery

- 5.18 With effect from 1 October 2020 governance of the Crossrail programme transferred into TfL. There is a separate paper on this agenda relating to Elizabeth Line Audit and Assurance activity.

Schedule I: Internal Audit Q2 summary

Audit plan 2020/21 (to Period 7 2020/21 end)



Notable audits planned during Q2 2020/21

Reports



Audit ratings by Directorate – rolling 13 period view

Directorate	PC	RI	AC	WC	M/C*
Crossrail		5			
CCT		9	1		1
Finance		1	3		1
Gen. Counsel					1
HR		1			
LU		1			
Major Projects					
Surface		1			5
TfL Engineering					
HSE					
Pan TfL					
TOTAL	0.0%	60.0%	13.3%	0.0%	26.7%

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

Key highlights

There were no poorly controlled reports issued during Q2 2020/21. We issued two reports concluded as requires improvement; Active Directory Controls: We reviewed an area which had received a poorly controlled conclusion in 2016. Controls have improved and the business has agreed actions to address remaining weaknesses. We identified 5 high priority issues, including out of date risk registers, lack of documentation to support designs, untested disaster recovery plan, uncontrolled

modifications to Active Directory and using end of life product.

Counter-Fraud Assurance (CRL): We identified three high priority issues around inadequate risk management processes, incorrect Safeline number on policies and inconsistent completion of Gifts and Hospitality returns.

Action management (to Period 5 end)

Overall TfL performance

Measure	#	%	6-period trend	Overdue
Closed on time*	54	62%		9
Extended*	50	57%		257 open

By Directorate

Directorate	Overdue	Closed on time*
Crossrail	1	57%
CCT	1	30%
Finance	2	75%
Gen. Counsel		
HR	1	50%
LU		50%
Major Projects		
Surface		100%
TfL Engineering		
HSE		
Pan TfL		

Legend:
 0-30 days (Green)
 31-59 days (Yellow)
 60-99 days (Orange)
 100+ days (Red)

*based on actions due in the last six periods

Integrated Assurance

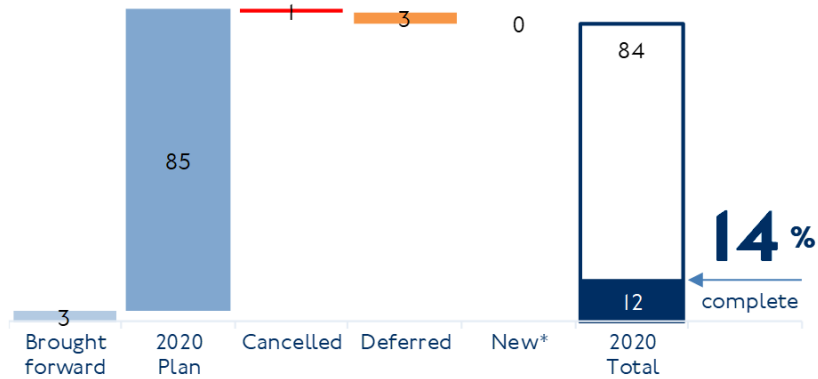
- 5.19 The Integrated Assurance team carries out second line of defence audits, primarily in relation to health and safety and engineering compliance, and compliance with Payment Card Industry Data Security Standard (PCI DSS). Audit reports issued by the team follow a similar system of audit conclusions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

Project Assurance

- 5.21 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. Generally, projects with an Estimated Final Cost over £50m are also subject to (third line) input from the Independent Investment Programme Advisory Group (IIPAG). However, IIPAG's agreed work-bank is determined by the project's risk profile, which includes some projects less than £50m, and not all sub-programmes are reviewed. The IIPAG Quarterly Report is included separately on the Committee Agenda. Reports from Project Assurance Reviews are considered alongside the Authority request at the sub-programme board or operating business board depending on the size of the project.
- 5.22 Project Assurance also conducts reviews of the sub-programmes to inform their annual request for Authority at the Programmes and Investment Committee.
- 5.23 Project Assurance reviews do not carry an overall conclusion in the same way as audit reports, however, issues raised may be designated as critical issues. The Project Assurance team follows up on all recommendations to ensure they have been addressed.
- 5.24 A summary of the work completed by Project Assurance during Q2 can be found in Schedule 3: Project Assurance Q2 summary.

Schedule 2: Integrated Assurance Q2 Summary

Audit plan 2020/21 to end of P7 end



Key highlights

The audit plan for 2020/21 has been revised in quarter 2 to take account of the impact of furlough and the resource available for the remainder of the year. There are 85 audits to be delivered in the 2020/21 plan, although it should be noted approximately half of these are shorter pieces of work related to Payment Card Industry requirements and Integrated System audits that check for compliance with keyTfL management system requirements in LU operational teams.

In quarter 2 we issued seven reports, one was concluded as well controlled, one concluded as requires improvement and five that were not given a rating as they addressed a variety of risks and therefore cannot be easily given a meaningful overall conclusion.

Work of note in quarter two included: Review of LU, Network Rail and third party operator interfaces;

Following a signal passed at danger incident by Chiltern railways on LU infrastructure, integrated assurance were requested to undertake a review of the risk to LU where other operators operate on LU infrastructure or where LU operates on Network Rail infrastructure. This work has involved consultations with operational, engineering and maintenance teams. We have also met with RAIB, RSSB and Network Rail, Chiltern to benchmark good performance.

TfL security strategy

A member of the integrated assurance team has been seconded into the security team in recent months to help with the development of a TfL wide security strategy. This work has made use of risk and assurance principles combined with the experience of the individual. We have also used security guidance from the DfT and good practice from the build up to the 2012 Olympics.

Next month we will be meeting with Network Rail to compare and benchmark audit process.

Reports last 13 periods

	PC	RI	AC	WC	M/C*
Crossrail					
CCT			3		
Finance			1		1
Gen. Counsel			1		
HR					
LU		4	4	2	22
Major Projects					
Surface		6	4		2
TfL Engineering			1		
TfL HSE					
Pan TfL		1			
TOTAL	0.0%	21.2%	26.9%	3.8%	48.1%

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

Action management (to Period 5 end)

Overall TfL performance

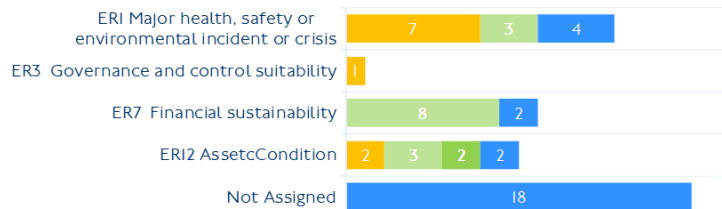
Measure	#	%	6-period trend
Closed on time*	23	46%	
Extended*	34	68%	

20 actions overdue | **21** due this period

	Overdue	Closed on time*
Crossrail		
CCT		
Finance		0%
Gen. Counsel	1	0%
HR		
LU	3, 1	65%
Major Projects		
Surface	3, 1, 10	12%
TfL Engineering		89%
TfL HSE	1	
Pan TfL		

*based on actions due in the last six periods

Audit Ratings by Strategic Risk Last 13 Periods



Due to the impacts of COVID-19, including the corresponding safe stop of projects across TfL and the furloughing of TfL staff, a limited number of reviews were undertaken in quarter 2. The common theme that affected projects widely during the quarter, and continues to affect projects to varying degrees, is the impact of COVID-19 on programmes, resources and finances. We will continue to monitor the effect on scope, cost, programmes and risk as the capital investment programme is revised.

Sub-Programme Reviews

No sub-programme reviews were completed in the quarter.

Overdue Recommendations

As at the end of Q2 there were 50 open recommendations for 11 sub-programme reviews, with 40 of these recommendations overdue against their original completion date. None of the overdue recommendations are critical issues.

The impact of COVID-19 on the investment programme and the number of TfL staff on furlough, including within the TfL Project Assurance team, affected our ability to actively address and close recommendations over the quarter. With all staff returning from furlough at the end of October we are focussing on addressing the number of open and overdue actions.

Recommendations relating to projects which are currently paused due to the impacts of COVID-19 on the investment programme have not been included in the above data. Should these projects resume then revised recommendation action dates will be agreed and included in subsequent Project Assurance reports.

Project Reviews

TfL Project Assurance completed three project reviews in Q2, IIPAG participated in all of them. From the reviews undertaken a total of 16 recommendations were made, 12 by Project Assurance and four by IIPAG. Of these, none were critical issues.

Customer Feedback

5.25 No customer feedback forms were received during the quarter.

6 Counter-Fraud and Corruption

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: Counter-Fraud and Corruption 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.

Schedule 4: Counter-Fraud and Corruption Q2 Summary

Fraud investigation

During Q2, five new cases were opened (2019/20 Q2: 11 new cases). Of the five newly opened cases, three were as a result of whistleblowing and one was identified through internal control mechanisms. Two of the five allegations related to procurement & supply chain activities. Two financial investigations were conducted involving three subjects and nine bank accounts. No Suspicious Activity Report (SAR) checks were undertaken during the quarter.

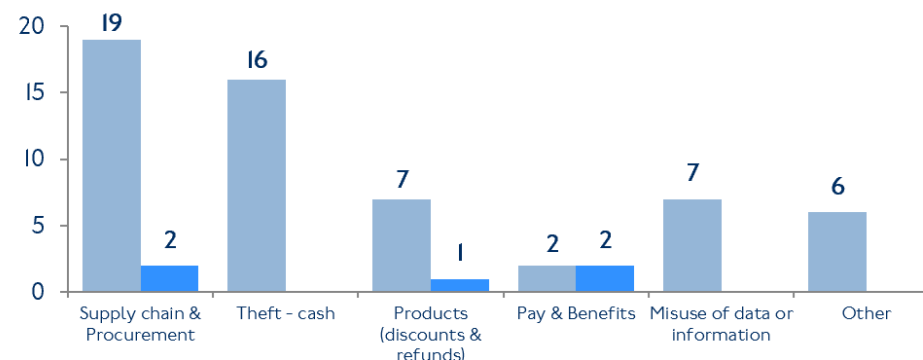
Fraud prevention

- Members of the Counter-fraud & Corruption (CF&C) Team attended a series of meetings in Q2 with senior Crossrail Limited (CRL) management as part of the re-mobilised Fraud Risk Assurance Group (FRAG). The CFC have been working with senior CRL stakeholders to document their identified fraud risks and to promote a culture of zero tolerance towards any fraud & corruption through increased fraud awareness activities and reporting suspicions of fraud.
- Members of the CF&C Team established a working party with senior management from the Procurement & Supply Chain team and the Legal Team to discuss and review the newly drafted Procurement Policy and associated Management Procedures. The working party held two meetings during Q2 to review and agree the wording of the 'Procurement Policy' and 'Management Procedure' documents. The CF&C Team shared a number of observations based upon fraud investigations carried out within commercial activities and a series of recommendations were made to strengthen the Management Procedure, particularly in respect of procurement planning, countering fraud & corruption and tendering.
- The CF&C Team have been involved in a series of meetings and working parties with the Cyber Security Team, Risk Team and CPOS to discuss merging cyber related risks with protective security risks (including fraud) and the governance arrangements for each area to facilitate collaboration

Cases by directorate

Investigations	B/F	New	Closed	C/F
LU	34	2	3	33
Surface Transport	5	1	0	6
CCT	9	1	0	10
Crossrail	3	0	1	2
Major Projects	1	0	0	1
Commercial Dev.	1	1	1	1
General Counsel	1	0	0	1
Finance	3	0	0	3
Total	57	5	5	57

Cases by type New and Brought Forward

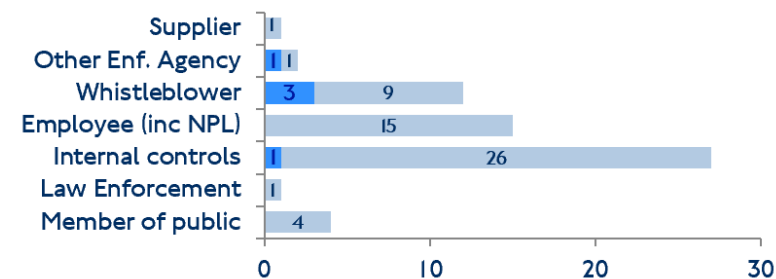


Significant closed cases

Case 18-708 Conflict of interest within procurement

A senior commercial employee reported a suspected conflict of interest involving a Director of a primary supplier, operating on a TfL framework. The Director was identified as being embedded within a TfL team, directing and advising on contractual works that were then undertaken by his company. It was alleged that the Director had a strong personal relationship with a TfL employee managing the framework contracts and call-offs. An investigation identified serious concerns of mismanagement of the framework agreement with 98% of all works awarded to the primary supplier, whose Director was embedded within the team. The contractual works awarded totalled several million pounds. The Director was advised that he was no longer permitted to have open access to TfL buildings or use a TfL email account, in order to maintain fairness. The TfL employee, suspected of having a strong personal relationship with the Director reported sick in July 2018, and following a lengthy period of sickness, left the business in early January 2020. It had not been possible to conduct a fact-find with him to discuss suspected breaches of internal policies. The case was referred to BTP for review. A preliminary Police investigation failed to provide the necessary evidence to substantiate an offence of fraud. A new framework was established in January 2020 and all works allocations are being strictly monitored to ensure framework contracts are adhered to. Following a final review of available evidence and discussions with senior management within the business area, this case is now closed.

Cases by source New and Brought Forward



7 Resources

- 7.1 At the beginning of Q2 the Directorate was carrying seven vacancies: four in Internal Audit, two in Project Assurance and one in Integrated Assurance.
- 7.2 During Q2 one of the vacancies in Project Assurance was filled, and since the end of the quarter we have also filled the remaining Project Assurance vacancy and a Technology and Information Security Auditor has joined the Internal Audit. There have been no leavers since the end of Q1.
- 7.3 We continue to use our two co-source providers to cover for the Technology and Information Security vacancies in Internal Audit.

8 Control Environment Trend Indicators

- 8.1 The control environment indicators for the Q2 are attached as Appendix 6. However, due the low number of internal audit reports issued as a result of furlough no meaningful conclusion can be drawn at this time. The new Finance and Commercial trend indicators are being reported in a separate paper on this agenda and therefore are not included here.

List of appendices to this report:

- Appendix 1 – Level 0 and Level 1 Risks
- Appendix 2 – Internal Audit reports issued in Q2 2020/21
- Appendix 3 – Work in Progress at the end of Q2 2020/21
- Appendix 4 – Work Planned for Q3 2020/21
- Appendix 5 – Changes to the audit plan at the end of Q2 2020/21
- Appendix 6 – Control Environment Trend Indicators

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

List of Background Papers:

Audit reports, Project Assurance reports.

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Level 0 TfL Enterprise Risks				
#	Risk	Owner	Manager(s)	Mayor's Transport Strategy / Corporate Strategy
ER1	Major Health, Safety or Environmental incident or crisis	Chief Safety, Health & Environment Officer	Head of Insights & Direction; Head of Corporate Environment; Head of Occupational Health & Wellbeing; Head of Transport Strategy & Planning	MTS: Healthy streets and healthy people
ER2	Protecting the wellbeing of our employees	Chief People Officer	Head of Strategic Planning and Governance; Head of Occupational Health & Wellbeing	CS: People and stakeholders
ER3	Major service disruption	Managing Director - LUL	Director of Network Management; Director of Bus Operations; Director of Rail and Sponsored Services; Director of Asset Operations; Chief Operating Officer; Director of Business Partnering & ER	MTS: A good public transport experience
ER4	Major security incident	Managing Director - ST	CTO & Director of CE; Director Compliance Policing & On-Street; Director of Line Operations - LUL	MTS: Healthy streets and healthy people
ER5	Supply chain disruption	Chief Finance Officer	Chief Procurement Officer	MTS: A good public transport experience
ER6	Loss of stakeholder trust	MD Customer, Communications & Technology	Director of News and External Relations; Group Finance Director; Director of Legal	CS: People and stakeholders
ER7	Financial sustainability	Chief Finance Officer	Group Finance Director	CS: Finance
ER8	Delivery of key projects and programmes	Director of Major Projects	Director of Project & Programme Delivery; Director, Network Extensions; LU Director of Renewals & Enhancements	MTS: A good public transport experience
ER9	Modal mix misaligned to strategic policy objectives	MD Customer, Communications & Technology	CTO & Director of CE; Director of City Planning; Director of Innovation	CS: Finance
ER10	Inability to support new ways of working	MD Customer, Communications & Technology	CTO & Director of CE; Chief People Officer; Estates Management Director	MTS: A good public transport experience

Level 0 and Level 1 Risks

Level 0 TfL Enterprise Risks				
#	Risk	Owner	Manager(s)	Mayor's Transport Strategy / Corporate Strategy
ER11	Disparity leading to unequal or unfair outcomes	Director of Diversity, Inclusion & Talent	Chief Safety, Health & Environment Officer; CTO & Director of CE; Director of City Planning; MD Customer, Communications & Technology; Diversity & Inclusion Lead	CS: People and stakeholders
ER12	Asset condition unable to support TfL outcomes	Managing Director - LUL	Director of TfL Engineering Delivery	MTS: A good public transport experience
ER13	Governance and controls suitability	General Counsel	Director of Legal	MTS: All MTS themes
ER14	Opening of the Elizabeth Line	Managing Director - LUL	Chief Operating Officer; Operations Business Manager	MTS: A good public transport experience

Level 1 London Underground Strategic Risks				
#	Risk	Owner	Manager(s)	Mayor's Transport Strategy / Corporate Strategy
LU 01	LU Ineffective relationship with colleagues	Director of Line Operations	Head of Business Partnering; Head of Employee Comms & Engagement	CS: People
LU 02	LU Diversity and Inclusion	Director of Customer Services	Head of Business Partnering (HR)	CS: People
LU 03	LU Service issues worsen customer perceptions	LU Managing Director [TBC]	Director of Line Operations, Director of Asset Operations, Director of Customer Services	MTS: A good public transport experience
LU 04	LU Failure to deliver our budget	Divisional Finance & Procurement Director (LU)	Senior Divisional Financial Controller (LU)	CS: Finance
LU 05	LU Inability to keep assets safe and operable	Director of TfL Engineering Delivery	Director of Asset Operations, Engineering Heads of Profession	MTS: A good public transport experience
LU 06	LU Major Incident	Director of Line Operations	Head of Network Delivery	MTS: Healthy Streets and Healthy People
LU 07	LU Inability to Restart and Recover	Director of Operational Readiness	Head of Network Command	MTS: All themes
LU 08	LU Cyber Security Incident	Director of TfL Engineering	Head of Central Engineering	MTS: A good public transport experience
LU 09	LU Risk of fatality or serious injury	LU Managing Director	Head of SHE BP – LU & PS	MTS: Healthy Streets and Healthy People
LU 10	LU Inability to establish strategy and governance	LU Chief of Staff	Head of LU Business Strategy; Head of LU Secretariat	MTS: All themes
LU 11	LU Major programmes readiness and integration	Director of Operational Readiness	TBC (Currently Director of Operational Readiness)	MTS: A good public transport experience
LU 12	LU Failure to deliver asset investment	Director of Renewals & Enhancements	Head of Enhancements	MTS: A good public transport experience

		(LU)		
LU-13	LU Inability to operate Control Centres	Director of Line Operations	Head of Line Operations (Circle & Hammersmith and District lines); Head of Profession Service Control)	MTS: A good public transport experience

Level 1 Surface Transport Strategic Risks				
#	Risk	Owner	Manager(s)	Mayor's Transport Strategy / Corporate Strategy
ST-03	Inability to deliver the Investment Programme	Director of Project & Programme Delivery	Head of Projects & Programmes Delivery (Assets)	MTS: All MTS outcomes
ST-04	Inability to maintain Highway Infrastructure asset base	Director of TfL Engineering Delivery	Head of Asset Investment	MTS: Healthy streets and healthy people
ST-07	Disruption to quality of service due to planned or unplanned events	Director of Network Management	Head of Control Centre Operations	MTS: A good public transport experience
ST-08	Inability to attract, recruit, engage, develop and retain talent in key competencies	Director of CPOS	Senior HR Business Partner	CS: People
ST-10	Disruptive technology undermines core business	Director of Innovation	Senior Policy Manager	All MTS themes: All MTS outcomes
ST-11	Achieving health, safety and environmental outcomes and performance	Managing Director - ST	Head of SHE BP – ST	MTS: Healthy streets and healthy people
ST-12	Major cyber security incident	CTO & Director of CE	Head of T&D – Surface	MTS: A good public transport experience
ST-16	Inability to source new revenue stream for roads	Divisional Finance Director (ST)	Head of Finance (Rail & Other Ops)	CS: Finance
ST-17	Protective Security	Director of CPOS	Snr Op Security & Crime Reduction Manager	MTS: Healthy streets and healthy people
ST-20	Inability to achieve net bus income target from patronage decline	Director of Bus Operations	Director of Bus Operations	MTS: A good public transport experience

Level 1 Professional Services Strategic Risks				
#	Risk	Owner	Manager(s)	Mayor's Transport Strategy / Corporate Strategy
Commercial Development				
CD-01	Inability to deliver predicted revenue growth	Director of Commercial Development	Divisional Finance Director (CD)	MTS: New homes and jobs
CD-02	Landlord compliance with legislation	Director of Commercial Development	Estates Management Director	MTS: Healthy streets and healthy people
CD-03	Compliance with Mayor's housing strategy	Director of Commercial Development	Property Development Director	MTS: New homes and jobs
CD-04	Building security	Director of Commercial Development	Estates Management Director	MTS: Healthy streets and healthy people
City Planning				
CP-01	Changes in legislation	Director of City Planning	Head of Transport Strategy and Planning	All MTS themes: All MTS outcomes

Level 1 Professional Services Strategic Risks				
#	Risk	Owner	Manager(s)	Mayor's Transport Strategy / Corporate Strategy
CP-02	Insufficient project funding	Director of City Planning	Head of Transport Planning and Projects	CS: Finance
CP-03	Insufficient progress in meeting the MTS	Director of City Planning	Head of Transport Strategy and Planning	All MTS themes: All MTS outcomes
CP-04	Changes in economic factors	Director of City Planning	Head of Strategic Analysis	All MTS themes: All MTS outcomes
Engineering				
ENG-01	Engineering not understood or consulted	Director of TfL Engineering	COO Engineering	All MTS themes: All MTS outcomes
ENG-02	TfL is not compliant with its ROGS regulations	Director of TfL Engineering	Head of Technical Engineering	MTS: Healthy streets and healthy people
ENG-03	Engineering is unable to deliver its provision	Director of TfL Engineering	COO Engineering	MTS: A good public transport experience
ENG-04	Engineering is unable to attract and retain resources	Director of TfL Engineering	Head of Technical Engineering	CS: People
General Counsel				
GC-01	Significant Legal Non-Compliance	Director of Legal	Director of Legal	All MTS themes: All MTS outcomes
GC-02	Insufficient legal resource to meet demand from the business	Director of Legal	Director of Legal	All MTS themes: All MTS outcomes
GC-03	Significant non-compliance with FOI Act/EIRs	Head of Information Governance and DPO	Information Access Manager	All MTS themes: All MTS outcomes
GC-04	Significant non-compliance with GDPR and other privacy legislation	Head of Information Governance and DPO	Head of Privacy and Data Protection	All MTS themes: All MTS outcomes
GC-05	Inadequate TfL Management System	Head of Information Governance and DPO	Head of TfL Management Systems	All MTS themes: All MTS outcomes
GC-06	Failure to deliver improvement to the quality of R&A outputs to support decision making	Director of Risk and Assurance	Head of Integrated Assurance	All MTS themes: All MTS outcomes
GC-07	Assurance activities fail to reflect and address business risks and concerns	Director of Risk and Assurance	Head of Integrated Assurance	All MTS themes: All MTS outcomes
Human Resources				
HR-01	Inability to attract the right resources	Chief People Officer	Director of Diversity, Inclusion & Talent	CS: People
HR-02	Inability to retain the right resources	Chief People Officer	Director of Diversity, Inclusion & Talent	CS: People
HR-03	Low or declining employee engagement	Chief People Officer	Head of Strategic Planning & Governance	CS: People
HR-04	Pay becomes neither fair nor equal	Chief People Officer	Director of Compensations & Benefits	CS: People
HR-05	Employee Relations climate deteriorates	Chief People Officer	Director of Business Partnering & ER	CS: People
HR-06	Failure to deliver Organisational Change	Chief People Officer	Head of Strategic Planning & Governance	CS: People
HR-07	TfL Pension Fund funding	Chief People Officer	Director of Compensations &	CS: People

Level 1 Professional Services Strategic Risks				
#	Risk	Owner	Manager(s)	Mayor's Transport Strategy / Corporate Strategy
			Benefits	
HR-08	Delivering a seamless Hire to Retire process	Chief People Officer & Transformation Director	Head of Strategic Planning & Governance	CS: People
Technology and Data				
T&D-02	T&D is unable to attract the right resources	Director of Strategy & Chief Technology Officer	Head of Strategy	CS: People
T&D-03	TfL loses role in providing digital services to customers	Director of Strategy & Chief Technology Officer	Head of Digital	MTS: A good public transport experience
T&D-06	Loss, misuse, or breach of GDPR for data owned by Tech & Data	Director of Strategy & Chief Technology Officer	Chief Data Officer	All MTS themes: All MTS outcomes
T&D-09	Under or over spend on budget	Director of Strategy & Chief Technology Officer	Head of Technology - Programmes	CS: Finance
T&D-10	Political pressure to change ticketing policy	Director of Strategy & Chief Technology Officer	Head of Technology & Data - Payments	MTS: A good public transport experience
T&D-14	SAP system out of support	Director of Strategy & Chief Technology Officer	Head of ERP Transformation	CS: Finance
T&D-19	Extreme weather and climate change effects	Director of Strategy & Chief Technology Officer	Head of Technology & Data - Surface Transport	CS: Finance
T&D-21	Over-reliance on current ticketing supplier	Director of Strategy & Chief Technology Officer	Head of Technology & Data - Payments	CS: Finance
T&D-22	Theft or fraud in the revenue collection process	Director of Strategy & Chief Technology Officer	Head of Technology & Data - Payments	CS: Finance
T&D-23	Risk of ticketing systems failure	Director of Strategy & Chief Technology Officer	Head of Technology & Data - Payments	CS: Finance
T&D-31	TfL is not ready for the switchover from PSTN	Director of Strategy & Chief Technology Officer	Head of Transformation Portfolio – Networks	CS: Finance
T&D-32	Software is non-compliant with licencing agreements	Director of Strategy & Chief Technology Officer	Head of Technology Services Operations	CS: Finance

Level 1 Major Projects Directorate Strategic Risks				
#	Risk	Owner	Manager(s)	Mayor's Transport Strategy / Corporate Strategy
MPD-01	Lack of TfL non-MPD resources, especially Engineering and Commercial	Head of Programme	Head of Programme	CS: People
MPD-02	Poor Supplier Performance	Director of Major Projects	Head of Programme	MTS: A good public transport experience
MPD-03	Lack of Resilience in Access	Director of Major	Head of Delivery –	MTS: A good public transport

Level 1 Major Projects Directorate Strategic Risks				
#	Risk	Owner	Manager(s)	Mayor's Transport Strategy / Corporate Strategy
	and Closures Plans	Projects	Access	experience
MPD-04	Major Engineering risks (eg software defects)	Head of Engineering MPD	Head of Engineering MPD	MTS: Healthy streets and healthy people
MPD-05	Imperfect coordination of interfaces with Network Rail	Head of Programme	Senior Commercial Manager NRA	MTS: A good public transport experience
MPD-06	Scope Creep due to requirements for non-conformance rectification and asset condition worse than assumed	Head of Programme	Head of Programme	MTS: A good public transport experience
MPD-07	Crossrail delay may impact on other TfL programmes	Director of Major Projects	Director of Major Projects	MTS: All MTS outcomes
MPD-08	MPD projects cancelled, descoped or deferred as funds reprioritised	Head of Programme	Head of Programme	CS: Finance
MPD-09	External Consents delay projects	Head of Programme	Head of Programme	MTS: A good public transport experience
MPD-10	Projects increased costs due to inability to hand over to Asset Operations	Head of Programme	Head of Programme	CS: Finance

Transport for London Audit and Assurance Committee

Internal audit reports issued in Q2 2020/21

Grouped by Enterprise Risk

Appendix 2

- Four reports were issued during the quarter

Enterprise risk	Directorate	Audit title	Summary of Findings	Conclusion	PI	P2	P3
Financial sustainability	Surface Transport	Certification of the A2/M2 Connected Corridor Project Costs	Total cost declared and certified is €462,059.70. Exceptions identified include: <ul style="list-style-type: none"> • One contract award notice out of five could not be located for the specific contract lot used in the procurement • Personnel costs were initially overstated by €18,682. The implementing body agreed to remove these costs from the financial statements 	Memo	0	0	0
Governance and control suitability	Finance	CPC Contract Management Review	One Low priority issue was identified. Several areas were noted where the processes could be strengthened, in particular the documentation of the operation of these controls, to form part of a robust audit trail.	Adequately Controlled	0	0	0
Inability to support new ways of working	Customers, Communication & Technology	Active Directory Controls	Of the 22 identified issues identified when this area was last audited in 2016, five high priority issues remain relevant: <ul style="list-style-type: none"> • No design documentation has been developed to support or justify the current AD design model; • The End User Computing Team (EUC) risk register has not been updated since 2017; • There is no recovery test plan and the AD IT disaster recovery plan has never been tested; • Quest ActiveRoles Server (Quest ARS) is being bypassed, with administrators making changes directly through PowerShell, allowing uncontrolled modifications to Active Directory (AD); and • A test showed TFLMO Forest's functional level is 2008 R2. 2008 R2 is listed for end of life by Microsoft on the 14th of January 2020 and therefore increases the risk to TFLMO as Microsoft will no longer be offering patch and security support as standard; 	Requires Improvement	5	2	0

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Enterprise risk	Directorate	Audit title	Summary of Findings	Conclusion	P1	P2	P3
Opening of the Elizabeth Line	Crossrail	Counter fraud assurance	<p>Three high priority issues were noted as follows:</p> <ul style="list-style-type: none"> • Functional areas do not use CRL's risk management process to manage risks and risk of fraud does not appear in Project or Enterprise Risk Registers. • Key policies and Whistleblowing Procedure have the wrong Safeline number for reporting fraud and staff awareness of key policies is low. • There is inconsistent completion of Gifts and Hospitality returns 	Requires Improvement	3	1	0

Transport for London Audit and Assurance Committee

Work in progress at the end of Q2 2020/21

Appendix 3

Grouped by Enterprise Risk

- 19 audits were in progress at the end of Q2

Enterprise risk	Directorate	Audit title	Objective	Current Status
Opening of the Elizabeth Line	Crossrail	Crossrail Complaints Commissioner Accounts	To provide assurance over the accounts of the Complaints Commissioner for the period ending 31 March 2020.	Complete
		Crossrail Complaints Commissioner Accounts	To provide assurance over the accounts of the Crossrail Complaints Commissioner for the period ending 31 March 2019.	Complete
		Culture Change	To review the degree to which culture has changed and is embedded in line with agreed values and behaviours	Draft report issued
		Governance and Organisational Effectiveness	To provide assurance over the adequacy and effectiveness of arrangements designed to ensure timely project delivery	Draft report issued
		Adequacy of the Supply Chain Assurance Framework	To provide assurance over the adequacy of the controls to manage key risks within Crossrail's supply chain (Tier 2 and Tier 3)	Follow-up
		Consents Compliance Governance	To provide assurance over the adequacy and effectiveness of controls to monitor and manage compliance with planning, traffic and environmental consents requirements.	Follow-up
Financial sustainability	LT Museum	LTM Fraud Controls	To assess the adequacy and effectiveness of the London Transport Museum (LTM) counter-fraud controls.	Follow-up
	HR	Pension Contributions	To provide assurance on the adequacy and effectiveness of controls to administer pension contributions to the TfL Pension Fund (including Additional Voluntary Contributions) and the TfL Savings for Retirement Plan.	In Progress
	Surface Transport	LIPS Scheme for Hillingdon Borough	To determine the adequacy of the action taken by Network Sponsorship in response to a complaint raised by a member of the public.	Complete

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Enterprise risk	Directorate	Audit title	Objective	Current Status
	Finance	Budget Planning and Forecasting (ST)	To review the adequacy and effectiveness of the ST budget planning and forecasting processes	Reporting
	Commercial	Use of Whole Life Costings in Procurements (T&D)	To review the adequacy and effectiveness of the process for procuring new technology	In Progress
	Finance	Taxi and Car Mileage Claims during Covid 19	To provide assurance on the adequacy and effectiveness of the controls for the expense claim process during Covid 19	In Progress
Governance and control suitability	Surface Transport	Payments to Local Authorities using the Borough Portal	To provide assurance on the effective management of the borough portal	Follow-up
	Bus Operations	Bus Service Delivery Model	To review the effectiveness of the bus operating model	In Progress
	Commercial Development	Post Covid 19 return to work strategy	To provide assurance that the controls over TfL's strategy to enable return to work at Head Office Buildings are adequate and effective	In Progress
	HR	Furlough Process	To provide assurance on the adequacy and effectiveness of TfL's furlough controls to ensure adherence to government guidelines	Follow-up
Cyber and protective security	Customers, Communication & Technology	Remote Working Arrangements	To provide assurance over the adequacy and effectiveness of remote working arrangements for non-operational staff during COVID-19 and lessons learned.	In Progress
Modal mix misaligned to strategic policy objectives	Technology & Data	End User Computing (EUC) hardware stock management	To review the adequacy and effectiveness of the processes for management of End User Computing (EUC) stock.	Follow-up
Inability to support new ways of working	Technology & Data	The strategic approach to cloud computing governance	To review the adequacy of arrangements designed to govern use of cloud computing, including policies and procedures, architectural design, and security controls.	In Progress

Transport for London Audit and Assurance Committee

Work planned to start in Q3 2020/21

Appendix 4

Grouped by Directorate

- There are 14 audits planned to start during the quarter 3

Enterprise risk	Directorate	Audit title	Objective	Planned Period
Opening of the Elizabeth Line	Crossrail	Readiness for Trial Running	To provide assurance over the operational readiness of the operators to commence Trial Running	9
		Management of Staff costs	To provide assurance that the Crossrail organisation is managing indirect costs in line with Programme requirements	8
		Risk Management	To provide assurance over adequacy and effectiveness of risk management in Crossrail.	8
		Transfer of CRL programme to TfL	To provide assurance on the effectiveness of controls over the transfer of the Crossrail programme to TfL	9
		CRL HSE framework	To provide assurance over the adequacy and effectiveness of the HSE framework	8
Transformation	LU	LU Modernisation Programme	To provide assurance that the LU modernisation programme is effectively delivering the expected cost saves.	7
Protecting the wellbeing of our employees	Surface Transport	Work-Related Violence and Aggression Strategy – Reporting	To assess the adequacy of the systems and processes in place for reporting incidents of violence and aggression in the workplace.	8
		Workplace Violence and Aggression-Training	To assess the adequacy of the plans and processes in place for conflict management training and support.	7
Financial sustainability	Finance	Embedding of the Business Planning & Consolidation tool	To provide assurance on the planned implementation and embedding of the Business Planning & Consolidation tool.	8
	Finance	Procurement during Covid- 19	To provide assurance on the adequacy and effectiveness of controls for procurements conducted during Covid-19 pandemic.	7
Disparity leading to unequal or unfair outcomes	HR	Adequacy of Business Rules Governing Performance Awards	To provide assurance on the adequacy of business rules to govern performance awards to senior managers	8

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Enterprise risk	Directorate	Audit title	Objective	Planned Period
Cyber and protective security	Customers, Communication & Technology	Enterprise IT Security Layer	To provide assurance on the governance, accountability, adequacy and effectiveness of TfL's enterprise IT security layers.	8
	Technology & Data	Privileged Access to Critical Enterprise Systems	To provide assurance on the adequacy and effectiveness of controls governing privileged access to critical enterprise systems including the vetting processes.	7
Governance and control suitability	Customers, Communication & Technology	Compliance with GDPR and associated risks.	To provide assurance on the adequacy and effectiveness of TfL's information security controls to comply with GDPR.	8

Transport for London Audit and Assurance Committee

Changes to the 2020/21 audit plan



Appendix 5


- There were six changes to the plan since the last committee: 3 new, 1 reinstatement, and 2 cancellations.



Ref	Audit title	Status	Audit Comments
20 111	Adequacy of Business Rules Governing Performance Awards	New	Management Request due to whistleblowing incident. To provide assurance over the adequacy of the performance award process.
20 113	Additional Dedicated Home to School and College Transport Funding		Management request from FD Finance, ST. To certify that TfL have spent grant funding from the Department of Education for additional bus services in accordance with the Terms and Conditions.
20 505	Management of Staff costs		Request from Crossrail CFO to review staff recruitment and timesheet payments
20 107	Capita Revenue Collection	Cancelled	Processes are identical to areas audited within the last couple of years, therefore the risk level has not increased.
20 110	LTM Plans for New Income Generation		Planning identified that Internal Audit involvement at such an early stage would not add value as operational tasks require completion before assurance on figures and assumptions can be provided
20 511	Readiness for Trial Operations	Reinstated	Was omitted in error from revised September plan

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Control Environment – Trend Indicators

Audit indicators – rolling average									
	Q1 19/20	Q2 19/20	Q3 19/20	Q4 19/20	Q1 20/21	Q2 20/21	Q3 20/21	Q4 20/21	Trend
Poorly Controlled	8.7%	11.8%	10.0%	6.3%	5.3%	0.0%			
Requires Improvement or Poorly Controlled	34.8%	37.3%	38.0%	45.8%	50.0%	58.6%			

Technology									
	Q1 19/20	Q2 19/20	Q3 19/20	Q4 19/20	Q1 20/21	Q2 20/21	Q3 20/21	Q4 20/21	Trend
Internal system availability	99.85%	99.95%	99.95%	99.95%	99.99%	99.96%			

Information Governance									
	Q1 19/20	Q2 19/20	Q3 19/20	Q4 19/20	Q1 20/21	Q2 20/21	Q3 20/21	Q4 20/21	Trend
Number FOI requests	3055	3147	3163	3169	2687	2551			
On time FOI responses	96.7%	97.1%	98.8%	99.4%	99.4%	99.7%			

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Audit and Assurance Committee



Date: 2 December 2020

Item: Independent Investment Programme Advisory Group Quarterly Report

This paper will be considered in public

1 Summary

1.1. This paper presents the Independent Investment Programme Advisory Group (IIPAG) Quarterly Report for November 2020. It describes the work undertaken since the last report presented to the Committee in September 2020.

2 Recommendation

2.1 **The Committee is asked to note the Independent Investment Programme Advisory Group’s quarterly report and the management response.**

3 IIPAG Quarterly Report

3.1 Under its Terms of Reference, 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. IIPAG’s Quarterly Report for November 2020 is included as Appendix 1 to this paper.

3.2 Figure 1 sets out the status of the IIPAG recommendations at the end of each of the last three quarters.

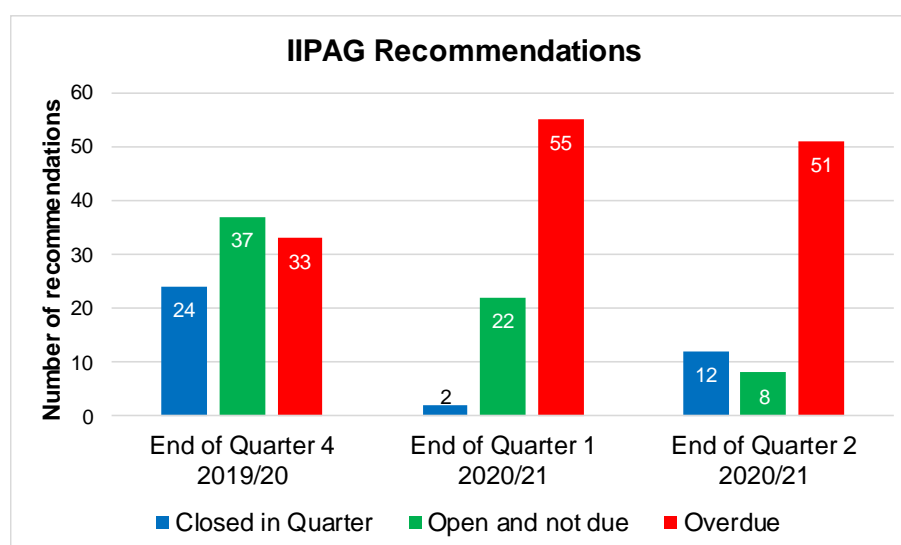


Figure 1: Status of IIPAG Recommendations

3.3 Recommendations that are currently open but relate to projects which are currently paused due to the impacts of Covid-19 on the TfL investment programme

have not been included in the data shown. Should these projects resume then revised recommendation action dates will be agreed and included in data reported to subsequent Committee meetings.

- 3.4 The impact of Covid-19 on the investment programme and the number of TfL staff on furlough, including within the TfL Project Assurance team, affected our ability to actively address and close recommendations during quarter 2. With staff having returned from furlough at the end of October we are focussing on addressing the number of open and overdue actions.
- 3.5 There were no new unagreed or critical IIPAG recommendations made during the quarter, and none of the recommendations overdue at the end of quarter 2 relate to critical issues.

4 Management Response to IIPAG Quarterly Report

- 4.1 In its report, IIPAG note the deep-dive reviews undertaken by the Major Projects Directorate and expressed a view that similar deep dive reviews would be valuable in TfL's other Directorates. We are currently in the process of planning further deep dive reviews into projects and programmes across TfL that are either considered to be high risk or will have significant financial investment in them in the next 18 months or so.

List of appendices to this report:

Appendix 1: Independent Investment Programme Advisory Group (IIPAG) - Quarterly Report November 2020

List of Background Papers:

None

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This paper will be considered in public

1. Introduction

- 1.1. This report to the Audit and Assurance Committee covers the period from late September to November 2020. It describes IIPAG's activities in this period. There are no new strategic recommendations for this period.

2. IIPAG Activity

- 2.1. At the time of writing we are engaged in a number of sub-programme and project reviews for the December meeting of the Programmes and Investment Committee or TfL executive governance. These include:

Sub-Programmes

- Healthy Streets
- Air Quality and Environment
- Four Lines Modernisation (4LM)
- Major Stations
- Barking Riverside Extension

Targeted Reviews

- Emergency Services Network
- Central Line Fleet Programme Lift
- Old Street Roundabout
- Elephant and Castle Station
- LU Technology
- Fleet Heavy Overhaul Programme
- Piccadilly line Upgrade High Voltage Power

- 2.2. At this stage of the reviews we are unable to comment on any common strategic issues arising.
- 2.3. The covering paper to this appendix reports management progress in implementing IIPAG's recommendations for sub-programme and project reviews.

3. Cross-cutting work

- 3.1. In late September we were asked to assure a deep-dive review undertaken by Major Projects Directorate (MPD) of the expected final cost and completion date for all their major projects. This included consideration of the impacts of COVID-19, and reviews of key assumptions, risks and opportunities, including commercial issues. It presented a range of possible outcomes. We were impressed with the work that MPD had undertaken, and we considered the deep dive to be a very valuable exercise. We have been involved in discussions about how such reviews

will be taken forward in MPD. We believe a similar deep-dive approach would be valuable in TfL's other Directorates.

3.2. We are currently undertaking the fieldwork for our review of the TfL Programme Management Office (PMO).

List of appendices to this report:

None

List of background papers:

None

Contact Officer: Alison Munro, Chair of IIPAG
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Audit and Assurance Committee



Date: 2 December 2020

Item: Elizabeth Line Audit and Assurance

This paper will be considered in public

1 Summary

1.1 This paper provides an overview of the role of the Internal Audit in relation to the Crossrail project, the activities planned to be carried out in 2020/21 and proposals for delivery of third line project assurance activities going forward. A version of this paper was presented to the Elizabeth Line Committee at its meeting on 26 November 2020. As the Elizabeth Line Committee meets after the papers for this meeting are published, any substantive issues raised by that Committee will be reported verbally at this meeting.

2 Recommendation

2.1 The Committee is asked to note the paper.

3 Background

3.1 Within Crossrail, there are a number of functions involved in the delivery of assurance operating across the three lines of defence model.

3.2 Internal Audit provides third line audit assurance services to Crossrail in accordance with the “three lines of defence” model:

- (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 Crossrail management hierarchy; and
- (c) Third line of defence – fully independent audit and review activities. Typically, activities will have a strategic focus, with reporting to the Audit and Assurance Committee, and the Committee as appropriate.

3.3 The Crossrail Project and Programme Assurance team (‘Crossrail Assurance’) provides second line assurance over programme delivery. Outcomes from the team’s work are reported each period to the Elizabeth Line Delivery Group. We are working with Crossrail Assurance to agree how a summary of its work can best be reported to the Elizabeth Line Committee and this Committee going forward.

- 3.4 The current Internal Audit Plan (IAP) for 2020/21 is attached in Appendix 1, details of the report issued in Q2 are in Appendix 2 and an overview of the work in progress at the end of Q2 is attached in Appendix 3.

4 Development and Delivery of the Plan

- 4.1 The starting point for the development of the IAP is a review of the Crossrail enterprise risks identified during 2019 and the key controls over those risks. The plan is structured around the enterprise risks.
- 4.2 We have consulted with senior management to get their views on where assurance work would add the most value, and shared the draft plan for comment. However, the final decision on what is included rests with Internal Audit.
- 4.3 In developing the plan, we have also had regard to the assurance being provided by other assurance teams within Crossrail to ensure that the work is carried out by the most appropriate team and that duplication of effort is avoided. We meet periodically with Crossrail Assurance, the Project Representative and the Crossrail risk team to share assurance information and ensure that assurance activity is coordinated.
- 4.4 The Crossrail IAP for 2020/21 was approved by the Crossrail Audit and Assurance Committee in March and formed part of the TfL Integrated Assurance Plan approved by the TfL Audit and Assurance Committee in March. Some minor changes to the Crossrail IAP were reported to both the Crossrail and TfL Audit and Assurance Committees in September. We will review the IAP throughout the year as assurance work is carried out and changes to the enterprise risks are identified.
- 4.5 Internal Audit delivers its work according to defined processes and procedures, set out in its audit manual, in line with relevant statutory requirements and professional standards.
- 4.6 We produce a quarterly update report on progress against the plan and we regularly review and update the plan throughout the year, in liaison with management, to reflect changing business priorities. Any changes to the plan will be presented to the Audit and Assurance Committee for approval.

5 Focus Areas for 2020/21

- 5.1 We will continue to focus on cost management and other key risk areas such as safety, readiness for handover, organisational change and the management of scope to go.
- 5.2 Following the recommendation from the review carried out by the Infrastructure and Projects Authority (IPA) in 2019, in light of other assurance activity in relation to schedule management there are no audits in the 2020/21 plan in that area.

6 Third line Project Assurance Activities

- 6.1 Following the transfer of the Crossrail project into TfL, discussions have taken place about how third line project assurance will be carried out on the project. It is proposed that the current TfL Independent Investment Programme Advisory

Group (IIPAG) undertake this work going forward. This has been discussed and agreed with all key stakeholders in TfL and Crossrail and with the Chair of IIPAG. The Elizabeth Line Committee's approval of this arrangement was being requested at its meeting on 26 November 2020.

- 6.2 Subject to that approval being given, TfL will make the necessary changes to IIPAG's Terms of Reference (which currently exclude them working on Crossrail) and agree the specific activities they will undertake. There may be a need to supplement the IIPAG team to ensure that they can cover the additional Crossrail work alongside all aspects of their TfL work plan and cross cutting work. Further details of how IIPAG will undertake these third line activities will be shared with this Committee and with the Elizabeth Line Committee once finalised.

List of Appendices:

Appendix 1 – Internal Audit Plan 2020/21

Appendix 2 – Reports issued in Q2

Appendix 3 – Work in progress at the end of Q2

List of Background Papers:

None

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Rolling Crossrail Plan (2020/21):

Appendix I

There are 10 audits in the current plan which was approved at the September CRL AAC.

Strategic Risk No.	Strategic Risk	Audit Title	Objective	Planned Period
E07	Delivering a safe, operable and maintainable railway to enter Trial Running according to the plan in the current climate.	Readiness for Trial Running	To provide assurance over the operational readiness of the operators to commence Trial Running	Q4
SC4	Volume of residual works may impact operation and safety of the railway (ADM)	Alternative Delivery Model	To provide assurance that the alternative delivery strategy is effective	Q4
FC3	Crossrail may not be able to demonstrate sufficient commercial and/or financial control.	Management of Indirect costs	To provide assurance that the Crossrail organisation is managing indirect costs in line with Programme requirements	Q4

Strategic Risk No.	Strategic Risk	Audit Title	Objective	Planned Period
		Management of Staff costs	To provide assurance that the Contractual Appointments process is being approached and managed in a transparent and effective manner.	Q2
		Crossrail Complaints Commissioner Accounts	To provide assurance over the accounts of the Crossrail Complaints Commissioner for the period ending 31 March 2020.	Q3
		Management of AFC	To provide assurance over the effectiveness of controls for management of AFC	Q4
		Risk Management	To provide assurance over adequacy and effectiveness of risk management in Crossrail	Q2
SC3	Tier I close out not aligned with the programme demobilisation dates	Demobilisation of Tier I Contractors	To provide assurance that the controls over contractor demobilisation are effective	Q3

Strategic Risk No.	Strategic Risk	Audit Title	Objective	Planned Period
OCI	Crossrail and TfL may fail to delivery on the transition plan to complete the programme.	Transfer of CRL programme to TfL	To provide assurance on the effectiveness of controls around the transfer of the Crossrail programme to TfL	Q3
HS4	Safety performance could be impacted by changing from the Crossrail programme rules to the IM operational rules.	HSE framework	To provide assurance over the adequacy and effectiveness of the HSE framework	Q3

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Transport for London Audit and Assurance Committee

Internal audit reports issued in Q2 2020/21

Appendix 2

- One report was issued during the quarter

Enterprise risk	Directorate	Audit title	Summary of Findings	Conclusion	P1	P2	P3
Opening of the Elizabeth Line	Crossrail	Counter fraud assurance	Three high priority issues were noted as follows: <ul style="list-style-type: none"> • Functional areas do not use CRL's risk management process to manage risks and risk of fraud does not appear in Project or Enterprise Risk Registers. • Key policies and Whistleblowing Procedure have the wrong Safeline number for reporting fraud and staff awareness of key policies is low. • There is inconsistent completion of Gifts and Hospitality returns 	Requires Improvement	3	1	0

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Work in progress at the end of Q2 2020/21 – Appendix 3

Grouped by Strategic Risk

- Six audits were in progress at the end of Q2 having been delayed due to COVID 19 lockdown and furlough of the audit team. Status has been updated to reflect progress to date

Strategic risk	Audit title	Objective	Current status	Notes
OC1 Crossrail and TfL may fail to deliver on the transition plan to complete the programme.	Governance and Organisational Effectiveness	To provide assurance over the adequacy and effectiveness of arrangements designed to ensure timely project delivery	Draft Report issued	This was issued prior to furlough – under discussion with CRL
	Culture Change	To review the degree to which culture has changed and is embedded in line with agreed values and behaviours	Follow up	Conclusion - Requires Improvement
SC4 Volume of residual works may impact operation and safety of the railway (ADM)	Consents Compliance Governance	To provide assurance over the adequacy and effectiveness of controls to monitor and manage compliance with planning, traffic and environmental consents requirements.	Follow up	Conclusion - Requires Improvement
	Adequacy of the Supply Chain Assurance Framework	To provide assurance over the adequacy of the controls to manage key risks within Crossrail's supply chain (Tier 2 and Tier 3)	Follow up	Conclusion - Requires Improvement
FC3 Crossrail may not be able to demonstrate sufficient commercial and/or financial control.	Crossrail Complaints Commissioner Accounts	To provide assurance over the accounts of the Crossrail Complaints Commissioner for the period ending 31 March 2019	Complete	Statutory audit
	Crossrail Complaints Commissioner Accounts	To provide assurance over the accounts of the Crossrail Complaints Commissioner for the period ending 31 March 2020.	Complete	Statutory audit

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Audit and Assurance Committee

Date: 2 December 2020

Item: Enterprise Risk Update - Major Security Incident (ER4)

This paper will be considered in public

1 Summary

- 1.1 This paper seeks the Committee's endorsement of a newly created Enterprise Risk (ER4) – Major Security Incident which brings together two previous separate risks – cyber security and protective security.
- 1.2 A paper is included in 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 update and the exempt supplementary information in Part 2 of the agenda.**

3 Current Status

- 3.1 In July 2020, TfL Executive Committee agreed to explore creating a single enterprise risk (ER4) – Major Security Incident, merging the existing SR4 – Major cyber security incident and SR17 – Protective security risks.
- 3.2 ER4 has been developed to take a holistic approach to the security threats facing TfL. ER4 defines a major security incident as the impact on TfL's operations, assets, customers, people, finances and reputation caused from an incident or terrorism, sabotage, espionage, or serious financial crime. The scale and nature of the impact is a combination of a failure to sufficiently identify and understand the threats we face, or to recognise our vulnerabilities and seek to protect them, in order to deter, delay and detect such criminal activity. The causes fall within four broad categories: terrorism, sabotage, espionage and serious financial crime.
- 3.3 ER4 provides oversight of the risk, causes, consequences and controls in place to manage it. Detail of this work is presented in Part 2 of the agenda.

List of Appendices:

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

Background Papers:

None

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Audit and Assurance Committee



Date: 2 December 2020

Item: Finance Control Environment Trend Indicators

This paper will be considered in public.

1 Summary

1.1 To report to the Audit and Assurance Committee on the Financial Control Environment Trend Indicators.

2 Recommendation

2.1 **The Committee is asked to note the dashboard at Appendix 1.**

3 Background

3.1 This paper reports on the Financial Control Indicators that TfL agreed with the Committee at its last meeting, to be reported to the Committee on a periodic (quarterly) basis and informs the Committee as to the control environment across Finance, Business Services and Procurement.

3.2 We are implementing several process and systems improvements related to open item management on the balance sheet which will result in an improving trend on the business services metrics.

3.4 The procurement metrics are still in draft illustrative format whilst we introduce process and system improvements as part of the Procurement Improvement Programme. These metrics will be available for Quarter 3 this year.

List of appendices to this report:

Appendix 1 - Financial Indicators Dashboard

List of Background Papers:

None

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TfL Audit & Assurance Committee – Appendix 1 Performance Metrics Quarter 2, 2020/21

2 December 2020



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TfL Group: audit committee performance metrics to end Quarter 2, 2020/21

Key metrics Audit Committee

Key control metrics relating to Forecasting Accuracy, Processing Payments and Procurement
Quarter 2, 2020/21

Q2 variances driven by:

Total operating income: £82m from higher passenger income. Passenger journeys 84 million higher than Revised Budget; Congestion Charge income also higher; volumes have increased since the re-introduction of charging, and from the temporary extension of charging hours and increase in daily charge in June 2020.

Operating costs £58m lower than Revised Budget, driven by lower core costs – with £24m timing from an earlier than expected one off supplier settlement and other savings – and lower investment costs.

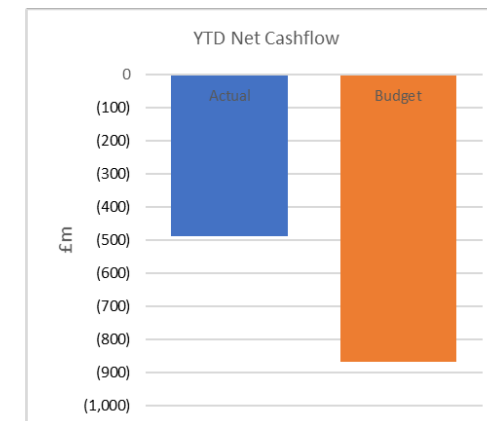
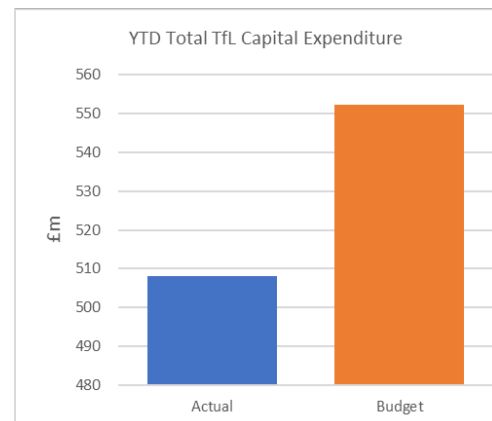
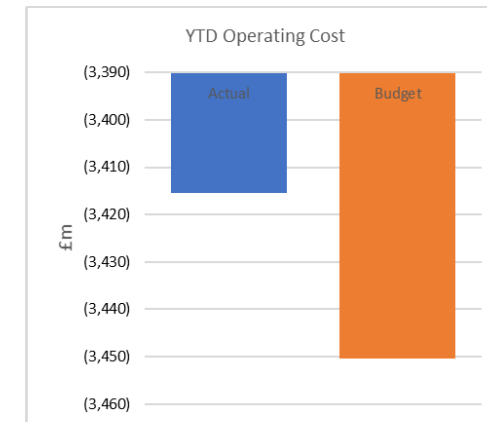
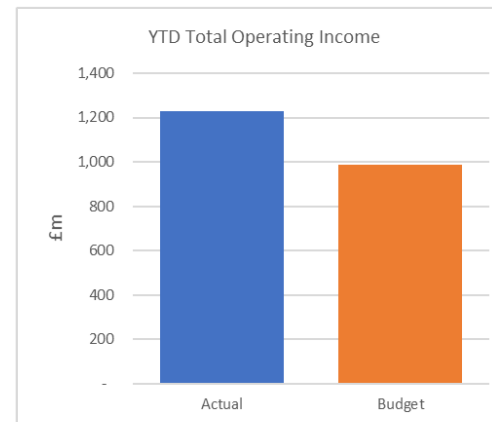
Capital expenditure: Total capital expenditure close to Revised Budget (4%), but significantly down on last year as we have paused some projects. We will be reviewing our capital programme based on affordability as part of this year's new Business Plan.

Quarterly Forecasting Accuracy

£m	Q3 19/20	Q4 19/20	Q1 20/21	Q2 20/21
Total Operating Income	1,452	1,649	332	649
Variance to reported Budget *	(10)	(193)	151	101
Operating Cost	(1,457)	(2,093)	(1,436)	(1,451)
Variance to reported Budget	9	(8)	(30)	58
Total TfL Capital Expenditure **	306	596	180	245
Variance to reported Budget	(65)	(76)	20	(18)
Net Cashflow	191	140	(559)	70
Variance to reported Budget	138	(4)	(99)	125

YTD Forecasting Accuracy - P7

£m	YTD
Total Operating Income	
Actual	1,227
Budget	986
Operating Cost	
Actual	(3,415)
Budget	(3,450)
Total TfL Capital Expenditure	
Actual	508
Budget	552
Net Cashflow	
Actual	(488)
Budget	(867)



* 2019/20: reporting is against the original Budget in Q1 & Q2 and Revised Budget in Q3 & Q4 .

2020/21: reporting is against the Emergency Budget for P1-3; P4 onwards is against the Revised Budget

** Total TfL Capital Expenditure excludes amounts relating to Crossrail

Key metrics Audit Committee

Key control metrics relating to Forecasting Accuracy, Processing Payments and Procurement
Quarter 2, 2020/21

Automated postings decreased by 2% compared to Q1 20/21 as a result of decreased expenditure (Covid-19 impact) which reduces the numbers of automated BACS payments.

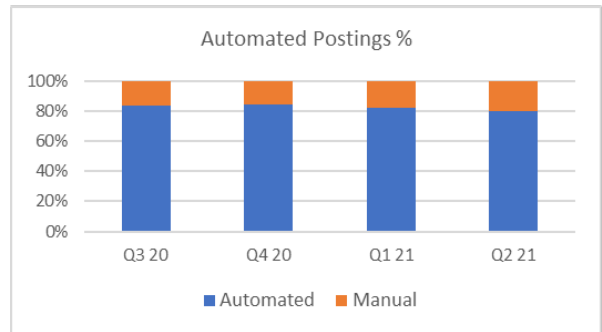
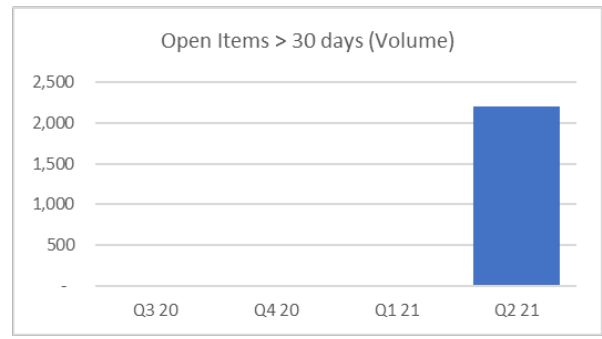
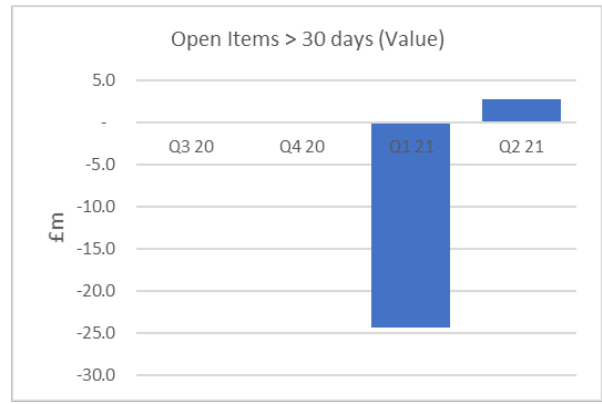
A review of manual postings has been undertaken and a new set of auto posting rules installed which will ensure an additional 400 postings per period are auto posted in Q3 20/21.

Finance/BSF will continue to review manual postings to seek further automation opportunities.

TfL Group: audit committee performance metrics to end Quarter 2, 2020/21

Quarterly Figures

£m	Q3 19/20	Q4 19/20	Q1 20/21	Q2 20/21
Open Items < 30 days (£m Value)	n.q.	n.q.	(145.0)	(137.7)
Open Items > 30 days (£m Value)	n.q.	n.q.	(24.4)	2.8
Open Items < 30 days (Volume)	n.q.	n.q.	n.q.	1,072
Open Items > 30 days (Volume)	n.q.	n.q.	n.q.	2,205
Automated Postings %				
Automated	12,880	15,695	7,121	6,650
Manual	2,500	2,941	1,559	1,709
Automated	84%	84%	82%	80%
Manual	16%	16%	18%	20%



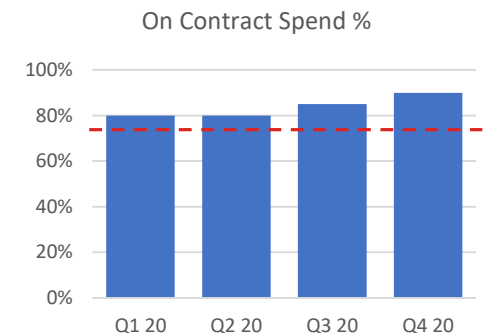
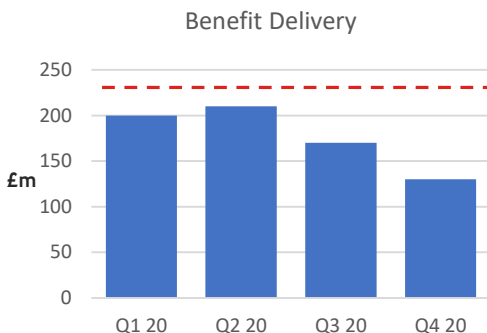
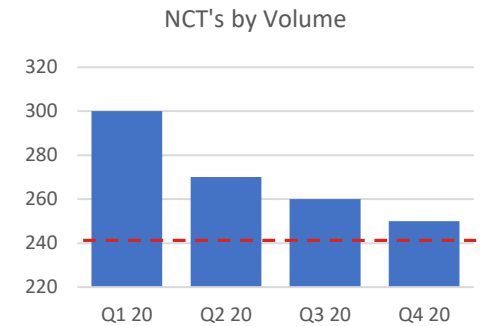
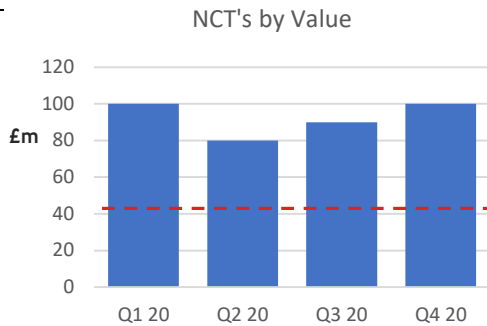
Key metrics Audit Committee

Key control metrics relating to Forecasting Accuracy, Processing Payments and Procurement
Quarter 2, 2020/21

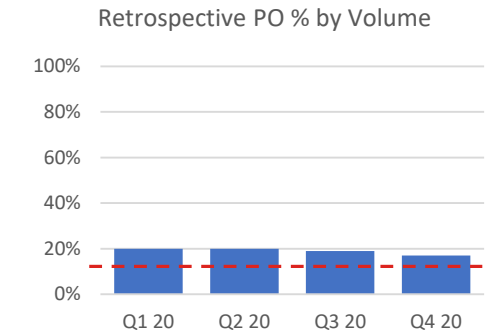
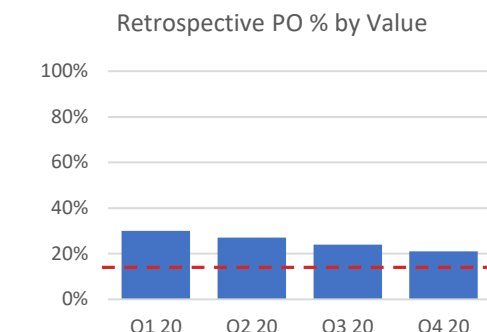
TfL Group: audit committee performance metrics to end Quarter 2, 2020/21

Quarterly Figures

£m	Q1 20	Q2 20	Q3 20	Q4 20
Non Competitive Transactions by Value	100	80	90	100
Non Competitive Transactions by Volume	300	270	260	250
Benefit Delivery	200	210	170	130
On Contract Spend %	80%	80%	85%	90%
Retrospective PO % by Value	30%	27%	24%	21%
Retrospective PO % by Volume	20%	20%	19%	17%



Procurement figures are illustrative only



Audit and Assurance Committee



Date: 2 December 2020

Item: Annual Tax Governance Framework Update

This paper will be considered in public

1 Summary

- 1.1 The purpose of this report is to present to the Committee the key policies and documents that form TfL's Tax Governance Framework and to detail the steps being taken to ensure TfL is compliant with all relevant tax legislation.

2 Recommendation

The Committee is asked to note the paper and:

- (a) endorse the Anti-Tax Evasion Policy and the Anti-Tax Evasion Statement;**
- (b) note the TfL Annual Tax Strategy; and**
- (c) note the Senior Accounting Officer Policy.**

3 Background

- 3.1 Over recent years there has been an increased focus from HM Revenue and Customs (HMRC) to ensure that tax compliance and governance issues are properly considered and understood at the highest levels within organisations. This has included making directors personally responsible for the tax affairs of the companies they manage.
- 3.2 Due to this increased focus, it is considered appropriate that the Audit and Assurance Committee is provided with an annual tax update focusing on tax governance. It is intended that this annual update will occur each December to coincide with the annual Senior Accounting Officer sign off (see section 6).
- 3.3 The Head of Tax and Financial Accounting and the Tax Department hold quarterly update meetings with the statutory Chief Finance Officer to review significant activities and provide an opportunity to discuss all tax risks and concerns.
- 3.4 TfL has a low risk appetite in relation to tax matters and when evaluating tax planning the organisation's reputation and corporate and social responsibilities are always considered. TfL seeks to be transparent and open about its approach to tax which has led to HMRC awarding TfL a 'low risk' tax rating.

- 3.5 The TfL Tax and Financial Accounting Department manages a range of controls and procedures to ensure that tax risks are mitigated, that TfL is compliant with all relevant tax legislation and that TfL retains its low risk tax status.

4 Anti-Tax Evasion Policy and Statement

- 4.1 The Criminal Finances Act 2017 created a new corporate criminal offence of failure to prevent either domestic or foreign tax evasion.
- 4.2 This legislation makes it a criminal offence for a body corporate or partnership to fail to prevent the facilitation of tax evasion by one of its associates (employee, contractor or any other person providing services on their behalf).
- 4.3 Prosecution under the legislation could lead to:
- (a) an unlimited fine;
 - (b) public record of the conviction; and
 - (c) significant reputational damage and adverse publicity.
- 4.4 A defence exists in the legislation for having 'reasonable prevention procedures' in place. The following steps have been taken to ensure TfL is able to demonstrate reasonable prevention procedures are in place:
- (a) a six monthly risk assessment is undertaken by the Tax Department in conjunction with Risk and Assurance. This risk assessment considers key areas of risk where tax evasion could be facilitated and ensures that sufficient controls are in place to mitigate the risk. The risks captured on the latest assessment (October 2020) are currently held on TfL's Enterprise Risk Assessment Matrix and have been assessed as low or very low risk.
 - (b) the Criminal Finances Act 2017 is included in the wider Fraud Awareness ezone training course.
 - (c) the Anti-tax evasion policy at Appendix 1 has been drafted. While not a strict requirement of the legislation it further demonstrates TfL's commitment to having a zero tolerance approach to all forms of tax evasion. Everyone working for, or on behalf of, TfL or any subsidiary company must comply with this policy.
 - (d) the Anti-tax evasion statement at Appendix 2 has been drafted. It is intended that this statement will be published on TfL's website.

5 Tax Strategy

- 5.1 The Finance Act 2016 requires large companies with UK operations (turnover of more than £200m or a balance sheet exceeding £2bn) to publish their tax strategy on their external website and update it annually.

- 5.2 The tax strategy must include the following details:
- (a) the organisation's approach to risk management and governance of its UK tax;
 - (b) the organisation's attitude towards tax planning;
 - (c) the level of risk the organisation is willing to accept in relation to UK tax; and
 - (d) the organisation's approach to dealing with HMRC.
- 5.3 TfL's tax strategy is included at Appendix 3. This is reviewed annually by the Tax Department and the statutory Chief Finance Officer and is republished each March in accordance with the legislation.

6 Senior Accounting Officer

- 6.1 The Finance Act 2009 introduced the Senior Accounting Officer (SAO) legislation for large companies. This legislation applies to UK incorporated companies, as defined by the Companies Act 2006, which means that Transport Trading Limited and all corporate subsidiaries must comply with the legislation; the Corporation is exempt.
- 6.2 The SAO should be the most senior person in an organisation with responsibility for financial accounting and with an overall view of accounting processes. The SAO for the group is the statutory Chief Finance Officer.
- 6.3 The SAO is required to ensure that appropriate accounting arrangements are in place to enable tax liabilities to be calculated accurately. These arrangements must be monitored on an ongoing basis. The SAO must also provide an annual certificate to HMRC which confirms that appropriate accounting arrangements were in place throughout the financial year or provide an explanation as to why such a declaration cannot be made.
- 6.4 The certificate for the Transport Trading Limited group must be submitted to HMRC by 31 December each year. Failure to do so will result in a £5,000 penalty which is levied on the SAO personally.
- 6.5 Details of the TfL SAO sign off procedure are included in the SAO Policy at Appendix 4 and a copy of the SAO certificate for 31 March 2020 is included at Appendix 5. The SAO certificate for the accounting period ended 31 March 2020 will be submitted before 31 December 2020.

List of appendices to this report:

- Appendix 1 – Anti-Tax Evasion Policy
- Appendix 2 – Anti-Tax Evasion Statement
- Appendix 3 – TfL Tax Strategy
- Appendix 4 – Senior Accounting Officer Policy
- Appendix 5 – Copy of the SAO certificate for 31 March 2020

List of Background Papers:

None

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Policy

Pxxxx Rx

Anti-Tax Evasion Policy

Policy statement

1 Background

In the light of the Criminal Finances Act 2017, Transport for London has decided to adopt a statement of our corporate value on anti-facilitation of tax evasion. Transport for London strives to conduct all of its business dealings in an honest and ethical manner. The statement governs all our business dealings and the conduct of all persons or organisations who are appointed to act on our behalf.

We require all our employees and any associates who have, or seek to have, a business relationship with TfL and/or any member of our Group, to familiarise themselves with our anti-tax evasion value statement and to act at all times in a way which is consistent with our anti-tax evasion value statement.

2 Anti-tax evasion value statement

Transport for London and its subsidiaries ("TfL") have a zero tolerance approach to all forms of tax evasion, whether under UK law or under the law of any foreign country.

Employees and **Associates** (as defined at Section 5) of TfL must not undertake any transactions which:

- (a) cause TfL to commit a tax evasion offence; or
- (b) facilitate a tax evasion offence by a third party.

TfL strives to act professionally, fairly and with integrity in all our business dealings and relationships wherever we operate and implementing and enforcing effective systems to counter tax evasion facilitation.

At all times, business should be conducted in a manner such that the opportunity for, and incidence of, tax evasion is prevented.

3 Who must comply with this policy?

This policy applies to all persons working for TfL or on TfL's behalf in any capacity, including employees at all levels, directors, officers and **Associates**, including but not limited to agency workers, seconded workers, volunteers, interns, contractors, external consultants, third-party representatives and business partners, sponsors or any other person associated with us, wherever located.



4 **Who is responsible for this policy?**

The Senior Accounting Officer (SAO), supported by the Chief Officers of TfL, has overall responsibility for ensuring that this policy complies with our legal obligations, and for ensuring our employees and **associates** comply with it. The SAO for the group is the Statutory Chief Finance Officer. This policy is adopted by TfL. It may be varied or withdrawn at any time, in TfL's absolute discretion. Employees in leadership positions are responsible for ensuring those reporting to them understand and comply with this policy and are given adequate training on fraud.

5 **Definitions**

For the purposes of this policy:

Associates includes contractors or an agent of TfL (other than a contractor) who is acting in the capacity of an agent, or any person who performs services for and on behalf of TfL who is acting in the capacity of a person or business performing such services.

Tax Evasion means an offence of cheating the public revenue or fraudulently evading UK tax, and is a criminal offence. The offence requires an element of fraud, which means there must be deliberate action, or omission with dishonest intent.

Foreign Tax Evasion means evading tax in a foreign country, provided that the conduct is an offence in that country and would be a criminal offence if committed in the UK. As with **tax evasion**, the element of fraud means there must be deliberate action, or omission with dishonest intent.

Tax Evasion Facilitation means being knowingly concerned in, or taking steps with a view to, the fraudulent **evasion of tax** (whether UK tax or tax in a foreign country) by another person, or aiding, abetting, counselling or procuring the commission of that offence. Tax evasion facilitation is a criminal offence, where it is done deliberately and dishonestly.

Tax evasion is not the same as tax avoidance or tax planning. Tax evasion involves deliberate and dishonest conduct. Tax avoidance is not illegal and involves taking steps, within the law, to minimise tax payable (or maximise tax reliefs).

Tax means all forms of UK taxation, including but not limited to corporation tax, income tax, value added tax, stamp duty, stamp duty land tax, national insurance contributions (and their equivalents in any non-UK jurisdiction) and includes duty and any other form of taxation (however described).

6 **Corporate responsibilities**

TfL has completed a risk assessment and has established procedures governing certain transactions with third parties designed to prevent specific areas of possible tax evasion by a third party.



7 What team members and associates must not do

Employees and **Associates** must at all times adhere to TfL's anti-tax evasion value statement and must ensure that they read, understand and comply with this policy. It is not acceptable for employees or **associates** to:

- a) Engage in any form of facilitating Tax Evasion or Foreign Tax Evasion;
- b) Aid, abet, counsel or procure the commission of a Tax Evasion offence or Foreign Tax Evasion offence by another person;
- c) Fail to promptly report any request or demand from any third party to facilitate the fraudulent Evasion of Tax by another person, in accordance with this policy;
- d) Engage in any other activity that might lead to a breach of this policy;
- e) Threaten or retaliate against another individual who has refused to commit a Tax Evasion offence or a Foreign Tax Evasion offence or who has raised concerns under this policy;
- f) Commit an offence under the law of any part of the UK consisting of being knowingly concerned in, or taking steps with a view to, the fraudulent evasion of tax.

8 Prevention through vigilance

There is not an exhaustive list of Tax Evasion opportunities. At a more general level, the best defence against Tax Evasion and facilitation of Tax Evasion remains the vigilance of our employees and **Associates** and the adoption of a common-sense approach supported by our clear procedures for [challenging wrongdoing](#). In applying common sense, team members must be aware of the following:

- Is there anything unusual about the manner in which an **Associate** of TfL is conducting their relationship with TfL or the third party?
- Is there anything unusual about the third party's or **Associate's** conduct or behaviour in your dealings with them?
- Are there unusual payment methods?

Unusual payment methods and unusual conduct of third parties with **Associates** can be indicative that a transaction may not be as it seems.

9 How to raise a concern

Our employees have a responsibility to take reasonable action to prevent harm to TfL and we hold our employees accountable for their actions and omissions. Any actions that breach the Criminal Finances Act 2017 and the tax laws of wherever we operate bring harm to TfL and will not be tolerated.

You are responsible for properly following TfL's policies and procedures. These should generally ensure that all taxes are properly paid. If you are ever asked by anyone either inside or outside our organisation to go outside our standard



procedures, this should be reported without delay, as someone may be attempting to evade tax. Please refer to TfL's [Challenging wrongdoing](#) page for details on how you can report any queries or concerns.

Signed by:

Date:



In the light of the Criminal Finances Act 2017, Transport for London has decided to adopt a statement of our corporate value on anti-facilitation of tax evasion. Transport for London strives to conduct all of its business dealings in an honest and ethical manner. The statement governs all our business dealings and the conduct of all persons or organisations who are appointed to act on our behalf.

We request all our employees and all who have, or seek to have, a business relationship with TfL and/or any member of our Group, to familiarise themselves with our anti-tax evasion value statement and to act at all times in a way which is consistent with our anti-tax evasion value statement.

Anti-tax evasion value statement

Transport for London and its subsidiaries (“TfL”) have a zero tolerance approach to all forms of tax evasion, whether under UK law or under the law of any foreign country.

Employees and Associates of TfL must not undertake any transactions which:

- (a) cause TfL to commit a tax evasion offence; or
- (b) facilitate a tax evasion offence by a third party.

We are committed to acting professionally, fairly and with integrity in all our business dealings and relationships wherever we operate and implementing and enforcing effective systems to counter tax evasion facilitation.

At all times, business should be conducted in a manner such that the opportunity for, and incidence of, tax evasion is prevented.

What is the facilitation of tax evasion?

For the purposes of this statement:

Associates includes contractors or an agent of TfL (other than a contractor) who is acting in the capacity of an agent, or any person who performs services for and on behalf of TfL who is acting in the capacity of a person or business performing such services.

Tax Evasion means an offence of cheating the public revenue or fraudulently evading UK tax, and is a criminal offence. The offence requires an element of fraud, which means there must be deliberate action, or omission with dishonest intent.

Foreign Tax Evasion means evading tax in a foreign country, provided that the conduct is an offence in that country and would be a criminal offence if committed in the UK. As with **tax evasion**, the element of fraud means there must be deliberate action, or omission with dishonest intent.

Tax Evasion Facilitation means being knowingly concerned in, or taking steps with a view to, the fraudulent **evasion of tax** (whether **UK tax** or **tax in a foreign country** by another person, or aiding, abetting, counselling or procuring the commission of that offence. Tax evasion facilitation is a criminal offence, where it is done deliberately and dishonestly.

Tax evasion is not the same as tax avoidance or tax planning. Tax evasion involves deliberate and dishonest conduct. Tax avoidance is not illegal and involves taking steps, within the law, to minimise tax payable (or maximise tax reliefs).

Tax means all forms of UK taxation, including but not limited to corporation tax, income tax, value added tax, stamp duty, stamp duty land tax, national insurance contributions (and their equivalents in any non-UK jurisdiction) and includes duty and any other form of taxation (however described).

Tax Strategy

Transport for London (TfL) has adopted the following set of tax principles which it believes illustrate good practice in the area of tax management and tax transparency, takes into consideration its public purpose and balances the interests of its stakeholders.

The TfL Tax Strategy is reviewed and approved on an annual basis.

Background

TfL is a statutory corporation established by Section 154 of the Greater London Authority (GLA) Act 1999. It is a functional body of the GLA, and reports to the Mayor of London. The legal structure of TfL is complex and comprises:

- The Corporation, which is treated like a local authority for tax purposes. It is exempt from corporation tax, and is a Section 33 body, which entitles it to recover VAT incurred on costs relating to its non-business activities; and
- Transport Trading Limited and its trading subsidiaries, which are assessable to corporation tax and VAT in accordance with current legislation.

Our Approach to Tax Risk Management and Governance

TfL has controls and procedures in place to manage tax risks, and strives to ensure these remain effective and up to date. These controls and processes are documented and reviewed annually during the Senior Accounting Officer sign-off process.

In accordance with the requirements of the Criminal Finances Act 2017, TfL has undertaken a risk assessment, which is reviewed on a quarterly basis, to ensure that reasonable procedures are in place to prevent the facilitation of tax evasion by persons associated with TfL.

TfL is committed to meeting all legal requirements and aims to comply with the spirit as well as the letter of the law. TfL completes all tax returns and makes all tax payments in an accurate and timely manner.

TfL will engage external tax specialists, where it is appropriate to do so, to ensure a high level of tax compliance.

Attitude to Tax Planning and Tax Risk

TfL will claim such reliefs and incentives as it is properly entitled to, and will take reasonable steps to minimise its tax liabilities, where it is appropriate and responsible to do so.

TfL has a low risk appetite in relation to tax matters and does not use artificial tax structures or undertake transactions whose sole purpose is to create an abusive tax result.

When evaluating tax planning the organisation's reputation and corporate and social responsibilities are always considered.

Relationships with Tax Authorities

TfL is transparent about its approach to tax and discusses the interpretation of tax legislation with HMRC, in real-time, particularly where the tax treatment is unclear. HMRC are kept up to date regarding major changes or transactions within the business, so that any potential tax risks can be addressed at an early stage.

TfL seeks to develop and maintain strong, mutually respectful relationships with HMRC.

TfL has been awarded a 'low risk' tax rating by HMRC.

Antony King
Statutory Chief Finance Officer
Transport for London

Published on 13 March 2020 to comply with Finance Act 2016 Schedule 19.

Appendix 4

PRxxxx R1 Senior Accounting Officer Policy

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1 Purpose

The purpose of this Senior Accounting Officer (SAO) policy is to set out the requirements of the SAO legislation and the assurance processes that have been developed to ensure that TfL meets its SAO obligations.

2 Scope

The SAO legislation applies to UK incorporated companies (as defined by the Companies Act 2006), which together with other companies in the same group have a turnover in the preceding year of more than £200m or a balance sheet total of £2bn.

This policy therefore applies to Transport Trading Limited (TTL) and its subsidiaries as well as TfL Trustee Company Limited, the SAO legislation does not apply to London Transport Insurance (Guernsey) Limited as this company is not incorporated in the UK. As TfL (the statutory corporation) is not a company incorporated under the Companies Act the rules will not apply to TfL as an entity. Hence when TfL is referred to in this policy, reference is being made to the wider TfL group.

3 Senior Accounting Officer Policy

3.1 Background

The rules were introduced in the Finance Act 2009 to make SAOs of certain qualifying companies, responsible for ensuring and certifying that *appropriate tax accounting arrangements* have been established and are maintained. The arrangements are those which enable the company's relevant tax liabilities to be calculated in all material respects.

3.2 SAO Legislation

3.2.1 Who is the SAO

The SAO should be the most senior person in an organisation with responsibility for financial accounting, and with an overall view of accounting processes. For TfL the statutory Chief Finance Officer is the SAO.

3.2.2 Responsibilities of the SAO

The SAO is responsible for taking reasonable steps to ensure that *appropriate accounting arrangements* are in place, to enable tax liabilities to be calculated accurately.

The SAO must monitor these arrangements on an ongoing basis and identify any respects in which the arrangements fall short of the requirements.

The SAO must provide an annual certificate to HM Revenue & Customs (HMRC), which confirms that *appropriate accounting arrangements* were in place throughout the financial year, or provide an explanation as to why such a declaration cannot be made. The certification must be filed by the deadline for filing the company accounts i.e. 31 December.



3.2.3 Appropriate Accounting Arrangements

Tax accounting arrangements are:

- The framework of responsibilities, policies, appropriate people and procedures in place for managing the tax compliance risk; and
- The systems and processes which put this framework into practice.

The tax accounting arrangements must allow for the tax liabilities of the company to be calculated accurately in all material aspects.

The steps an SAO must take to ensure the company establishes and maintains appropriate tax accounting arrangements might include such responsible actions as:

- Establishing and monitoring processes;
- Ensuring staff and businesses to whom work is outsourced are appropriately trained and qualified to undertake their functions; and
- Instituting improvements where shortcomings have been found in the tax accounting arrangements.

3.2.4 Reasonable steps

Reasonable steps are the steps a person in this situation would normally be expected to take to:

- Ensure awareness of all taxes and duties for which the company is liable;
- Ensure that risks to tax compliance are properly managed; and
- Enable the various returns to be prepared with an appropriate degree of confidence.

The steps that are reasonable will depend on the particular circumstances within which tax accounting is taking place. The SAO may delegate some or all of the control and monitoring activities to other people. If so, in taking reasonable steps, the SAO should think about and take account of the risks of delegating.

3.2.5 Penalties

There are two penalty provisions for non compliance which can be levied on the SAO personally. Both have a maximum fine of £5,000:

- i. failure to comply with the main duty to establish and maintain appropriate tax accounting arrangements, and
- ii. failure to provide a certificate, or providing an incorrect certificate

A penalty of £5,000 can also be levied where a company fails to notify HMRC of the name of the SAO by the end of the period for filing the company's accounts. Confirmation has been received that TfL's Directors' & Officers' Liability insurance will cover fines and penalties up to a limit of £250k.



3.3 TfL approach

The processes and procedures TfL have in place are robust and fully compliant with the legislation, they have been discussed with HMRC both before the commencement of the SAO legislation and at subsequent risk review meetings.

The main duty of the SAO is to take reasonable steps to monitor the tax accounting arrangements of the company on an ongoing basis, this is achieved by regular update meetings with the Tax Department and the inclusion of tax risks on appropriate risk registers as required.

In order to give the SAO the comfort required to sign the annual certificate, an assurance plan has been developed which spans all of the taxes covered by the SAO sign off. The plan notes the risks associated with each tax together with the assurance that can be taken from the controls that exist to eliminate these risks. The assurance plan will be signed by those responsible for making sure the controls are working correctly. Where weaknesses are identified these will be documented along with the steps to be taken to mitigate such risks.

Where the signatories to the assurance plan have relied on the work of others, sub-sign offs will be obtained e.g. the work of the BSF. Separate assurance plans will be signed by companies whose accounting systems are not centralised (i.e. Crossrail Ltd and London Transport Museum). The sub sign offs and separate assurance plans will certify that there are sufficient controls in place to mitigate the key SAO risks for which individuals are responsible. Alternatively where controls are currently insufficient, action will be taken to resolve any weaknesses.

4 Person accountable for this document

The Band 4 or 5 manager accountable for keeping this document up to date is listed below.

Name	Job title
Rachel Shaw	Head of Tax and Financial Accounting

5 Definitions and Abbreviations

Please refer to Common Finance Language and Definitions for Finance specific terms. Other commonly used terms at TfL can be found in the management system [glossary of terms](#).

Term	Definition	Source
SAO	Senior Accounting Officer	
HMRC	HM Revenue & Customs	

6 References

List any TfL or external documents that you have referred to.

Printed copies of this document are uncontrolled.

Page 4 of 5

Document no.	Title or URL

7 Document history

Issue no.	Date	Changes	Author
1	November 2020	First issue	Emily Clark



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Transport Trading Limited and subsidiaries
Senior Accounting Officer annual certificate for the year ended 31 March 2020

In accordance with Paragraph 2 Schedule 46 Finance Act 2009, I Antony King, as Senior Accounting Officer of the qualifying companies listed on Schedule 1, hereby certify that, throughout the companies' financial year ended 31 March 2020 the companies had appropriate accounting arrangements.

Signed *A.J. King* Date *20/11/2020*

Print Name *ANTONY KING*

Appendix 1

Companies covered by this certificate

1. Transport Trading Limited (46931 26622)
2. London Underground Limited (42780 31801)
3. London Buses Limited (22780 31803)
4. London Bus Services Limited (86502 20792)
5. Victoria Coach Station Limited (32780 31824)
6. Docklands Light Railway Limited (80560 15096)
7. London River Services Limited (55473 04084)
8. LUL Nominee SSL Limited (44373 28468)
9. LUL Nominee BCV Limited (44494 05626)
10. Rail for London Limited (22482 21736)
11. Tramtrack Croydon Limited (20719 20060)
12. Crossrail Limited (51262 05204)
13. London Transport Museum (Trading) Limited (48836 20296)
14. Transport for London Finance Limited (72307 23350)
15. Tube Lines Limited (20819 22276)
16. City Airport Rail Enterprises Limited (63443 27229)
17. Wocowich Arsenal Rail Enterprises Limited (61662 27930)
18. TTL Properties Limited (29425 02197)
19. TTL Ear's Court Properties Limited (69895 26086)
20. London Dial-A-Ride Limited (12780 31825)
21. London Transport Museum Limited (94220 14454)
22. Tube Lines Pension Scheme Trustees Limited (Co No: 05024749)
23. Crossrail 2 Limited (36515 23735)
24. Rail for London (Infrastructure) Limited (39908 26739)
25. TTL Blackhorse Road Properties Limited (17122 23564)
26. TTL Kidbrooke Properties Limited (89300 17355)
27. TTL Landmark Court Properties Limited (74358 21304)
28. TTL Southwark Properties Limited (67420 19091)
29. TTL South Kensington Properties Limited (53835 16442)
30. TTL Trustee Company Limited (Co No: 023338675)
31. TTL FCHB Properties Limited (35718 00654)
32. TTL Build to Rent Limited (94139 26332)
33. TTL Wembley Park Properties Limited (90109 27015)
34. TTL Northwood Properties Limited (90376 22745)

Audit and Assurance Committee



Date: 2 December 2020

Item: Legal Compliance Report (1 October 2019 – 30 September 2020)

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 October 2019 to 30 September 2020. The reporting period covers a 12 month period instead of the usual six month period because reporting was paused in March 2020 following the coronavirus pandemic.

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 October 2019 and 30 September 2020. 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 graphs included in this report follow the six monthly Legal Compliance reporting periods from April to September and October to March. However, the current reporting period covers 12 months and as such in some cases the data is higher than in previous periods because it covers a longer period. Graphs are included where there is sufficient data from which to consider any trend analysis. The graphs commence in the reporting period covering 1 October 2014 – 31 March 2015. 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 Commercial Development reported two notices of intention to prosecute received during the reporting period. The first notice was received on 12 May 2020 from the London Borough of Hackney for an alleged breach of planning permission for the erection of an external timber deck structure with a canopy at 196 Shoreditch High Street, London E1. The London Borough of Hackney has given TfL extended time for the structure to be removed and will not enforce the notice for the next six months. TfL has commenced plans to address the matter.
- 5.2 The second notice was received on 28 August 2020 from London Borough of Tower Hamlets for alleged breaches of the Health Act 2006, planning consent under the Town and Country Planning Act 1991 and the Health and Safety at Work Act 1974 in relation to smoking of shisha in a shop at 568 Mile End Road, London E3. Previous enforcement notices received in April 2014 and April 2017 for the same alleged breach were addressed with the tenant. However, in 2020 the tenant reopened the shisha bar. TfL and London Borough of Tower Hamlets are taking steps to address the matter and collaborating with a view to evicting the tenant.
- 5.3 Since the end of the reporting period, London Underground reported that on 4 November 2020, a Fixed Penalty Notice (FPN) was issued by the City of London Corporation (CoLC) in relation to the deposit of controlled waste outside Moorgate Underground station which was not in accordance with the CoLC's requirements. LU has paid the FPN and made appropriate arrangements to ensure that this does not happen again

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

- 5.4 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 ongoing and no formal warnings or notices have been issued to date.
- 5.5 Crossrail reported two new notices. One was a request for information from the Health and Safety Executive (HSE), in October 2019, relating to air quality monitoring and dust management at Crossrail sites. The required information was provided and no further action has been taken by the HSE.
- 5.6 The second notice, received in January 2020, related to an investigation by the HSE into alleged deviations from the recognised British Standards relating to the electrical design at Bond Street station. No action has been taken by HSE as a consequence of the investigation and the matter is closed.
- 5.7 London Underground reported that the ORR has been investigating the tragic death of a member of the public who fell into the gap between the train and platform 3 at Waterloo station on the Bakerloo Line on 26 May 2020. The ORR has been considering LU's arrangements for assessing the risks of a member of the public falling between the train and the platform and into the gap and the controls that follow from this assessment. Since the end of the reporting period, on 29 October 2020, the ORR has served an Improvement Notice requiring LU to undertake a suitable and sufficient assessment of the risks to persons not in LU's employment including members of the public who use platform 3 on the Bakerloo Line at Waterloo Station, or any train that stops at platform 3, and who may fall into the gap between the platform and train so as to identify reasonably practicable measures to control these risks. LU is currently finalising its internal investigation (Formal Investigation Report) which will consider any opportunities for LU to manage this risk more effectively.

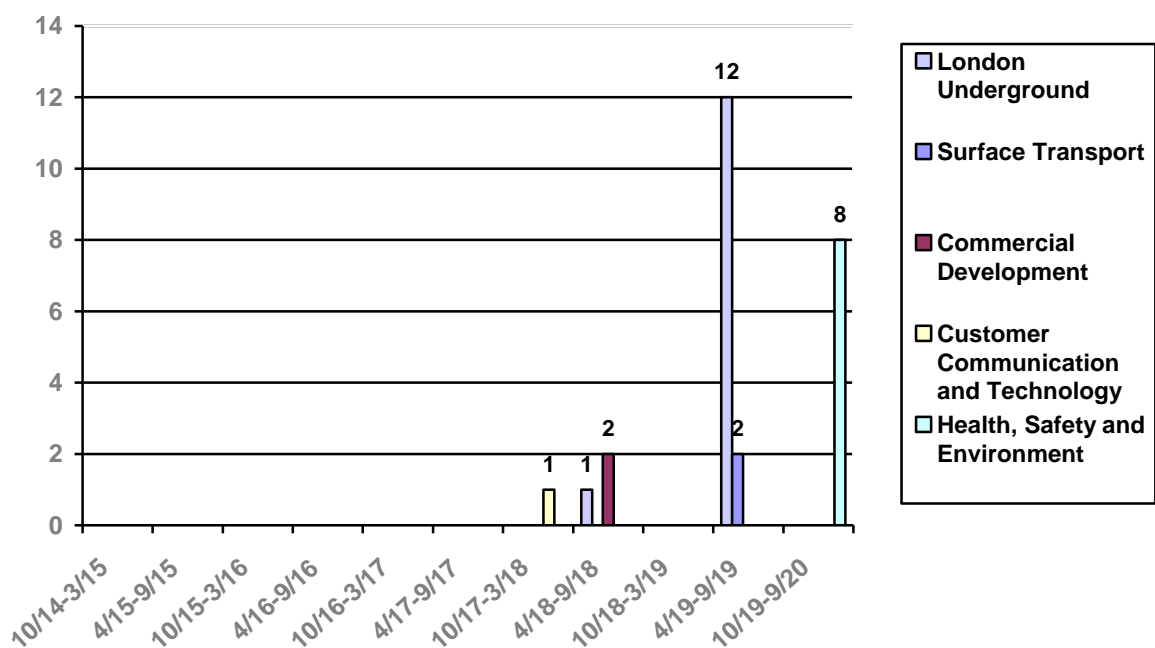
Formal Warnings or Notices from the London Fire Commissioner (LFC)

- 5.8 Surface Transport reported an outstanding notice received at the time of the last report. The notice was received on 7 October 2019, regarding a defective sprinkler system, coverage issues relating to the Automatic Fire Detection system, housekeeping and general fire management at Victoria Coach Station following an inspection in August 2019. TfL has complied with the notice and the matter is now closed.
- 5.9 Health, Safety and Environment reported eight new deficiency notices under the Regulatory Reform (Fire Safety) Order 2005 from the LFC following routine inspections at various underground stations during this reporting period.
- 5.10 The first notice was issued on 3 October 2019 at Marble Arch, in relation to a hydrant cabinet lock that had failed. The fault has been corrected and regular checks have been implemented to ensure faults are reported promptly.
- 5.11 The second notice was issued on 18 December 2019 at Hainault Depot, for items identified on a Fire Risk Assessment which were not addressed within the

recommended timescale. The identified items were reported and addressed. A monitoring system has been implemented to avoid a reoccurrence.

- 5.12 The third notice was issued on 10 February 2020 at Baker Street Station, for items identified on a Fire Risk Assessment which were not addressed within the recommended timescale. The identified items were reported and addressed and a monitoring system has been implemented to avoid a reoccurrence.
- 5.13 The fourth notice was issued on 20 February 2020 at Embankment Station for the obstruction of a fire escape route on platform 2. The fire escape route has been cleared.
- 5.14 The fifth notice was issued on 1 April 2020 at Upminster Station, for a defective private roadway hydrant which serves the cleaning sheds. An alternative hydrant was identified and added to the fire plan. A routine monitoring system has been implemented.
- 5.15 The sixth notice was issued on 16 June 2020 at Waterloo Station, in relation to a sprinkler system that was isolated. The sprinkler system was put back into service and this was communicated to staff.
- 5.16 The seventh notice was issued on 20 June 2020 at Shepherds Bush station in relation to combustible materials stored incorrectly, a dry dropper with an incorrect adaptor and a room with insufficient fire resistance. All the faults were rectified and the combustible materials removed.
- 5.17 The eighth notice was issued on 16 September 2020 at Bank Docklands Light Rail station in relation to a failure to maintain firefighting equipment. The defective equipment has been replaced and additional maintenance checks implemented.

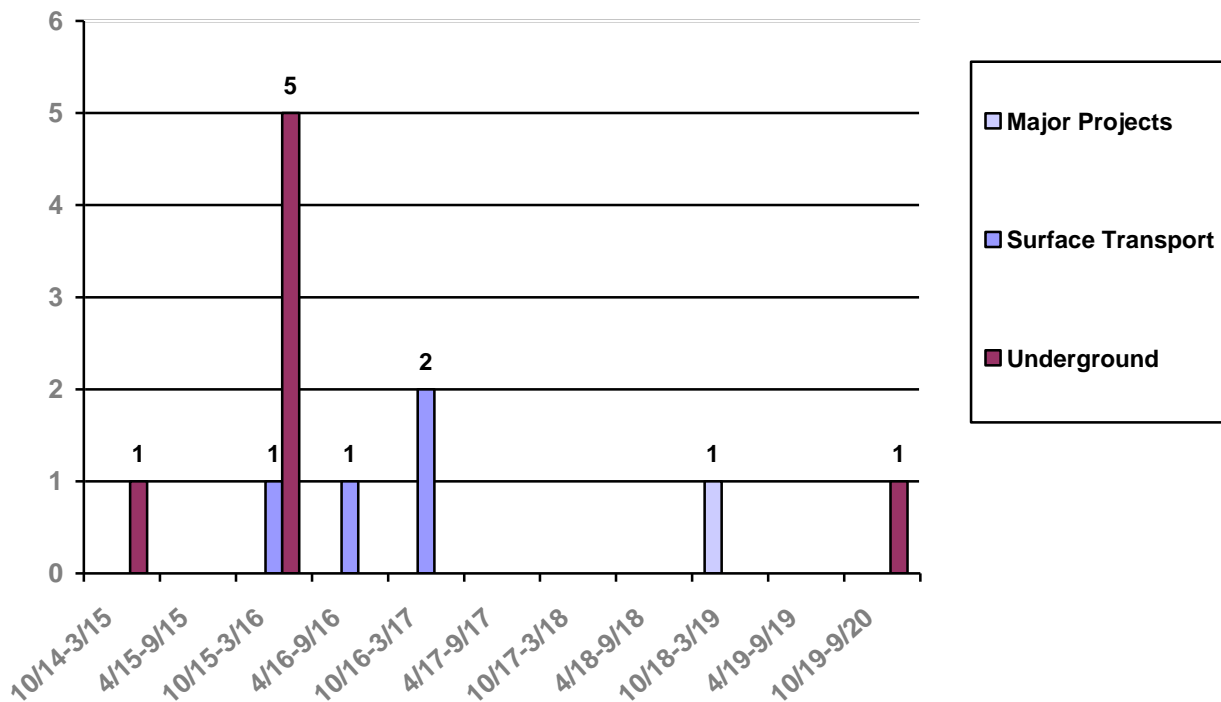
London Fire Commissioner Formal Warnings/ Notices



Formal Warnings or Notices from the Environment Agency

5.16 In the last reporting period, London Underground reported a notice from the Environment Agency received on 7 October 2019 in relation to equipment containing polychlorinated biphenyls (PCBs) on the train network. The notice required the phase out and removal of all assets containing PCBs by 2023. London Underground has commenced the implementation of a removal plan which has been delayed by the coronavirus pandemic. LU continues to liaise with the Environment Agency in relation to progress with the removal plan.

Environment Agency Formal Warnings/Notices



Formal Warnings or Notices from the Information Commissioner

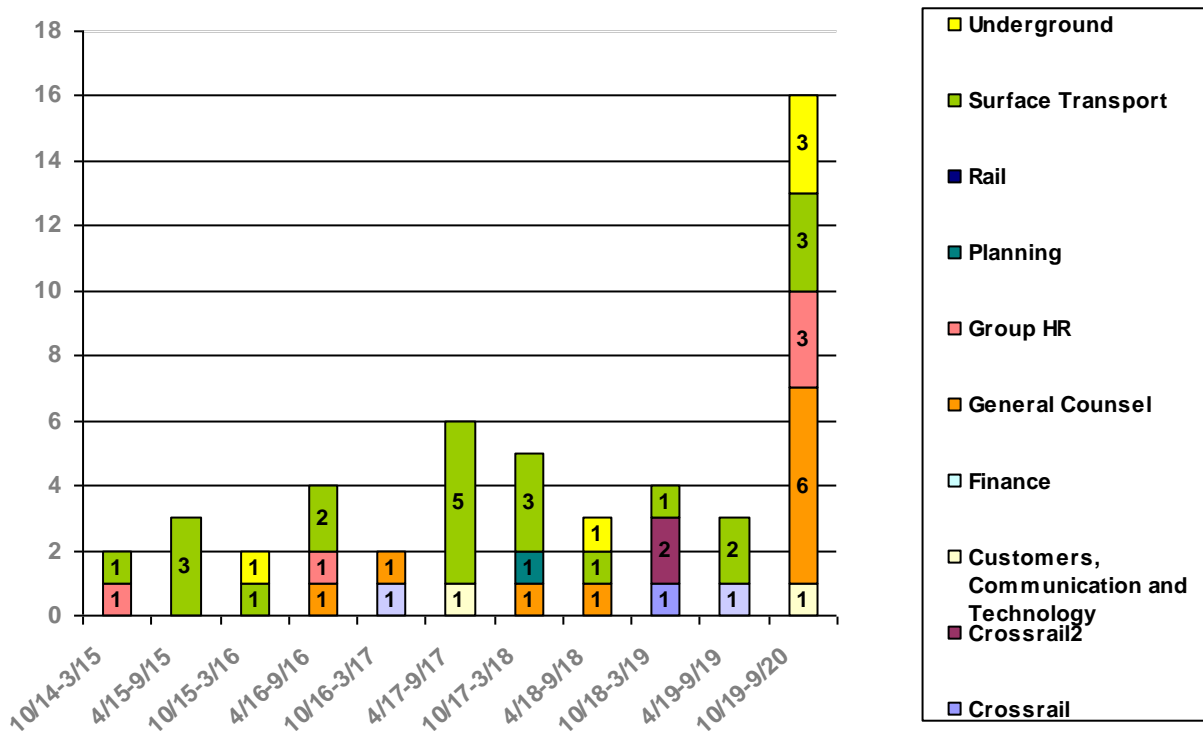
5.18 The Information Commissioner's Office (ICO) investigates alleged instances of non-compliance with the General Data Protection Regulation (GDPR), the Data Protection Act (DPA) 2018 and the Privacy and Electronic Communications (EC Directive) Regulations 2003 (the PECR) (together, data protection legislation), the Freedom of Information Act 2000 (the FOIA) and the Environmental Information Regulations 2004 (the EIRs).

5.19 No formal action was taken by the ICO in the reporting period in connection with TfL's compliance with data protection legislation.

5.20 A requirement of the GDPR is for all data breaches posing a risk to individuals' rights and freedoms to be reported to the ICO, within 72 hours, and for affected data subjects to be informed of the breach if it represents a high risk to their rights and freedoms.

- 5.21 Two data breaches occurred in the reporting period, which TfL reported to the ICO. The ICO did not consider further action was necessary in response to either incident.
- 5.22 There were 12 new complaints to the ICO in the reporting period about TfL's compliance with data protection legislation. Two of the cases were determined to be unfounded. Six complaints related to late or incomplete responses to requests for access to, or deletion of, personal data. Two complaints related to accidental sharing of employee data by managers, which has led to changes in processes and staff training, and one request related to a password reset error affecting two employees of the same name, which has also resulted in a change to processes. One involved a private hire driver's licence issued with the wrong photograph. The error was rectified before the previous licence expired.
- 5.23 At the time of the last report there was one outstanding complaint, relating to an inappropriate disclosure of employee health data by a manager. The ICO determined that data protection requirements had not been followed and this has been addressed.
- 5.24 In this reporting period, 2551 requests were made to TfL under the FOI Act and EIRs and 2507 of the 2514 which had reached their deadline by 30 September 2020 (99.7 per cent) were replied to on time.
- 5.25 The ICO currently expects public authorities to reply to at least 90 per cent of all FOI and EIR requests within the statutory deadline (usually 20 working days – the deadline can be extended if an EIR request is 'complex' or in the event more time is required to assess whether the public interest favours using an FOI exemption, to withhold information). TfL has exceeded this target on an annual basis since achieving this for the first time in 2017/18.
- 5.26 There were three complaints to the ICO open at the end of the last reporting period. These resulted in three Decision Notices issued during this reporting period. One found that TfL had not complied with the FOI deadline for confirming whether the information requested was held. The second found that the FOI cost limit had been applied correctly. The third found that some information had been correctly withheld to protect commercial interests but also that it had not clearly been stated that other information was not held. The ICO asked that a new response be issued to that part of the request, which was done.

Information Commissioner Formal Warnings/Notices



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

5.27 No warnings or notices were reported for this period.

Investigation by an Ombudsman

5.28 In the last report, General Counsel (which includes the Licensing, Regulatory and Charging function) reported one outstanding investigation and six new investigations. The outstanding investigation related to the conduct of TfL's contracted bailiffs. The other six investigations related to a complaint about TfL's handling of a licence cancellation application; the handling of a private hire licensing application; the handling of three taxi/private hire vehicle licence renewal applications; and the handling of a low emission penalty charge notice to a foreign registered vehicle.

5.29 In the outstanding investigation, the LGO found that contracted bailiffs had acted outside of their powers. In agreement with the LGO, TfL issued a payment to the complainant together with a letter of apology.

5.30 In the first new investigation, the complainant alleged the application was rejected in error. A decision is awaited from the LGO.

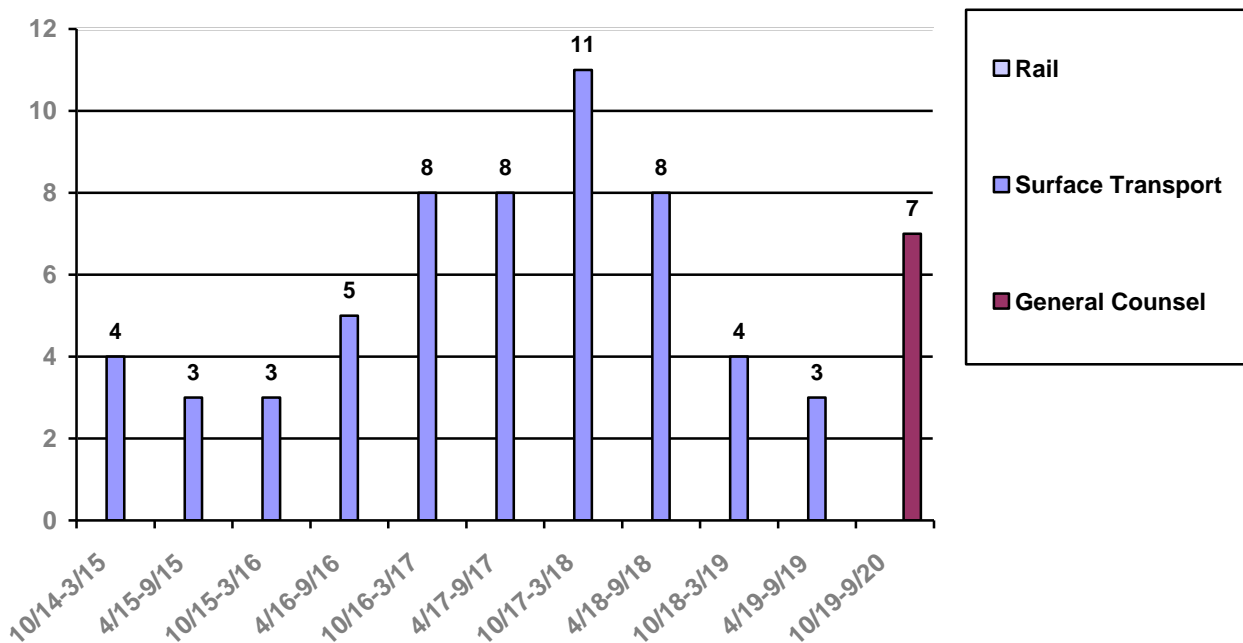
5.31 In the second investigation, LGO found no evidence that the complainant was informed by TfL that their foreign bought vehicle would be licenced, and that TfL acted within its powers to reject the application when the emissions levels could not be verified. The LGO advised TfL of the need to maintain a record of all calls to

customers on the system.

5.32 In the third, fourth and fifth investigations relating to the three taxi/ private hire vehicles licence renewal applications, two of the complainants alleged TfL's delay in handling their applications caused a loss of earnings. The LGO recommended that TfL issue a payment to one complainant which TfL complied with. TfL, on recommendation of the LGO, acknowledged that there was a delay in processing the application of the second complainant and offered to issue a payment, but this offer was refused. The matter is ongoing. In the third investigation, the delay was due to an investigation into customer complaints made against the complainant. LGO found no fault in TfL's handling of the application and agreed that TfL had to investigate such customer complaints irrespective of the renewal application.

5.33 In the sixth new investigation, TfL will write to the LGO confirming the acceptance of the provisional decision recommending that TfL issue a payment to the complainant and to review its processes to avoid a reoccurrence. A final decision is awaited.

Investigations by Ombudsman



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

5.34 Commercial Development reported five outstanding notices carried over from the last report and two new notices received during the reporting period.

5.35 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

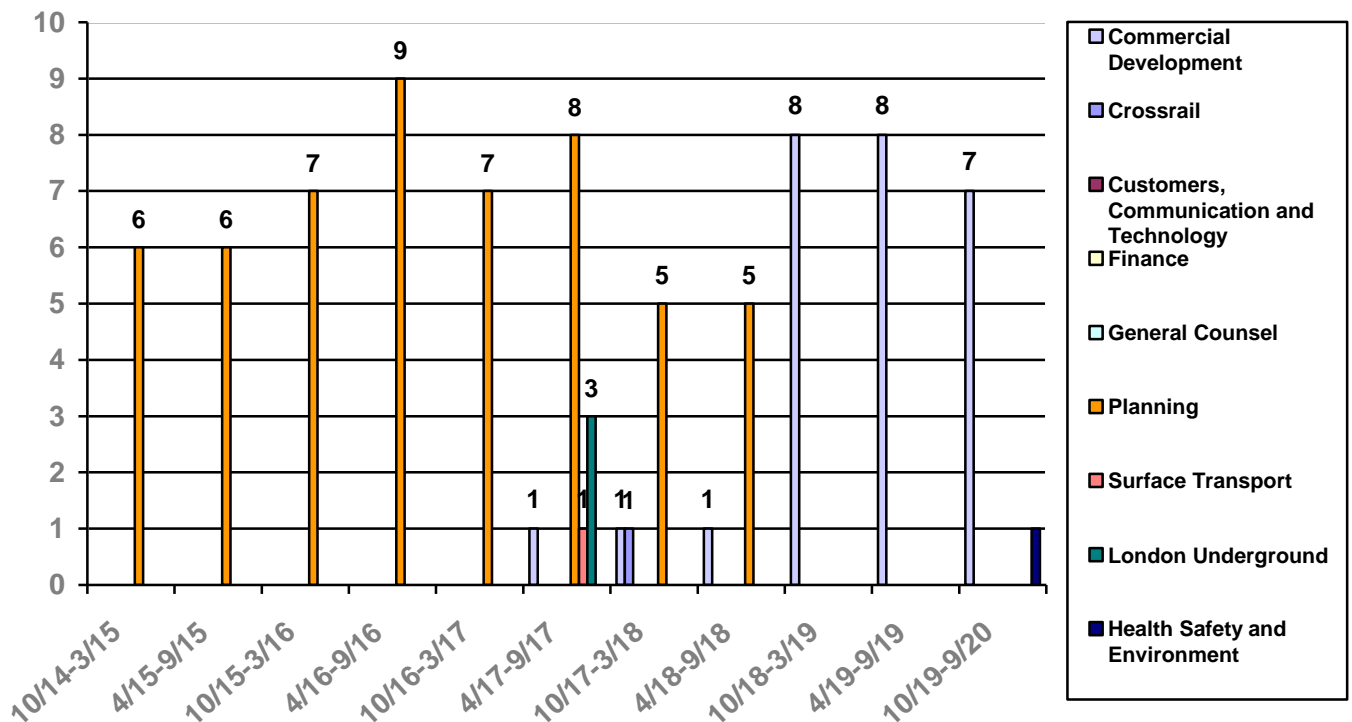
the Planning Inspectorate. The enforcement notice remains stayed while a property management company prepares proposals for the frontages of the properties and all the adjacent properties. In January 2019, the Government approved a London Borough of Haringey Compulsory Purchase Order of TfL owned land on site to enable a wider borough led regeneration scheme. Following the tenants' unsatisfactory performance in relation to safety and compliance matters, TfL secured the management of the premises in July 2020. TfL continues to liaise with the London Borough of Haringey and monitor the matter.

- 5.36 The second 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 use as office/ retail/ mixed use. The tenant submitted a planning application to the London Borough of Hackney to regularise the use of the site. The application was refused and the tenant appealed. The appeal was refused, however due to the pandemic no enforcement has been actioned to date. TfL plans to terminate the existing lease.
- 5.37 The third outstanding enforcement notice (received on 11 April 2018) was 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 wrote to the tenant to inform them of the notice. The tenant confirmed that they have existing planning consent for the shop front and challenged the notice without success. Westminster City Council is planning to issue a further notice. TfL continues to liaise with the tenant and monitor the matter.
- 5.38 The fourth outstanding enforcement notice (received on 5 March 2019) was from London Borough of Tower Hamlets regarding the lack of security of premises with loose windows, potential for rubbish dumping, squatting and pest infestation at 1a, 1b and 1c Burdett Road, E3, Mile End Station. TfL informed the tenant of the notice to secure the premises. The London Borough of Tower Hamlets confirmed that no follow up action was taken following an inspection in May 2019. TfL has received written confirmation that the matter is now closed.
- 5.39 The fifth outstanding enforcement notice (received on 3 April 2019) was from London Borough of Haringey regarding an unauthorised rear extension to the premises at land to the rear of Seven Sisters and Seven Sisters Market Hall, N15. The notice required the demolition of the timber structure, and the removal of debris. The tenant failed to comply with the notice. TfL secured the management of the structure in July 2020 and demolished the unauthorised structure in October 2020. TfL has informed London Borough of Haringey and the matter is now closed.
- 5.40 The first new notice (received on 6 December 2019) was an enforcement notice from the London Borough of Camden relating to a number of alleged breaches of planning permission. TfL is liaising with the tenant and the London Borough of Camden on this matter.
- 5.41 The second new notice (received on 20 January 2020) was a community protection notice in relation to accumulation of household waste/ fly-tipping on a verge alongside Ash Grove Bus Depot. An initial warning sent on 10 December 2020 was not complied with. The notice required that the rubbish be removed within 28 days of

the notice. TfL has complied with the notice and removed the waste within the timescale.

5.42 Health, Safety and Environment reported a new community protection notice (received 8 September 2020) from the London Borough of Waltham Forest for untidy land at Station Approach Walthamstow, E17. The notice required the removal of litter and detritus within seven days and to ensure that the land is maintained and cleared of all waste at least twice a week. TfL has taken steps to comply with the requirements and is monitoring the matter.

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



Decisions Subject to a Judicial Review

5.43 Crossrail previously reported a judicial review application on 23 August 2017 in relation to its decision 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. The Claimant made an application for leave to appeal which was dismissed on 27 June 2019. The Claimant’s application to the Supreme Court for leave to appeal the decision was refused on 13 February 2020. The matter is now concluded.

5.44 Surface Transport reported two new judicial review applications during the reporting period. The first judicial review application was issued on 23 July 2020 by an individual seeking to challenge TfL’s decision to re-route part of the 384 bus route from Strafford Road to Salisbury Road in High Barnet. Permission to bring a judicial review has been granted for three of the five grounds sought and a hearing has been listed for 3 December 2020.

- 5.45 The second judicial review application was issued on 13 August 2020 by the taxi groups United Trade Action Group (UTAG) and London Taxi Drivers Association (LTDA) against TfL in relation to the London Streetspace Plan (LSP). An application for a statutory challenge against a TRO made in support of the A10/Bishopsgate scheme by TfL on 16 July 2020 was also made. On 28 August 2020 the Claimants sought injunctive relief to prevent the A10/Bishopsgate scheme from going ahead on the planned go live date of 31 August 2020, but the application was dismissed. The High Court refused permission for the claims to proceed on three of the five grounds sought but granted permission on the remaining two. TfL was awarded costs as a result of the incorrect procedure taken by the Claimants in relation to the statutory challenge. The Claimants have since applied to renew the permission application on the three rejected grounds and amended the statutory challenge claim relating to the A10/Bishopsgate to a judicial review claim. A hearing is scheduled for 25 – 26 November 2020 which will consider the application to renew permission as well as the substantive claim.
- 5.46 City Planning previously reported a judicial review claim following the Secretary of State for Transport's designation of the Airports National Policy Statement ('ANPS') on 26 June 2018 in which a third runway at Heathrow was identified as the preferred scheme for achieving increased airport capacity in south-east England. The Mayor considered 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 also did not consider that the environmental impacts of the scheme had properly been assessed. The Mayor joined with the London Boroughs of Hammersmith and Fulham, Hillingdon, Richmond, 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 was an interested party in the proceedings and provided evidence in support of the claim. The hearing took place between 11 - 22 March 2019 together with four other separate claims. On 1 May 2019 the Divisional Court refused the application for judicial review on all grounds. The four other claims were also unsuccessful. Application for permission to appeal was granted by the Court of Appeal in respect of two grounds on which permission to judicially review the decision had been granted. Permission was also granted in respect of three of the other claims. The appeal was heard on 17 October 2019 for a period of six days. On 27 February 2020, the Court dismissed the Mayor/borough/Greenpeace's appeal but upheld the climate change focused appeals brought by two environmental groups, Plan B and Friends of the Earth. The decision recognised that the Mayor and boroughs also supported the climate change grounds. The Court ordered that the ANPS has no legal effect unless and until the Secretary of State reviews it to take into account the Paris Agreement.
- 5.47 On 6 May 2020, Heathrow Airport Limited and Arora, the two competing developers, were given permission to appeal to the Supreme Court against the judgment in Plan B and Friends of the Earth's claims. The Government did not appeal. The Mayor/borough/Greenpeace made applications for permission to appeal the decision in respect of their claim and to intervene in the Plan B and Friends of the Earth appeal which were refused. The Supreme Court heard the Plan B and Friends of the Earth appeal on 7 and 8 October 2020. A decision is expected in December

2020.

- 5.48 City Planning reported a new judicial review application issued on 17 June 2020 by Kamran Malik, the founder of the Communities United Party, in respect of the decisions to reinstate the Congestion Charging scheme and increase the level of charge. Both the Secretary of State for Transport (SST) and the Mayor were named as the defendants and TfL was an interested party. Mr Malik incorrectly assumed that the SST approved the increase in charge under the Traffic Management Act. Mr Malik's grounds of challenge alleged that the decision to reinstate and raise the level of charge was made so as to raise money rather than taking into account health and safety and the decisions to reinstate the congestion charge at the public's expense during the pandemic was an abuse of process. On 23 July 2020, the High Court refused Mr Malik permission and held his application to be totally without merit. The Mayor and TfL were awarded costs.
- 5.49 General Counsel reported two outstanding and four new judicial review claims during the reporting period. The first outstanding judicial review claim (previously reported by Surface Transport) was issued on 6 July 2019 by a disabled person who sought to challenge TfL's refusal to cancel a Penalty Charge Notice (PCN) issued to the driver of a vehicle in which he was a passenger in respect of the ULEZ charge. The Claimant argued that the requirement to pay was discriminatory. The High Court refused permission for the case to proceed on 26 September 2019 and the Court held that the requirement for a blue badge holder to pay the ULEZ charges was lawful and did not amount to unfavourable treatment. The Claimant subsequently made an application for an oral hearing on permission and on 26 November 2019, the High Court upheld the permission decision and dismissed the application. TfL was awarded its costs.
- 5.50 The second outstanding judicial review claim (previously reported by Surface Transport) was issued by the Independent Workers Union of Great Britain (IWGB) seeking to challenge the Mayor's decision to remove the exemption for PHVs from the congestion charge. TfL was an interested party. On 4 April 2019, the High Court refused IWGB's application for interim relief and PHVs became chargeable vehicles for the purposes of the Congestion Charging Scheme on 8 April 2019 as planned. Permission was granted in respect of two grounds and the hearing took place on 10 and 11 July 2019. The Court dismissed the claim and refused the Claimants permission to appeal. On 6 September 2019 the Claimants filed an application with the Court of Appeal seeking permission to appeal the decision. Permission to appeal was granted by the Court and a remote court hearing took place on 30 June and 1 July 2020. On 5 August 2020, the Court of Appeal dismissed the appeal and awarded costs in favour of the Mayor. IWGB did not appeal the Court of Appeal's decision. The matter is now closed.
- 5.51 The first new judicial review claim made on 23 September 2019 challenged a decision of the London Tribunals that the Claimant was properly issued with eight congestion charging related PCNs. The Claimant had previously benefitted from a congestion charging discount as a blue badge holder but that discount was removed when he could not supply proof of his continued entitlement to the blue badge. In that period he incurred several PCNs and eight PCNs remained outstanding. His appeal to the London Tribunals failed both at first instance and on review on the grounds that he failed to convince the Tribunal that he qualified for the

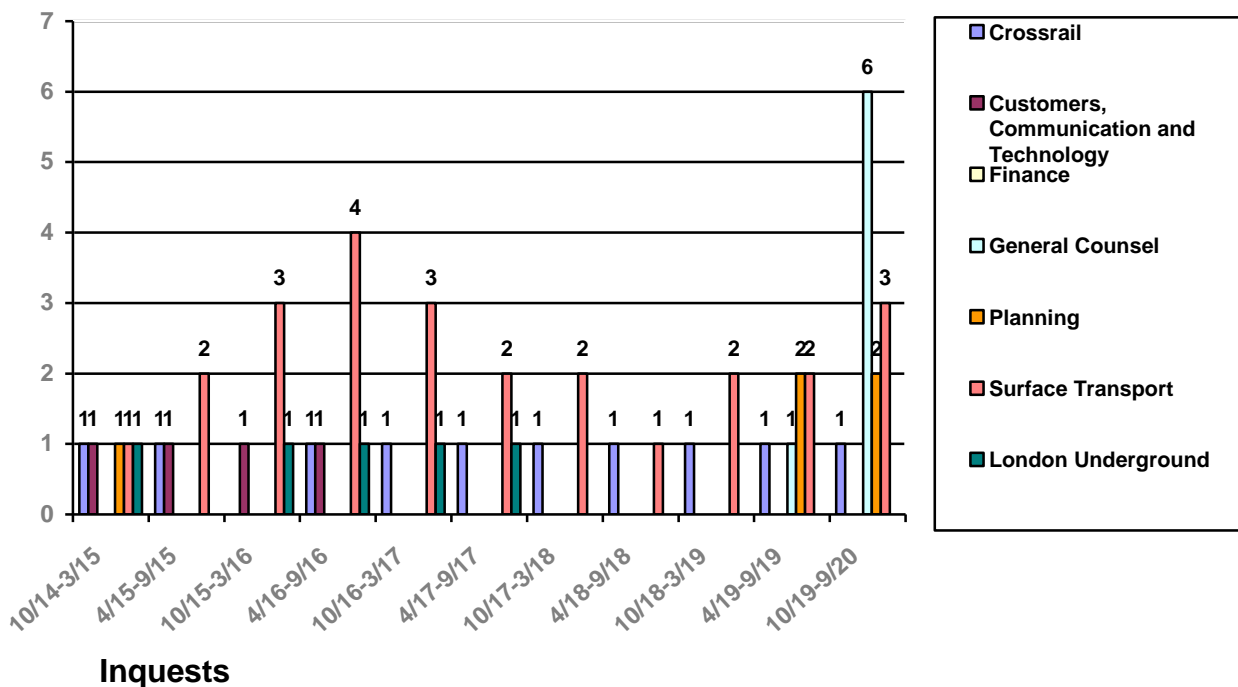
discount at the time he incurred the PCNs. On 4 November 2019, the High Court refused the Claimant permission to bring his claim and found the application to be totally without merit. The Claimant was ordered to pay TfL its costs.

5.52 The second new judicial review claim made on 2 January 2020 challenged TfL’s decision of 1 October 2019 to grant the Claimant a short term six month licence due to their immigration status. Permission was refused on 21 April 2020 and the case was found to be unarguable. TfL was awarded its costs.

5.53 The third new judicial review claim was issued by a private hire driver in the High Court on 24 April 2020. The Claimant had previously applied to be licensed in 2017 but the application was refused on medical grounds and they unsuccessfully appealed that decision to the Magistrates Court. Subsequently, in February 2020, the Claimant applied to renew the application which was refused. Permission was refused on 20 October 2020 and the case was found to be totally without merit. TfL was awarded its costs.

5.54 The fourth new judicial review was issued on 23 December 2019 by the United Trade Action Group Limited (UTAG) and claimed that the Private Hire Vehicles (London) Act 1998 (1998 Act) did not allow Uber London Limited (ULL) to continue to operate pending their licence appeal. UTAG also claimed that if the 1998 Act allowed ULL to continue to operate pending their appeal, TfL’s decision not to suspend or revoke ULL’s licence with immediate effect was irrational and that there were no reasons given for that decision. ULL were named as an interested party. The Court refused permission for judicial review and UTAG requested that this decision be reconsidered at an oral hearing. A hearing took place on 22 April 2020 and the Court refused permission for judicial review on the grounds claimed and ordered UTAG to pay TfL’s costs.

Judicial Reviews of decisions by TfL¹



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

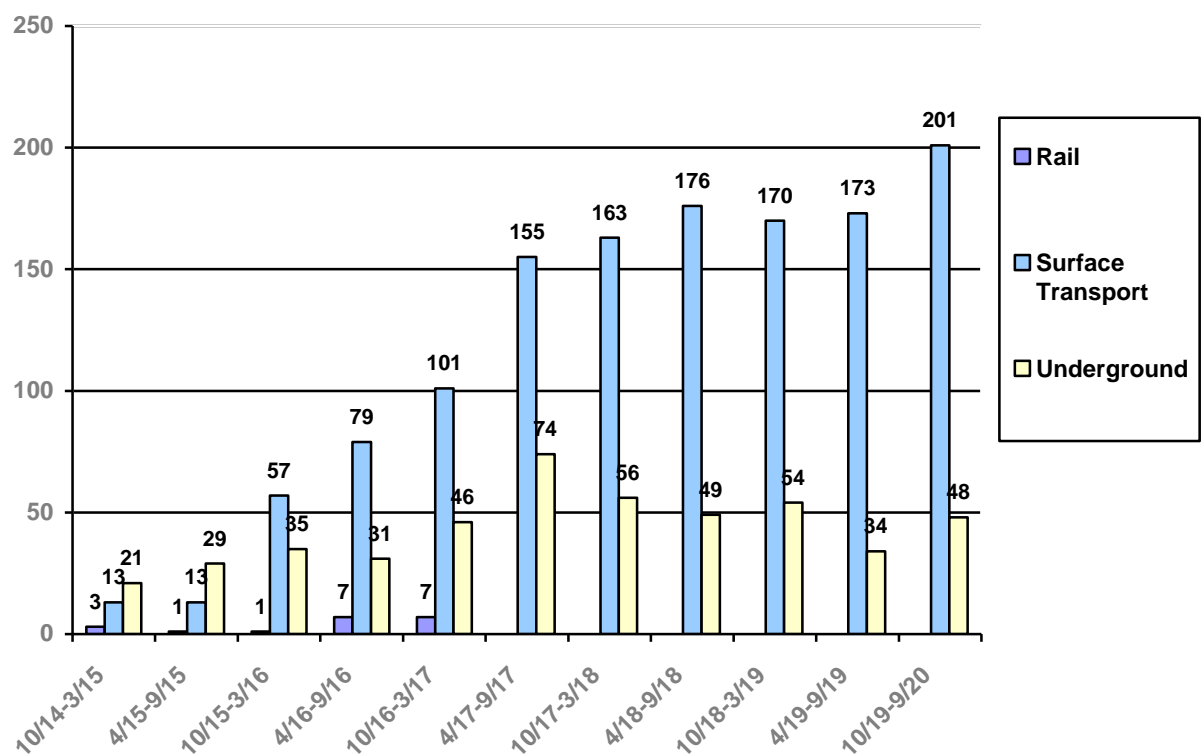
5.55 London Underground reported 48 fatalities, that occurred on London Underground services, which have or may be considered at an inquest 22 of which have been carried forward from the previous report. 26 new London Underground inquests are included in this report for the first time.

5.56 Of the 22 inquests carried forward from the previous period, 10 were narrative verdicts, one accident, one open verdict, one drug related death, five suicides and four outcomes are awaited. Of the 26 new inquests reported, seven were suicides, one narrative, one accidental and 17 are awaited.

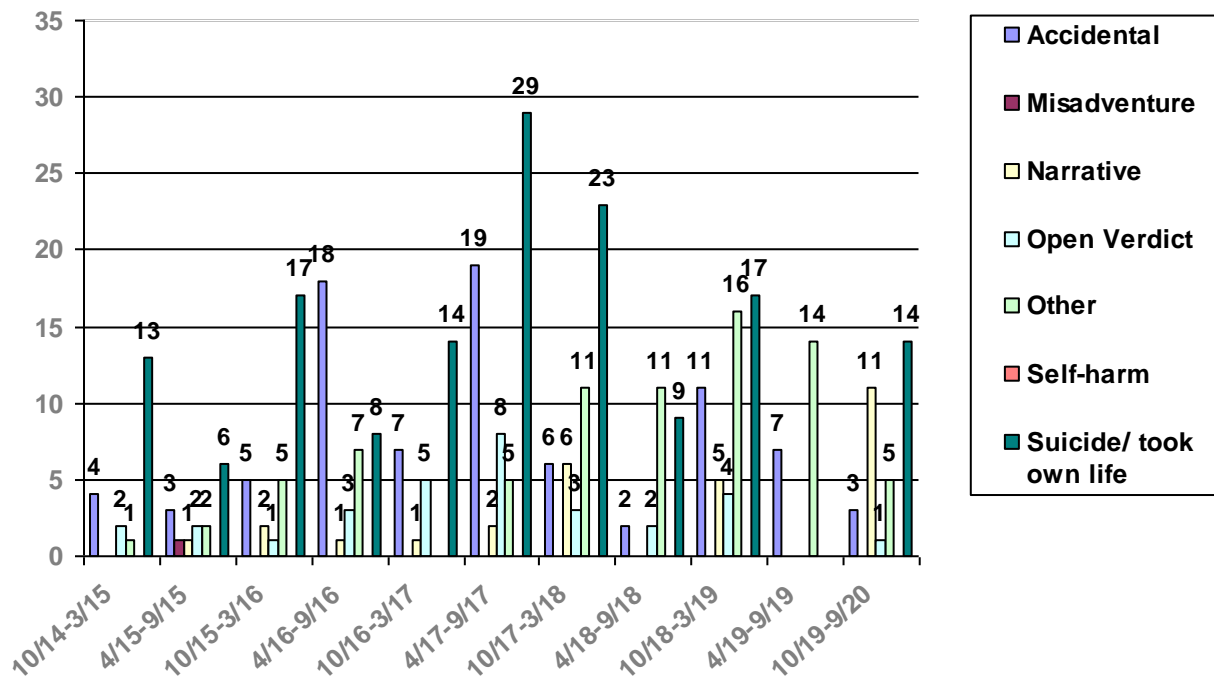
5.57 Surface Transport reported 201 fatalities, that occurred on the Surface Transport services, which have or may be considered at an inquest , 152 of which have been carried forward from the previous report. 49 new Surface Transport inquests are included in this report for the first time.

5.58 Of the 152 outstanding inquests, 57 have been adjourned pending the outcome of criminal proceedings or police investigations, 56 are awaited, two await the Coroner’s decision on whether to resume the inquests, two Coroners’ conclusions are unknown, one was not a fatality, 31 have been found not to have occurred on TfL’s road network, one death caused by multi-organ failure and two are road traffic collisions. Of the 49 new inquests reported, two are accidental death, one road traffic collision, two are suicide, two await information as to whether inquests will resume and 42 are awaited.

Inquests



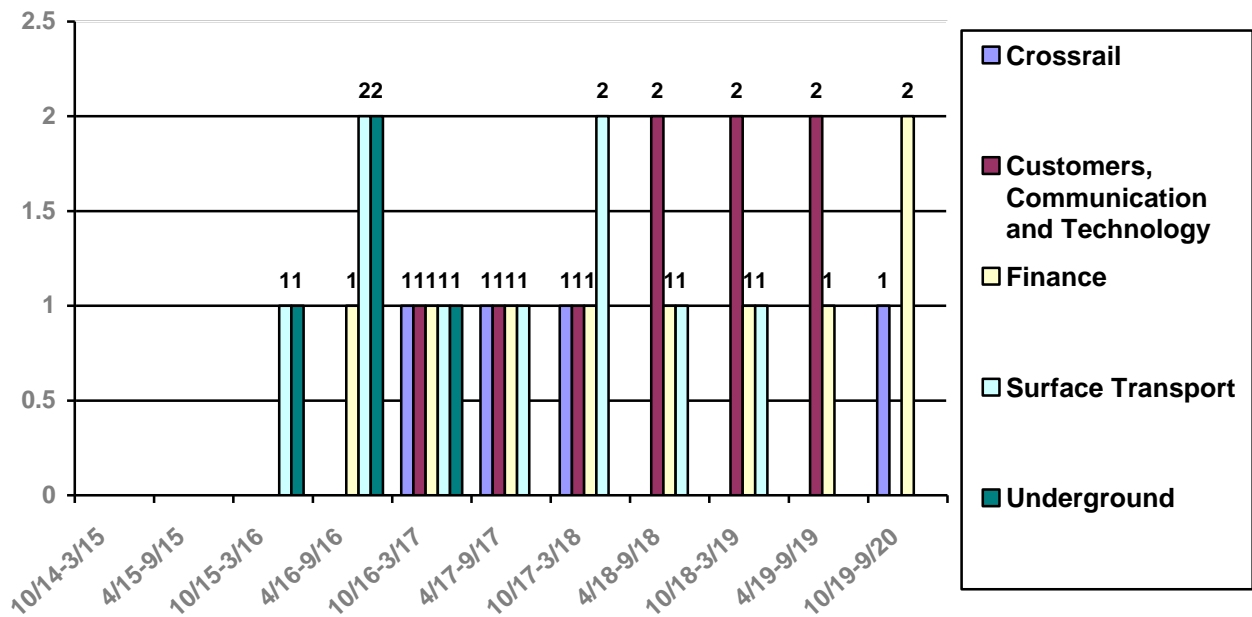
Inquest Findings



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

- 5.59 Finance previously reported that 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. One of the test cases is being appealed and TfL will review its position once that has been determined.
- 5.60 Finance reported a new claim brought by a contractor in relation to the calculation of contract payments for telecommunication works on the underground network. The dispute was resolved in July 2020.
- 5.61 Crossrail reported one new claim relating to contract works at Paddington Station. An adjudication commenced in April 2020 relating to the interpretation of a provision of the contract. The adjudicator decided in Crossrail's favour but with cost reimbursement to the Contractor. Crossrail has paid the costs.

Commercial/ Contract Claims



Personal Injury Claims

5.62 London Underground has been the subject of 412 claims for personal injury that were closed during the reporting period, of which 42 claims were employers' liability claims by staff and 370 claims were for public liability by customers/members of the public.

5.63 Of the 370 claims for public liability, 295 were closed without payment and 75 were settled.

5.64 Of the 42 claims for employers' liability, 15 were closed without payment and 27 were settled.

5.65 Surface Transport has been the subject of 454 claims for personal injury that were closed during the reporting period, of which three claims were for employers' liability and 451 claims were for public liability.

5.66 Of the 451 claims for public liability, 355 were closed without payment and 96 were settled.

5.67 Of the three claims for employers' liability, two were closed without payment and one was settled.

5.68 Finance has been subject to five claims for personal injury that were closed during the reporting period of which two claims were for employers' liability and three for public liability.

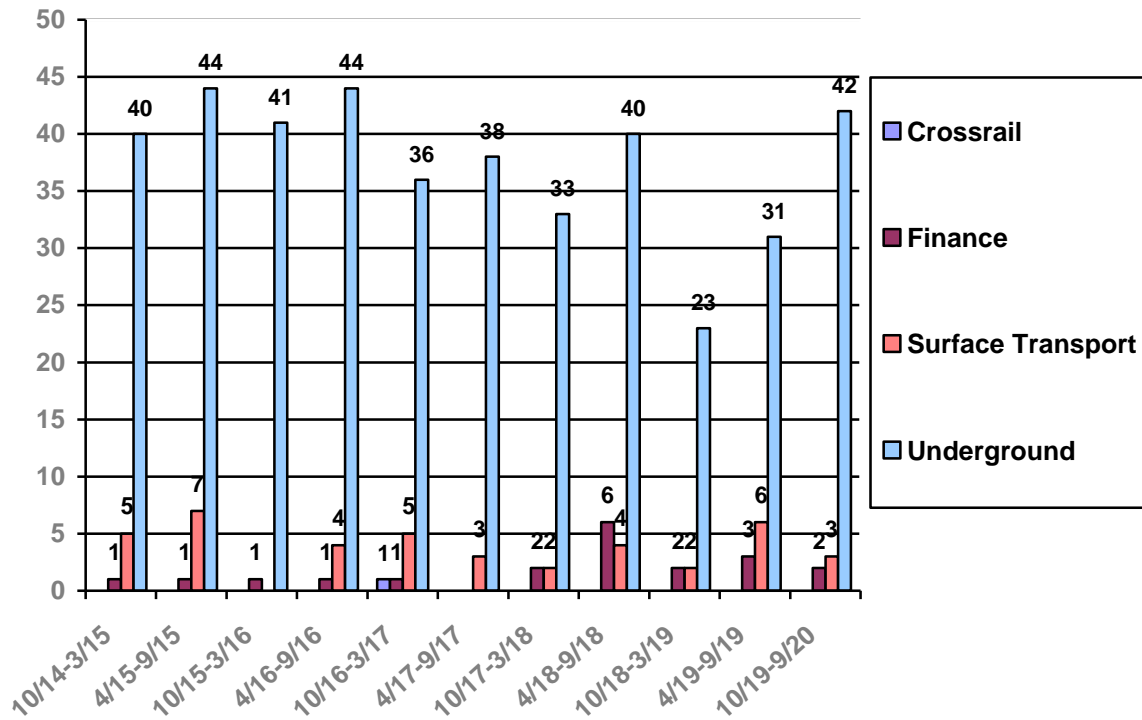
5.69 Of the three claims for public liability two were closed without payment and one was settled.

5.70 Of the two employers' liability claims one closed without payment and one was settled.

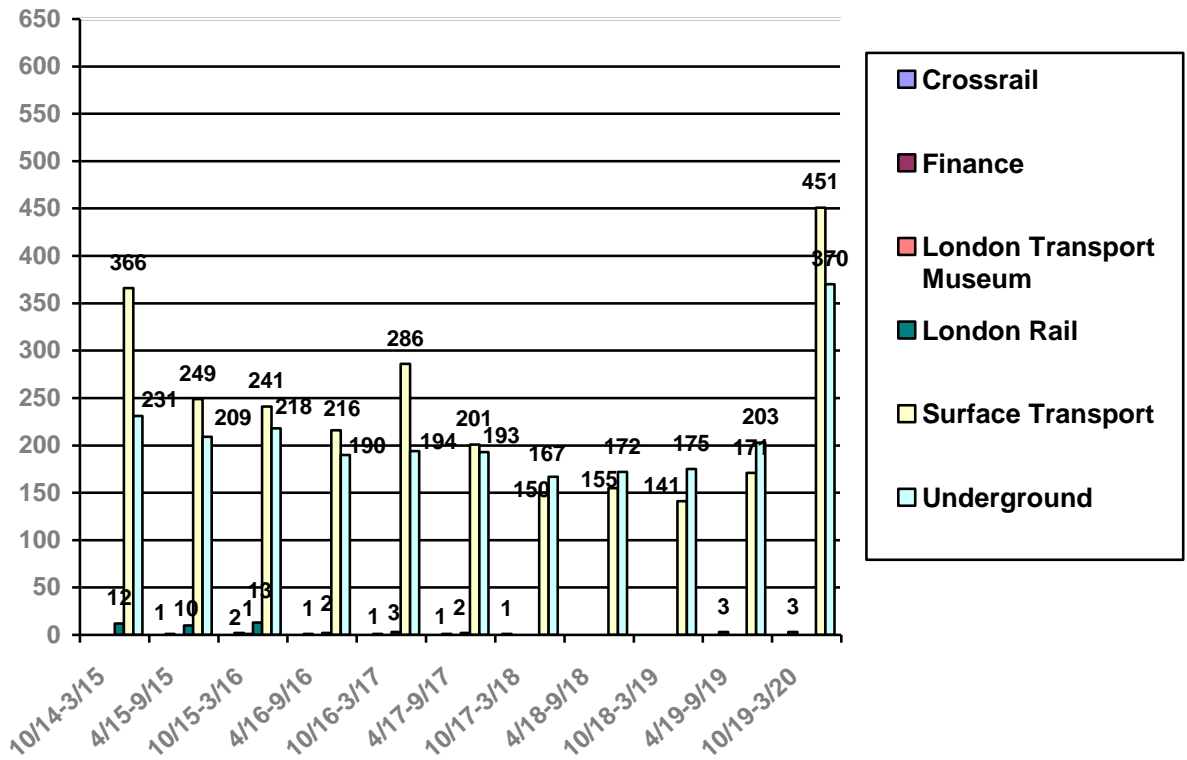
5.71 Out of the total of 871 personal injury claims closed during this period, 670 were closed without payment and 201 were settled.

Personal Injury Claims Concluded in the Reporting Period

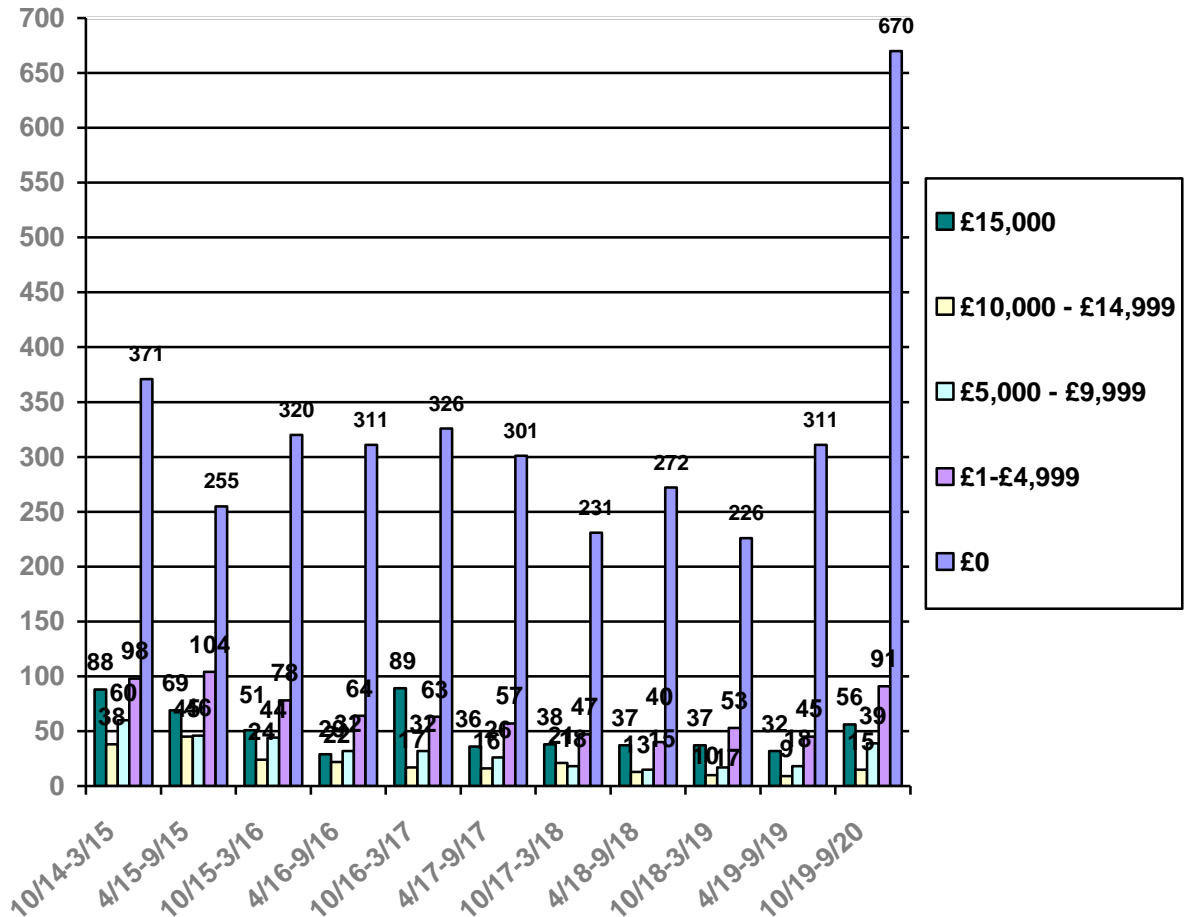
Personal Injury Claims – Concluded Employers' Liability (Staff)



Personal Injury Claims – Concluded Public Liability (Customers)



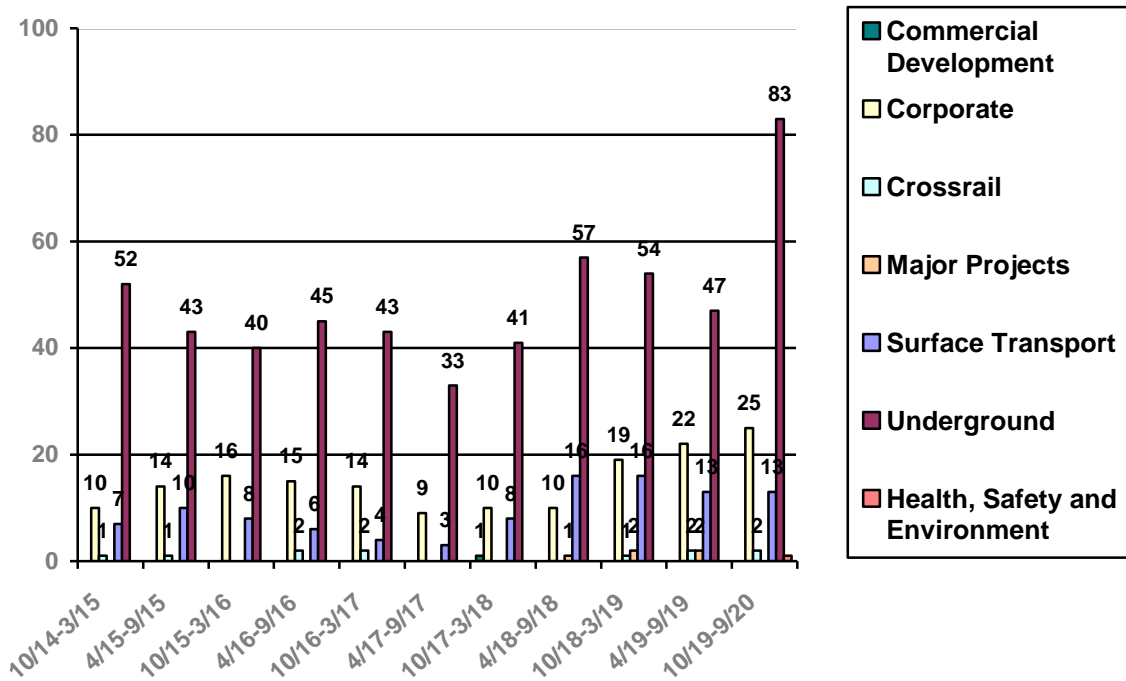
Personal Injury Claims – Concluded Cases



Employment Tribunal (ET) Proceedings

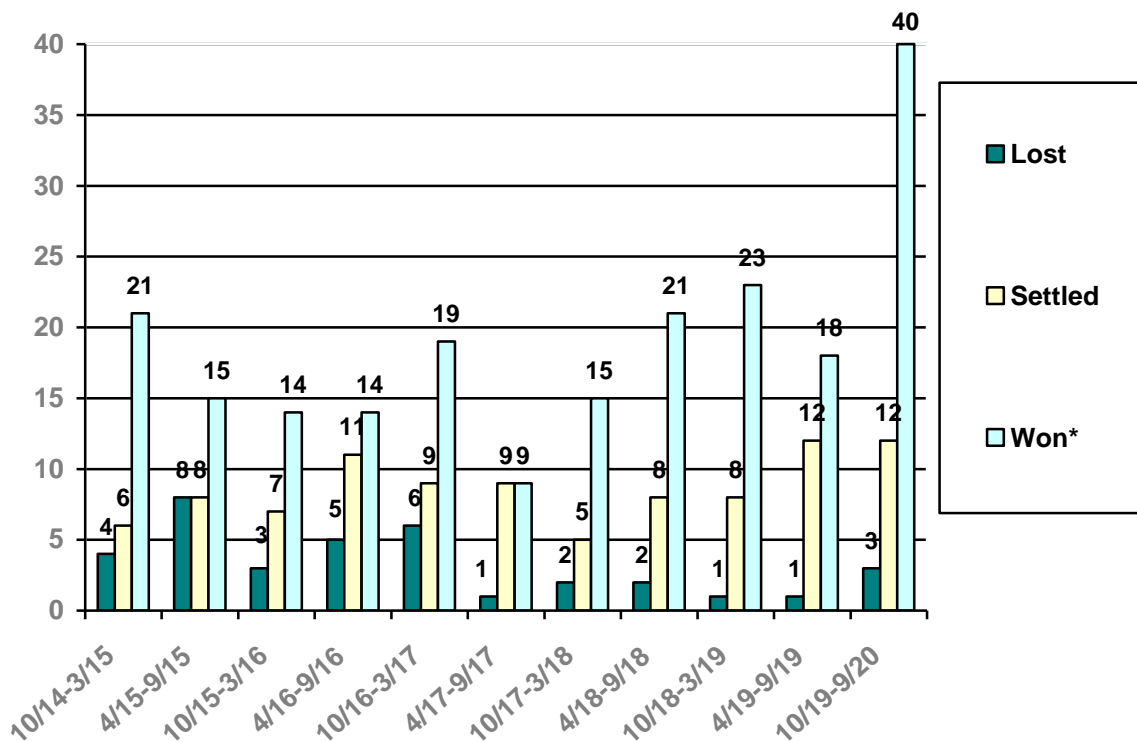
- 5.72 TfL continues to take a proactive and robust approach to managing ET cases, coupled with an extensive training programme for managers on the latest developments in the law and best practice so as to avoid employment disputes as far as possible.
- 5.73 London Underground has been the subject of 83 ET claims during the period of this report. 53 were carried forward from the previous period and 30 were reported for the first time this period. Of the 83, 21 were for unfair dismissal, one for wrongful dismissal, two for constructive unfair dismissal, 18 were for disability discrimination, one for breach of Agency Worker Regulations, six for trade union detriment, ten for sex discrimination, one for equal pay, nine for race discrimination, one for not being allowed time off to carry out Health and Safety duties, one for whistleblowing, one for flexible working and 11 were for unlawful deduction from wages.
- 5.74 Surface Transport has been the subject of 13 ET claims during the period. Six were carried forward from the previous period and seven were reported for the first time this period. Of the 13, five were for unfair dismissal, two for constructive unfair dismissal, one for race discrimination, one for unpaid holiday pay, one for equal pay, one for discrimination on the grounds of pregnancy/maternity leave and two were for disability discrimination.
- 5.75 Professional Services have been the subject of 25 ET claims during the period. 19 were carried forward from the last period and six were reported for the first time during this period. Of the 25, six were for disability discrimination, seven for unlawful deduction from wages, six were for unfair dismissal, one for breach of contract, one for equal pay, one for race discrimination and three were for sex discrimination.
- 5.76 Healthy, Safety and Environment has been subject to one ET claim during the period. This claim was carried forward from the last period and was for equal pay.
- 5.77 Crossrail has been the subject of two ET claims. One was carried forward from the last period and one was reported for the first time during this period. Both claims were for unfair dismissal.
- 5.78 Of the total of 124 ET claims brought during the period, 72 cases are ongoing and 52 were concluded during the period. One other claim was concluded during a different reporting period however it remains on the report as it is subject to appeal. Of the 52 ET cases concluded during this period, seven were won, one was partially won, 27 were withdrawn, five were struck out, two were lost, one partial loss and 12 were settled.
- 5.79 Of the total 124 ET claims, 80 were carried forward from the last period and 44 were reported for the first time during this period.

Total number of Claims²



Employment Tribunal Cases Concluded

*Claims won include withdrawn and struck out claims

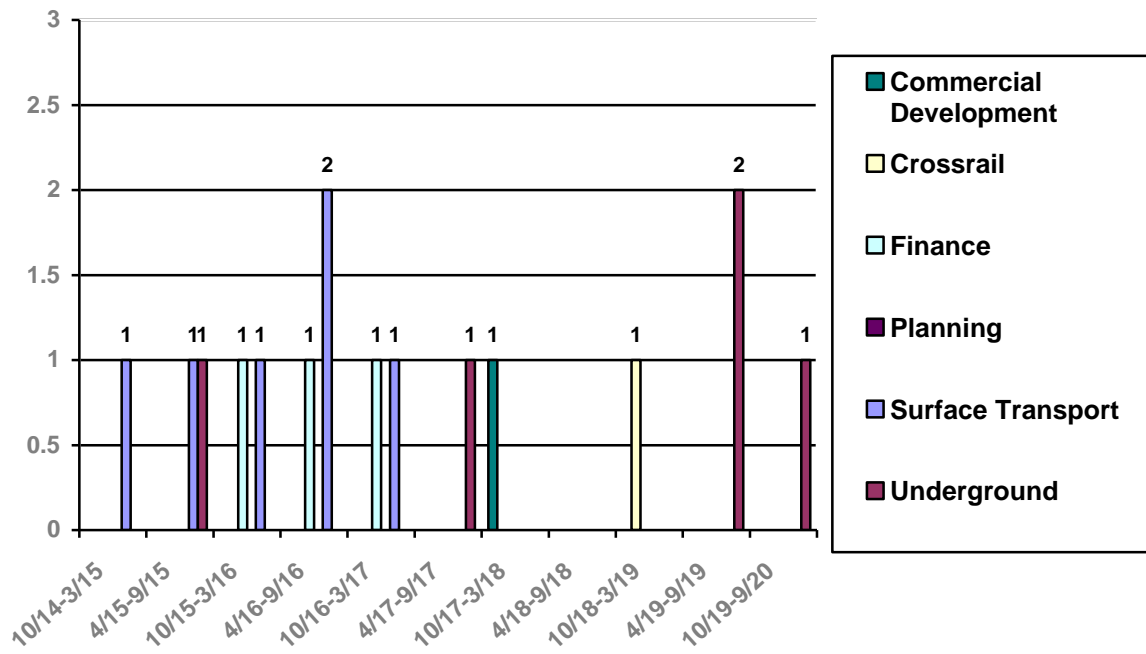


² A number of the reported claims have more than one head of claim (for example a claimant may claim unfair dismissal and race discrimination or sex discrimination and race discrimination). Where this is the case, the claim is reported once. Where claims involve unfair dismissal, these are reported as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

Civil Debt in Excess of £5,000

5.80 London Underground reported one new claim for unpaid invoices. The claim was in relation to non- payment for goods and services. All the invoices were paid and the matter is now closed.

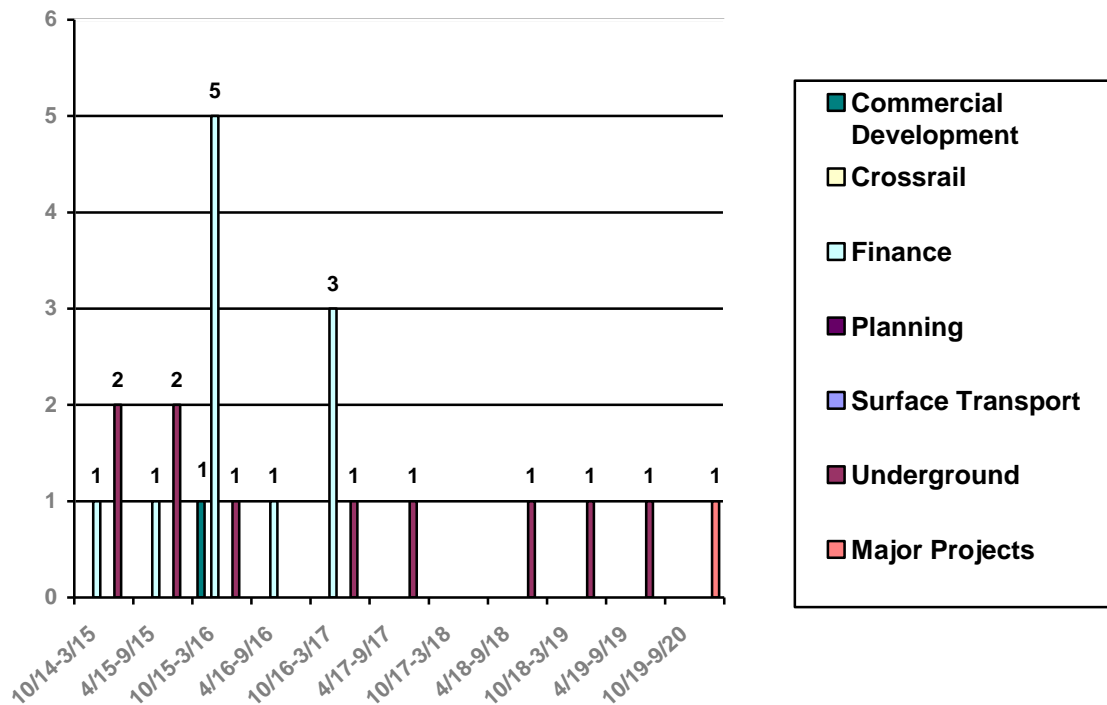
Unpaid Debt



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

5.67 Major Projects reported that in August 2019, the reserve bidder on the Silvertown Tunnel project commenced High Court proceedings alleging errors in the scoring of the tender submissions and seeking a declaration that the contract should be awarded to it rather than the preferred bidder. The commencement of Court proceedings automatically suspended TfL's right to enter into a contract with the successful bidder. In October 2019, the Claimant consented to TfL's application to Court to have the automatic suspension lifted. The claim continues as a damages claim. A court hearing is scheduled to start on 21 June 2021 and end on 15 July 2021.

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



Other Known Breaches

5.78 No other known breaches were reported.

Other Material Compliance Issues

5.79 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 30 boroughs. The two remaining boroughs and TfL referred the various disputes between them to arbitration. Certain issues were then appealed following the arbitrator's decision and the arbitration was stayed to allow this process to take place. This litigation concluded with a Supreme Court judgment which was handed down on 5 December 2018 in TfL's favour. TfL is now progressing discussions with the boroughs concerning the specific land that is to transfer following this ruling. The arbitration remains stayed to allow for this. Certain issues may need to be referred back to the arbitrator should agreement not be reached.

5.80 Surface Transport previously reported receiving a claim for compensation under the Land Compensation Act resulting from the Archway Gyratory scheme. A hearing took place on 8-10 September 2020 in the Upper Tribunal (Lands Chamber). A decision is awaited.

5.81 Surface Transport reported one new claim during the reporting period for unpaid invoices brought by a Claimant who provided traffic surveys to TfL. The payments were suspended following an internal investigation and there is also a Police

investigation. TfL is defending the claim and a hearing date is awaited.

5.82 General Counsel reported that in November 2019, TfL refused to grant Uber London Limited (ULL) a new private hire operator's licence due to a pattern of failures by Uber which included several breaches that placed passenger safety at risk including an issue with its systems that allowed unauthorised drivers to upload their photos to other ULL driver accounts. This resulted in over 14,000 passengers getting into a vehicle with an unauthorised driver putting the safety of the passenger at risk. ULL appealed the decision and hearing in the Magistrates Court took place 15-17 September 2020. On 28 September 2020 the Court found that Uber was now fit and proper to hold a licence and granted an 18-month licence subject to a number of conditions. TfL was awarded costs.

Management of Compliance Issues

5.83 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, taking into account during this reporting period the particular challenges presented in response to the coronavirus pandemic.

5.84 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 and adjusted where possible to take account of increased home working as a consequence of the pandemic.

5.85 The legal and compliance framework is the subject of continuous review and improvement. Initiatives to address compliance across TfL have included:

- (a) ongoing work to update contractual and 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) training on Freedom of Information, Data Protection, GDPR and records management;
- (d) increased promotion of e-learning courses on Freedom of Information, Data Protection and records management, including mobile versions available to staff without PC access. The Freedom of Information records management courses were re-written and re-launched during this reporting period.
- (e) implementation of mandatory GDPR training for all staff;
- (f) the promotion through the TfL management System of Information Governance policies, instructions and guidance;
- (g) the promotion and maintenance of a programme of pro-active publication of information, to improve transparency and simplify the handling of FOI requests. This includes the publication of all TfL's FOI replies;

- (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 debt claims and court proceedings, online training on competitive procurement, employment law, NEC contracting, update on contract law, planning powers/process, contract law and land rights;
- (j) implementation of programme to ensure compliance with fire safety regulations on the Underground;
- (k) continued support with the use of TfL's e-tendering system to assist users to comply with the procurement regulations, and to observe the principles of transparency, equal and fair treatment of suppliers;
- (l) continued production of instructions, guidance and templates in the TfL Commercial Toolkit to support compliance with regulations and governance;
- (m) continued collaboration with TfL Internal Audit to identify and address areas of weakness in TfL's processes, helping to implement corrective actions where appropriate;
- (n) ongoing implementation of new Direct Vision Standard and Work Related Road Risk requirements to help improve safety on London roads, including reporting and implementation checks to ensure compliance with legal safety requirements and mitigate road risk; and
- (o) 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 October 2019 to 30 September 2020 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 Notwithstanding the pandemic, 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: 2 December 2020

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. Details of those accepted by Members and the most senior staff are routinely published on our website. In line with the GLA Group Framework Agreement, we submit a regular report to the Committee on the gifts and hospitality accepted by Board Members and senior staff. For these reports, we have extended the staff coverage to anyone on the top level organisation chart published on <https://tfl.gov.uk/corporate/about-tfl/how-we-work/corporate-governance/chief-officers>.
- 1.2 Unusually, this report covers three three-month reporting periods, from 1 February 2020 to 31 October 2020. The restrictions on travel and social distancing, to manage the coronavirus pandemic, resulted in relatively few offers during this period. This also affects the benchmarking data as the situation this year does not relate to the previous baselines for the same quarters in the previous year.
- 1.3 During this nine-months covered by this report, no declarations were made by Members. A total of 83 declarations were made by senior staff, of which 58 were declined and 25 were accepted.

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 The policy will be reviewed shortly to ensure it is consistent with recent changes in the GLA's policy, which included an increase in the threshold for declaration, which has been raised from £25 to £50.
- 3.4 Currently, 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.
- 3.5 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.

4 Reporting Period and Issues for Consideration

- 4.1 Appendices 1 and 2 set out gifts and hospitality declared and accepted by senior staff over two of the three three-month periods from 1 February to 31 October 2020 – appendix 1 covers February to April 2020 and Appendix 2 August to October 2020. There were no offers accepted during the May to July 2020 period. There were no declarations by Members at all during February to October 2020.
- 4.2 A total of 83 declarations were made by senior staff. A total of 58 offers were declined and 25 were accepted. Tables 1A and 1C provide a summary of the number of offers accepted and declined by senior staff who received 10 or more offers during the three periods. During the May – July 2020 reporting period, only 10 offers were received and all were declined. Table 1B* shows staff who received and declined the offers.

Table 1A: Reporting period February – April 2020: Staff receiving 10 or more offers

Name	Role	Offers	Accepted	Declined
Mike Brown	Commissioner	10	0	10
Graeme Craig	Director of Commercial Development	14	2	12
Jonathan Patrick	Chief Procurement Officer	11	1	10

Table 1B: Reporting period May – July 2020: Only 10 offers were received and were all declined. The table lists the staff who received the offers

Name	Role	Offers	Accepted	Declined
Glynn Barton	Director of Network Management	1	0	1
Mike Brown MVO	Commissioner (left TfL on 10 July 2020)	2	0	2
Stephen Field	Director of Pensions and Reward	5	0	5
Jonathan Patrick	Chief Procurement Officer	2	0	2

Table 1C: Reporting period August to October 2020: Staff receiving 10 or more offers

Name	Role	Offers	Accepted	Declined
Stephen Field	Director of Pensions and Reward	10	8	2

- 4.3 Table 2A shows the figures provided in previous reports since February 2019 and then breaks these down to a monthly average for each period reported, to enable some trend analysis. For comparison, Table 2B shows the figures for the corresponding three reporting periods i.e. February – October 2020, the current reporting period. An accurate comparison is difficult due to the impact of measures to control the coronavirus pandemic.
- 4.4 On a monthly average basis, the actual number of offers received has fluctuated from a high of 42 to a low of 6. The number of offers received in the three periods (February to October 2020) do not fall within the ranges and are much less than in the same reporting periods in 2019 (February to October 2019), due to the Covid-19 pandemic and the government lockdown restrictions.

- 4.5 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.

Table 2A: Figures reported to previous meetings and monthly averages

	01/02/19-30/04/19	01/05/19-31/07/19	01/08/19-31/10/19	01/11/19-31/01/2020
Period reported to Committee	3 months	3 months	3 months	3 months
Total offers	128	145	163	174
Total declined	94	110	112	132
Total accepted	34	35	51	42
Monthly average				
Total offers	43	48.3	54.3	58
Total declined	31	37	37.3	44
Total accepted	11	12	17	14

Table 2B: Figures reported to this meeting

	01/02/20-30/04/20	01/05/20-31/07/20	01/08/20-31/10/20
Period reported to Committee	3 months	3 months	3 months
Total offers	57	10	16
Total declined	42	10	6
Total accepted	15	0	10
Monthly average			
Total offers	19	3.3	5.3
Total declined	14	3.3	2
Total accepted	5	0	3.3

List of appendices to this report:

Appendix 1 – Gifts and Hospitality Register, Members and Senior Staff 1 February to 31 April 2020

Appendix 2 – Gifts and Hospitality Register, Members and Senior Staff 1 August to 31 October 2020

List of Background Papers:

Corporate Gifts and Hospitality Register

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**Gifts and Hospitality - TfL Board Members and Staff - Appendix 1
1 February to 30 April 2020**

Name of Officer	Donor/Provider of Gift/Hospitality	Detail of Gift/Hospitality	Reason for Accepting Gift / Hospitality	Date of Event/Hospitality
Craig Graeme	Lucy Musgrave	Investiture reception	Networking event	12/02/2020
Craig Graeme	Federation of Small Businesses	Awards Lunch	Networking event	12/03/2020
Everitt Vernon	Transport Times	London Transport Awards	Relationship building	12/03/2020
Field Stephen	Matthew Arends, Head of UK Retirement Policy, Aon	Aon Pensions Conference: 2020 Pensions - Clarity of Vision	CPD and networking	31/03/2020
Harvey Stuart	Carmen Company	Awards ceremony and reception	To receive the 4LM Project the Viva Shield Award for 2019	10/03/2020
Hurwitz Michael	London & Partners	London Smarter Mobility Reception	To foster dialogue and collaboration between cities and present tangible opportunities to London scaleups looking to take their business global	10/02/2020
Hurwitz Michael	Plexal	Reception organised by Plexal after the 'Move 2020' Intelligent Transport event	Networking opportunity:	11/02/2020
Lord Andy	Thales	Business Dinner with the 4LM Thales team in Toronto.	Business meetings in Toronto with the 4LM Thales team over 3 days	28/02/2020
Lord Andy	Jeremy Breaks invitation - Berry Bros & Rudd	Networking event	Networking	11/03/2020
Mullins Sam	Tate	British Baroque: Power and Illusion exhibition	Networking in museums sector	03/02/2020
Mullins Sam	Michael Day - Clore Leadership, National Trust	10 Years of Trust New Art reception	Networking in museums and heritage sectors	20/02/2020
Mullins Sam	Tate	The Aubrey Beardsley exhibition	Networking in museums and cultural sectors	02/03/2020
Patrick Jonathan	LTM	LTM Annual Corporate Members Reception	Transport Networking event	19/03/2020
Risk Lisa-Jane	Lean In (Global community dedicated to helping women achieve their ambitions)	Guest speaker at the Lean In 'Super Circle dinner'	Guest speaker	22/04/2020
Smith Howard	The Bruton Group	Bruton Group Network Reception	Networking opportunity	04/02/2020

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**Gifts and Hospitality - TfL Board Members and Staff - Appendix 3
1 August to 31 October 2020**

Name of Officer	Donor/Provider of Gift/Hospitality	Detail of Gift/Hospitality	Reason for Accepting Gift / Hospitality	Date of
Batey Alexandra	Alex Cameron, Socia Limited	Virtual Socia Dinner	Debate discussion over virtual dinner	15/10/2020
Batey Alexandra	Lizi Stewart, UK Transportation	Virtual Everywoman in Transportation and Logistics awards	Networking	06/10/2020
Field Stephen	Willis Tower Watson	WTW Opening Keynote: Industry Outlook	Continuing Professional Development	22/09/2020
Field Stephen	Willis Tower Watson	WTW Pensions and Savings Virtual Conference: 'Funding Objectives'	Continuing Professional Development	23/09/2020
Field Stephen	Willis Tower Watson	WTW Pensions and Savings Virtual Conference: 'The Transactions and Superfunds Market'	Continuing Professional Development	28/09/2020
Field Stephen	Willis Tower Watson	WTW Pensions and Savings Virtual Conference: 'GMP Equalisation - Helping You Along The Way'	Continuing Professional Development	29/09/2020
Field Stephen	Willis Tower Watson	WTW Pensions and Savings Virtual Conference: 'Re-imagining Defined Benefit Delivery'	Continuing Professional Development	30/09/2020
Field Stephen	Willis Tower Watson	Virtual conference: 'The Move To Defined Contribution Master Trust'	Continuing Professional Development	01/10/2020
Field Stephen	SPS Conferences	Virtual conference: 'Property, Infrastructure & Real Asset Investment Strategies for Pension Funds'	Continuing Professional Development	08/10/2020
Field Stephen	SPS Conferences	Virtual conference: 'Investment Strategies & Cashflow Management for Maturing Pension Funds'	Continuing Professional Development	21/10/2020

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Audit and Assurance Committee



Date: 2 December 2020

Item: Members' Suggestions for Future Discussion Items

This paper will be considered in public.

1 Summary

- 1.1 This paper presents the current forward plan 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 plan 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 Risk and Assurance, External Auditors and Chief Finance Officer. These discussions are scheduled after the following Committee dates:

2 December 2020:	Director of Risk and Assurance/EY
17 March 2021	Chief Finance Officer
7 June 2021	EY
September 2021	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

Contact Officer: Howard Carter, General Counsel
Number: 020 3054 7832
Email: HowardCarter@tfl.gov.uk

Audit and Assurance Committee Forward Planner 2021/22 & 2021/22

Appendix 1

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

17 March 2021		
Risk and Assurance Quarterly Report	D. Risk and Assurance	Quarterly
Integrated Assurance Plan	D. Risk and Assurance	Annual
Financial Services Control Environment Indicators	Chief Finance Officer	Quarterly
IIPAG Quarterly Report	Head of Project Assurance	Quarterly
Personal Data Disclosure to the Police and Other Agencies	Director of Compliance and On-Street	Annual
Procurement Update	Chief Procurement Officer	Meeting Request
Engineering Standards Improvement Programme	Director of TfL Engineering	Meeting Request
Gifts and Hospitality Register	General Counsel	Quarterly
Critical Accounting Policies Update	Chief Finance Officer	Annual
Enterprise Risk: Inability to Support New Ways of Working (ER10)	MD Customer, Communications & Technology	Annual
Enterprise Risk: Governance and Controls Suitability (E13)	General Counsel	Annual

7 June 2021		
Risk and Assurance Quarterly Report	D. Risk and Assurance	Quarterly
Risk and Assurance Annual Report	D. Risk and Assurance	Annual
Financial Services Control Environment Indicators	Chief Finance Officer	Quarterly
EY Report on Non-Audit Fees	Chief Finance Officer	Six Monthly
Annual Audit Fee	Chief Finance Officer	Annual
TfL Statement of Accounts	Chief Finance Officer	Annual
TfL Annual Report	MD CCT	Annual
Review of Governance and the Annual Governance Statement	General Counsel	Annual
EY Report to Those Charged with Governance	EY	Annual

Audit and Assurance Committee Forward Planner 2020/21 & 2021/22

7 June 2021		
EY Letter on Independence and Objectivity	EY	Annual
Legal Compliance Report	General Counsel	Six Monthly
IIPAG Quarterly Report	Head of Project Assurance	Quarterly
Gifts and Hospitality Register	General Counsel	Quarterly

September 2021		
Risk and Assurance Quarterly Report	D. Risk and Assurance	Quarterly
Financial Services Control Environment Indicators	Chief Finance Officer	Quarterly
IIPAG Quarterly Report	Head of Project Assurance	Quarterly
Gifts and Hospitality Register	General Counsel	Quarterly
TfL Statement of Accounts Year Ended 31 March 2021 – Changes Made Prior to Finalisation	Chief Finance Officer	Annual
Effectiveness Review of External Auditors	Chief Finance Officer	Annual
Annual Audit Letter	EY	Annual
Freedom of Information Update	General Counsel	Annual