

TRANSPORT FOR LONDON

AUDIT COMMITTEE

SUBJECT: USE OF RESOURCES ASSESSMENT

MEETING DATE: 23 JANUARY 2008

1. INTRODUCTION

1.1. In common with other Best Value Authorities TfL is subject to a range of inspection and audit activities by the Audit Commission and its appointed auditors, KPMG. This is the second year that TfL has been subject to a full Use of Resources assessment.

2. METHODOLOGY AND PROCESS

2.1. The Use of Resources assessment is conducted using a number of 'Key Lines of Enquiry' (KLOE). These KLOE are grouped into the following categories:

- **Financial reporting** (including the preparation of TfL's accounts and the way these are presented to the public);
- **Financial management** (including how financial management is integrated with strategy to support TfL's priorities);
- **Financial standing** (including the strength of TfL's financial position);
- **Internal control** (including how effectively TfL maintains proper stewardship and control of its finances); and
- **Value for money** (including an assessment of how well TfL balances the costs and quality of services).

2.2. For each KLOE and overall, the assessment is scored against the following criteria:

- Level 1: Below minimum requirements - inadequate performance
- Level 2: Only at minimum requirements – adequate performance

- Level 3: Consistently above minimum requirements – performing well
 - Level 4: Well above minimum requirements – performing strongly
- 2.3. The process commences in the Summer with the submission of a self assessment with supporting evidence to KPMG, who then follow up through a combination of interviews and desk top assessment work.

3. OUTCOME

- 3.1. TfL has been assessed overall at **level 4: Well above minimum requirements – performing strongly**. This is the highest level and includes improvements from 2005/6 in a number of individual KLOE.
- 3.2. This score has been formally notified to the TfL Commissioner by the Audit Commission (letter attached for reference at Appendix 1).
- 3.3. Also attached at Appendix 2 is the detailed report by KPMG which is presented formally to the Audit Committee, including a number of recommendations for further work.

4. RECOMMENDATION

- 4.1. The Committee are asked to **NOTE** TfL's detailed Use of Resources Assessment

9 January 2008

Mr P Hendy
Commissioner
Transport for London
Windsor House
42-50 Victoria Street
London
SW1H 0NL

Dear Mr Hendy

Use of Resources

We have now completed the work required to support our overall assessment of use of resources. The scores for Transport for London are set out in the accompanying schedule.

The use of resources assessment focuses on financial management, but also links to the strategic management of Transport for London. It looks at how financial management is integrated with strategy and corporate management, supports priorities and delivers value for money.

The evaluation is based on auditor judgements on the themes of financial reporting, financial management, internal control, financial standing and value for money. We completed our reviews of performance against these themes in accordance with the methodology and guidance issued by the Audit Commission. The results were then subject to quality assurance arrangements, designed to ensure compliance with the methodology and guidance, and to promote consistency of assessment between appointed auditors.

We have already reported locally on the more detailed findings for each of the themes, and so these are not repeated here. The Commission is now determining its overall use of resources score as shown in the accompanying schedule by combining the separate scores for each of the themes covered. This is done in a similar way across local government, fire and police bodies. Transport for London's score is 4 (performing strongly).

Should you wish to challenge formally Transport for London's use of resources score, you may apply for a review of the assessment. Before doing so, please read the *Review Procedure for Scored Judgements*, available on the Commission's web-site. You must send the Commission written notice of an application for a review, together with your full case and evidence, by 23 January 2008. Please send any such request to Brian Willmor, Regional Director.

The use of resources score will be published via its inclusion in the Authority's Annual Audit and Inspection Letter.

Please contact me if you have any queries.

Yours sincerely

Ken Davis
Head of Assessment and Relationship Manager

cc Stephen Critchley - Chief Finance Officer
June Awty - KPMG

Transport for London

Confirmation of Use of Resources Assessment 2007

Use of Resources – Auditor’s Judgements for Each Theme

Theme	Score
Financial Reporting	4
Financial Management	4
Financial Standing	4
Internal Control	3
Value for Money	4

Audit Commission’s Overall Scored Use of Resources Judgement

Overall Judgement	Score
Use of Resources	4

Notes

The use of resources judgements are scored on the following scale:

- 4 - well above minimum requirements - performing strongly
- 3 - consistently above minimum requirements - performing well
- 2 - at only minimum requirements - adequate performance
- 1 - below minimum requirements - inadequate performance

The Commission arrives at an overall use of resources scored judgement, in the local government, police and fire sectors, by applying the following rules for combining auditors’ scores for each theme:

Appointed auditor’s scores for themes (financial reporting, financial management, financial standing, internal control and value for money)	Commission’s overall scored judgement for use of resources
Two or more themes with a score of 4 None less than 3	4
Three or more themes with a score of 3 or more None less than 2	3
Three or more themes with a score of 2 or more	2
Any other combination	1



INFRASTRUCTURE, GOVERNMENT
AND HEALTHCARE

2006/07 Use of Resources

Transport for London
15 January 2008

AUDIT

Content

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This report is addressed to Transport for London (TfL) and has been prepared for the sole use of TfL. We take no responsibility to any member of staff acting in their individual capacities, or to third parties. The Audit Commission has issued a document entitled Statement of Responsibilities of Auditors and Audited Bodies. This summarises where the responsibilities of auditors begin and end and what is expected from the audited body. We draw your attention to this document.

External auditors do not act as a substitute for the audited body's own responsibility for putting in place proper arrangements to ensure that public business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

If you have any concerns or are dissatisfied with any part of KPMG's work, in the first instance you should contact June Taylor, who is the engagement partner to TfL, telephone 020 7311 1769, email june.taylor@kpmg.co.uk who will try to resolve your complaint. If you are dissatisfied with your response please contact Trevor Rees on 0161 236 4000, email trevor.rees@kpmg.co.uk, who is the national contact partner for all of KPMG's work with the Audit Commission. After this, if you still dissatisfied with how your complaint has been handled you can access the Audit Commission's complaints procedure.

Put your complaint in writing to the Complaints Investigation Officer, Audit Commission, 1st Floor, Millbank Tower, Millbank, London, SW1P 4HQ or by e mail to: complaints@audit-commission.gov.uk. Their telephone number is 020 7166 2349, textphone (minicom) 020 7630 0421.

Section One

Introduction

The use of resources assessment evaluates how well Transport for London (TfL) manages and uses its financial resources. It focuses on the importance of having sound and strategic financial management to ensure that resources are available to support your priorities and improve services. The questions on which the judgements are based are broad and strategic in their nature and reflect the impact of financial arrangements as well as the adequacy of those arrangements. It has 5 themes covering:

- Financial reporting;
- Financial management;
- Financial standing;
- Internal control; and
- Value for money.

This is the second year in which TfL (and the rest of the GLA Group) has been fully assessed and scored against the Use of Resources framework. For 2006/07, the overall use of resources score has been determined by the Audit Commission by combining our judgements for each of the themes. The judgements are on the following scale:

Score/ level	Description
1	Below minimum requirements - inadequate performance
2	Only at minimum requirements - adequate performance
3	Consistently above minimum requirements - performing well
4	Well above minimum requirements - performing strongly

Each judgement area consists of a number of Key Lines of Enquiry (KLoE) and descriptions of performance against each key line of enquiry showing performance levels 2, 3 and 4. The purpose of this document is to give TfL feedback on the results relating to each of the KLoEs.

As a result of the work performed, your **overall score** has been assessed as level four, which means that overall you are performing strongly. We have provided a summary of the scores for each theme and KLoE in Section Two, and the detailed findings supporting this can be found in Appendix 1.

Section Two

Summary of scores

As a result of the work performed, your **overall score** has been assessed as a four, which means that overall you are performing strongly. A summary of the scores for each theme and KLoE has been provided in the table below, and the detail of the findings underpinning each score has been provided in Appendix 1.

Where you are currently achieving a score of 4 for each individual KLoE, you need to continue to consistently achieve the criteria within the KLoE if this score is to be maintained. Where you are aiming to improve your score from a 3 to a 4, you need to demonstrate a track record in your performance against the criteria.

Since our evaluation in 2005/06, we are pleased to note an improvement in performance in a number of KLoEs. For example:

- you have demonstrably improved your financial reporting procedures as assessed within KLoE 1.1. A full set of comprehensive working papers supporting the accounts was provided in accordance with the agreed timetable, resulting in a more streamlined and efficient audit compared to the prior year.
- you have responded to the two areas for development within KLoE 2.2 in respect of managing your finances and have improved from a level 3 to a level 4 in this area.
- you have been able to demonstrate you are promoting value for money in your internal processes and procurement policies, and have a proactive culture of identifying procurement efficiencies. As a result, you have improved from a level 3 to a level 4 in respect of KLoE 5.1 in ensuring you achieve value for money.

No areas for development within Financial Standing were identified in 2006/07 and you have continued to achieve each of the criteria within this KLoE, achieving a score of 4 in this area.

Theme/Key Lines of Enquiry (KLOE)	Score 2006/07	Score 2005/06
Financial Reporting	4	3
1.1 TfL produces annual accounts in accordance with relevant standards and timetables, supported by comprehensive working papers	4	3
1.2 TfL promotes external accountability	4	4
Financial Management	4	4
2.1 TfL's medium-term financial strategy, budgets and capital programme are soundly based and designed to deliver its strategic priorities	4	4
2.2 TfL manages performance against budgets	4	3
2.3 TfL manages its asset base	4	4
Financial Standing	4	4
3.1 TfL manages its spending within the available resources	4	4
Internal Control	3	3
4.1 TfL manages its significant business risks	3	3
4.2 TfL has arrangements in place to maintain a sound system of internal control	3	3
4.3 TfL has arrangements in place that are designed to promote and ensure probity and propriety in the conduct of its business	3	3
Value for Money	4	3
5.1 TfL currently achieves good value for money	4	3
5.2 TfL manages and improves value for money	3	3
Overall Score	4	4

Appendix One – Detailed findings

Theme one: Financial Reporting

KLoE 1. How good are TfL's financial accounting and reporting arrangements?	Overall theme score = 4
1.1: TfL produces annual accounts in accordance with relevant standards and timetables, supported by comprehensive working papers	Score = 4
<p>Elements where requirements are met:</p> <ul style="list-style-type: none"> ✓ The accounts were prepared in accordance with SORP and UK GAAP ✓ A challenging and comprehensive timetable was set for the production of a large and complex consolidation exercise in the preparation of the annual group accounts, and this was achieved. ✓ A full set of comprehensive working papers supporting the accounts was provided in accordance with the timetable agreed with you and to a satisfactory standard. ✓ Only minor amendments to disclosure and presentational issues in the draft accounts were identified. No material errors, omissions or misstatements were identified and no unadjusted differences were reported to the Audit Committee. ✓ The accounts were scrutinised by the Audit Committee on 13 June 2007 before being presented and approved at the Board meeting on 27 June 2007. 	<p>In order to maintain this level, further work is required to ensure that:</p> <ul style="list-style-type: none"> • all working papers provided under the audit Prepared by Client (PBC) request are exemplary. This means that all working papers should have third party supporting documentation attached where this has been used as the basis of making judgements and working papers should be self explanatory with minimal input from officers required to verbally support the papers.
1.2: TfL promotes external accountability	Score = 4
<p>Elements where requirements are met:</p> <ul style="list-style-type: none"> ✓ You advertise your accounts for public inspection for the required period and you have published your 2006/07 Statement of Accounts on your website. ✓ You have published the latest Annual Audit and Inspection letter on your website. ✓ Agendas, reports and minutes for meetings of the Board, Audit and Finance Committees are made available to the public on your website. ✓ You have carried out a MORI survey on the format and content your 2006 Annual Report with your stakeholders. ✓ Your Annual Report for 2006/07 includes a 12 page mini stakeholder version which is a summary of your full Annual Report. Your full Annual Report contains a Financial Review section which contains summary financial information and is designed to be intelligible and accessible to members of the public. ✓ Your Annual Report is published on the website and is also available on request in Braille, Audio and 12 other languages. 	<p>No further work is required in respect of this KLoE. However to continue to maintain this score, you need to ensure that:</p> <ul style="list-style-type: none"> • all agendas, reports, and minutes are made available to the public on your website on a timely basis. As at 5 November 2007, the 15 June 2007 Audit Committee Papers were not available on your website, due to delays in obtaining electronic copies of all of the papers. Papers for later meetings were available.

Appendix One – Detailed findings

Theme two: Financial Management

KLoE 2: How well does TfL plan and manage its finances?	Overall theme score = 4
2.1: TfL's medium-term financial strategy, budgets and capital programme are soundly based and designed to deliver its strategic priorities	Score = 4
<p>Elements where requirements are met:</p> <ul style="list-style-type: none"> ✓ You have put in place a medium term Business Plan (2005/06 – 2009/10) and an Investment Programme (2005/06 – 2009/10). These are reviewed by stakeholders and approved by the Assembly. ✓ You have included a Summary Income and Expenditure forecast within your Business Plan which is reviewed and updated annually. It sets out your spend in line with government funding, how this links to your strategic objectives and how expenditure will be funded. ✓ A comprehensive and balanced revenue budget has been set for 2007/08, which is based on realistic projections and takes into consideration the prior year's outturn. This is linked to the 5 year Income and Expenditure forecast. ✓ You have involved budget holders in the budget setting process and the annual budget is reviewed by the Finance Committee before being approved by the Board. ✓ You have put in place an Investment Programme which includes a summary of capital funding requirement. This includes a reconciliation of the Investment Programme to your income and expenditure forecast within the Business Plan. ✓ You have an established Business Case Development Manual (BCDM) and associated tools which ensure all business cases produced are robust and consistent. This also includes financial appraisal of each new business case. ✓ You have processes in place to monitor your Business and Investment plans and the Mayor's Transport strategy and can demonstrate how these have contributed to the achievement of your corporate objectives. This is summarised in your Annual Report. ✓ You have continued to consider the risk of your PPP contracts including recognising the risk of Metronet entering administration. ✓ You have developed a high level long term planning model to enable an assessment of the impact of Metronet cost pressures on TfL. Due to the uncertainty surrounding the full cost of the Metronet situation, this model has incorporated upside and downside cost cases in addition to initial estimates of cost for options currently being evaluated in relation to a long term solution. ✓ Your Spending Review settlement has allocated additional grant funding to assist you in dealing with the Metronet cost pressures. You have assured us that you are committed to working together with Government to develop a long term solution for Metronet. ✓ Your 2009/10 Business Plans, due for publication in November 2008, are intended to fully reflect the impact of the developing position of Metronet, the Spending Review and Crossrail. 	<p>No further work is required in respect of this KLoE.</p>

Theme two: Financial Management (continued)

<p>KLoE 2: How well does TfL plan and manage its finances?</p>	<p>Overall theme score = 4</p>
<p>2.2: TfL manages performance against budgets</p>	<p>Score = 4</p>
<p>Elements where requirements are met:</p> <ul style="list-style-type: none"> ✓ In addition to the Board, you have a separate Finance Committee which acts as a monitoring body over your financial performance. ✓ The Board approves the budget at its March meeting. Monitoring through the year is done via the Business Management Review (BMRs), the periodic Barometer, and the Quarterly Operational and Financial reports presented to both the Finance Committee and the Board. Different outputs and formats are utilised for each type of audience. ✓ Your BMR Reports include variance analysis of actual performance against budgeted which is ‘traffic light’ coded. If necessary, specific action plans are produced for red rated risks. Your BMR Reports also include performance against planned Cost Improvement Plans or Efficiency gains. ✓ Operational information is also produced and reviewed as part of the budget monitoring process. ✓ From our review of the Quarterly Operational and Financial Reports we noted that significant overspends rarely occur, and when they do occur they are off-set by underspends in other areas and are managed with no adverse impact on other areas of activity. ✓ You have demonstrated that you can robustly profile savings and efficiency gains across the year. Furthermore the monitoring arrangements in place are appropriately prioritised to ensure they are achieved. ✓ You have a process in place to adjust and approve budgets in year if major programmes are varied by more than pre-set tolerances. ✓ Your budget monitoring process includes predictive review in addition to periodic outturn. Your quarterly Operational and Financial reports focus on large and high risk budgets, for example, London Underground and Surface Transport, and performance indicators are produced linking activity to spend. ✓ There is an appropriate and proportionate programme providing training on financial issues for staff including relevant non-finance staff, for example on the financial elements required in Business Case development, and Cost Centre Manager training. ✓ You have demonstrated that you were prepared for the impact of Metronet going into administration and how this impacted on your financial management arrangements. Discussions on funding implications were in progress with the Department for Transport prior to administration. 	<p>To continue to maintain this score, you need to ensure that:</p> <ul style="list-style-type: none"> • you continue to perform work to review the needs of those who make decisions within TfL to ensure they get the right information at the right time. • You have a formal scheme of budget delegation in place. However, you need to ensure that this is subject to annual review and updated where required, and evidenced as such.

Theme two: Financial Management (continued)

<p>KLoE 2: How well does TfL plan and manage its finances?</p>	<p>Overall theme score = 4</p>
<p>2.3: TfL manages its asset base</p>	<p>Score = 4</p>
<p>Elements where requirements are met:</p> <ul style="list-style-type: none"> ✓ You have an asset management strategy, which is incorporated into your Business Plan and Investment Programme. In addition to this, you have Borrowing and Cash Investment Strategies. ✓ You maintain up-to-date fixed asset registers. ✓ Your Business Plan and Investment Programme form the basis of confirming TfL's credit rating for prudential borrowing which is a major underpinning of your medium term financial strategy. ✓ Your strategy towards prudential borrowing is reviewed by your Finance Committee annually. ✓ The Board proactively manages your buildings and property portfolio. The Commissioner is kept up to date via the BMR Reports. An annual asset and maintenance programme in respect of London Underground is submitted by Infracos for approval. This covers both strategic and operational asset use. ✓ Group Property has no maintenance backlog in respect of your land and property portfolio. The London Underground management team are fully aware of the level of backlog maintenance and have plans in place to address this. ✓ Head Office Accommodation has performance measures including occupancy costs and use of space. ✓ You are proactively developing your benchmarking arrangements with other entities and this is the focus of Group Property's Development Strategy and Office Accommodation Strategy. 	<p>No further work is required in respect of this KLoE.</p>

Appendix One – Detailed findings

Theme three: Financial Standing

KLoE 3. How well does TfL safeguard its financial standing?	Overall theme score = 4
3.1: TfL manages its spending within the available resources	Score = 4
<p>Elements where requirements are met:</p> <ul style="list-style-type: none"> ✓ You have set a balanced budget which takes into account cost pressures and realistic projections. ✓ You produce quarterly financial outturns and projections which are reported into the Finance Committee and Board. In addition to this, you produce periodic Business Management Review (BMRs) which are discussed with budget holders. ✓ These reports show that you have consistently maintained overall spending within budget. ✓ Board members review and approve targets set by senior management as part of budget approval processes. ✓ Where target levels for reserves and balances are exceeded, you have identified and reported to members a strategy for their future use which complements your agreed asset delivery plans. In your business planning, sources of future funding are identified taking into consideration your existing reserves and balances. In addition, you have entered into a number of substantial long term commitments which have enabled you to source borrowing within government and Board approved limits from the Capital markets, Public Works Loan Board, and other debt-raising instruments. ✓ You have a Treasury Management strategy that is presented to the Board for approval on an annual basis. This strategy reflects the CIPFA code of practice for Treasury Management in the Public Services and is kept under review by the Head of Group Treasury. 	No further work is required in respect of this KLoE.

Appendix One – Detailed findings

Theme four: Internal Control

KLoE 4. How well does TfL's internal control environment enable it to manage its significant business risks?	Overall theme score = 3
4.1: TfL manages its significant business risks	Score = 3
<p>Elements where requirements are met:</p> <ul style="list-style-type: none"> ✓ You have a Risk Management Policy that has been approved by the Board and is updated annually. The Policy has been adopted in practice through the use of the Risk Map to assess the likelihood and impact of identified risks, and reporting of risks in Business Management Reviews. ✓ Your Risk Management Policy sets out the requirement for all business units to maintain a risk register (i.e. Operational risks) and to identify the top 10-15 significant risks to be fed into the strategic risk reporting process (i.e. Corporate risks). ✓ You have put in place a Risk Matrix that requires a risk management strategy to be identified for each risk and any further action required to be drawn up. Each risk has been allocated a 'Risk Owner' and a responsible person identified for each action point listed. ✓ Your Audit Committee has been given specific responsibility to consider the effectiveness of the overall risk management process. This is included in its terms of reference. ✓ Your strategic risks specifically address effective contract management in relationship to significant partnerships. Responsibility for management of, and assurance over, this risk has been specifically allocated to modal Managing Directors. ✓ Since January 2006, you present a risk update to every Audit Committee on your key strategic risks. Ad hoc presentations are made to the committee on the risk management process in each of the major business units. ✓ You have evidenced that your risk arrangements were working in respect of Metronet. The weighting attached to the risk of specific partnerships in terms of impact and probability was increased to reflect the change in circumstances with respect of Metronet. For example, over dependency on a few critical/major suppliers moved from High Impact/Low probability to Very High Impact/Very High probability across the year. Mitigating actions against these increased risks were put in place, for example, the discussions between TfL and Government regarding the potential administration of Metronet and appointment of an external arbitrator. ✓ Your Head of Risk Management, who reports to TfL's General Counsel, takes responsibility for embedding risk management throughout the organisation. 	<p>Although you are performing well in managing your significant business risks, in order to progress to the next level, you need to demonstrate your performance is of a notable standard. Further work is required to ensure that:</p> <ul style="list-style-type: none"> • Your risk management policy is fully embedded within the whole organisation. • You consider the implementation of a comprehensive programme of risk management training for Board Members to ensure they are adequately skilled in this area. • You continue to develop your action plan in response to the recommendations made by Internal Audit in their review of your risk management procedures dated April 2007. This concluded that your delivery of services is dependent on relationships with a range of other organisations which form part of your 'extended enterprise' and create additional risks which need to be managed, and that your arrangements for managing risks are variable, with the lack of an effective and co-ordinated policy. • You consider the development of a focused risk training programme for your Key Risk Champions, which can be cascaded down across each of your business units through regular meetings, and to encourage the sharing of good practice and lessons learned.

Theme four: Internal Control (continued)

<p>KLoE 4. How well does TfL’s internal control environment enable it to manage its significant business risks?</p>	<p>Overall theme score = 3</p>
<p>4.2: TfL has arrangements in place to maintain a sound system of internal control</p>	
<p>Elements where requirements are met:</p> <ul style="list-style-type: none"> ✓ The Audit Committee reviews the Statement of Assurance on Corporate Governance which includes the required disclosures under the SIC. ✓ Controls self assessments are completed on an annual basis for each directorate. These are summarised and reviewed by the Audit Committee, prior to approval as part of the Statement of Assurance on Corporate Governance. ✓ You have an Audit Committee, the core functions of which are laid out in the Committee’s Terms of Reference. Our review of the functions of the Audit Committee has identified these are in accordance with CIPFA guidance. ✓ You have an internal audit function that operates in accordance with the CIPFA code of practice, and is led by an experienced Head of Internal Audit. ✓ Any significant internal control issues identified by auditors are required to have action plans to address them, and performance against these plans is reported by Internal Audit to the Audit Committee. ✓ You have procedure notes and manuals in place for key financial systems. You also have standing orders and a scheme of delegation in place. These are subject to review and updating on an annual basis. ✓ You have processes in place to monitor compliance with standing orders and your scheme of delegation. ✓ Your audit committee provides challenge, with a high quality of debate and a probing attitude exhibited. Management are held to account by the committee. 	<p>Although you are performing well in managing your arrangements over your systems of internal control, in order to progress to the next level, you need to demonstrate your performance is of a notable standard. Further work is required to ensure that:</p> <ul style="list-style-type: none"> • Your assurance framework (i.e. the method for the effective and focused management of your principal risks to meeting your objectives), is fully embedded in your business processes. For example, it should be continually monitored and evaluated to ensure that key risks preventing TfL achieve its key objectives are managed consistently across the organisation and reviewed by the Audit Committee. • Your standing orders and scheme of delegation make specific reference to partnerships. • Governance arrangements with respect to your wider partnerships (i.e. where you have relationships, both contractual and non-contractual, with a range of other organisations to work to achieve a shared objective). are strengthened so that analytical and predictive techniques are enhanced, to improve the likelihood of recognising risks early and initiating effective mitigating action. These should be focused on your key strategic risks, including project delivery; quantity and quality of people; effective contract management; and use and availability of funding.

Theme four: Internal Control (continued)

<p>KLoE 4. How well does TfL’s internal control environment enable it to manage its significant business risks?</p>	<p>Overall theme score = 3</p>
<p>4.3 TfL has arrangements in place that are designed to promote and ensure probity and propriety in the conduct of its business</p>	
<p>Elements where requirements are met:</p> <ul style="list-style-type: none"> ✓ Board members are required to comply with the TfL Board Members' Handbook, and with TfL's published Code of Conduct. ✓ TfL, in compliance with the GLA Act, keeps a register of interests for its Board Members. ✓ Following a review of your current arrangements for maintaining registers of interests and of the receipt of gifts and or hospitality, these registers have now been extended to include senior officers. Guidance on the receipt of gifts and hospitality has been updated and is due to be circulated shortly. ✓ TfL has an anti fraud and corruption policy in place, including whistle blowing procedures. There is also a confidential help line for staff who have concerns, which is advertised through Safecall posters distributed around places of work. ✓ You have a fraud and security function included within your internal audit function. Quarterly reports are presented to those chief officers where fraud investigations are ongoing in their area. ✓ You have set out clear and defined procurement procedures including arrangements for tendering of large contracts in order that the contract achieves its objectives, and does not have an adverse impact on anybody or on TfL assets. 	<p>Further work is required to ensure that:</p> <ul style="list-style-type: none"> • Your code of conduct is communicated and promoted to all staff, and you have put in place adequate monitoring arrangements to ensure all staff are following the code of conduct. • Your updated procedures for Board Members and Senior Officers are regularly reviewed and monitored and these arrangements are fully embraced by the organisation. In our view, you may also wish to consider the need to review reporting requirements and monitoring arrangements in respect of those officers and employees in commercially sensitive roles, to ensure they meet best practice, and address any potential perception issues. • You formalise your process for running specific fraud workshops as part of your risk management strategy. Although specific fraud workshops are held, and fraud risks identified are discussed at risk management workshops, this happens on a needs basis only.

Appendix One – Detailed findings

Theme five: Value for Money

KLoE 5. TfL achieves value for money?	Overall theme score = 4
5.1: TfL currently achieves good value for money	Score = 4
<p>Elements where requirements are met:</p> <ul style="list-style-type: none"> ✓ You have sought to ensure that the range of services you deliver addresses the needs of those using the transport network, and are delivered to high quality standards. Your overall spending, including overheads and capital, has demonstrated best value from resources. For example, the continued success of London Buses use of Quality Incentive Contracts in sustaining service reliability, and the preferred model for bus service management. ✓ You can demonstrate that high performance is achieved across a range of your services whilst costs demonstrate best value compared to others. Operational performance and customer satisfaction levels have generally improved year on year for DLR, LU and London Buses. London Buses has demonstrated value for money through the Quality Incentive Contracts and have pro-actively managed the procurement of services and delivery of efficiencies. The recognition and response to changes in technology, has constantly driven down the unit costs of transactions. ✓ Oyster card is an international leader in respect of SMARTCARD - over 60% trips made each day are via Oystercard. ✓ You have been able to demonstrate the ability to effectively address areas of unintended high spending and emerging areas of budgetary pressure. For example, emerging IT cost pressures were dealt with effectively and effective planning is taking place for the impact of Metronet going into administration. ✓ Business cases for projects are assessed when funding is being sought through the business planning process which reviews performance forecasts and confirms whether significant benefits will be delivered. Upon project completion, benefit delivery and lessons learned are reviewed and included in an Annual Achievements report and Annual Benefit Realisation (ABR) Report. This report highlights the improvements made in 10 key areas of service delivery such as journey time and safety. 	<p>Whilst TfL achieves a high standard in respect of the requirements of this KLoE, you should continue to monitor areas of unbudgeted spending or poor performance and ensure contractual arrangements and outsourced service agreements are monitored and managed to ensure value for money objectives are achieved. You should continue to review how employees across the group are encouraged and incentivised to achieve value for money.</p>

Appendix One – Detailed findings

Theme five: Value for Money

KLoE 5. TfL achieves value for money?	Overall theme score = 4
5.2: TfL manages and improves value for money	Score = 3
<p>Elements where requirements are met:</p> <ul style="list-style-type: none"> ✓ There is clear information on costs and how these compare to previous years. ✓ Achieving and improving value for money is being embedded in TfL's culture, for example, through the efficiency programme being embedded in the business plan and, therefore, the planning process. ✓ Members, senior managers and service managers manage costs alongside quality of services. ✓ The scope for improving cost-effectiveness is kept under review and scrutiny. ✓ There is clear evidence that you set and achieve ambitious targets to improve efficiency. ✓ You have produced and are delivering on an efficiency plan to exceed the cumulative Efficiency Review targets set by DfT. ✓ Significant and identifiable savings have been achieved through procurement, for example, you are a member of the London Technical Advisers Group (LoTAG) consortium, whereby you have obtained savings through joint procurement on street furniture. 	<p>In order to progress to the next level, you need to demonstrate improvement in the following areas:</p> <ul style="list-style-type: none"> • Demonstrate a track record of using high quality information, consistently across the whole organisation, on costs and quality to actively manage performance, improve value for money and inform decisions of where to invest resources. You have made significant improvements in your arrangements over data quality and you need to work to ensure that these arrangements are applied consistently and that data quality is embedded across the organisation. • Demonstrate that members and managers actively use the above information to review and challenge value for money throughout services and corporately. • Procurement decisions seek to achieve the greatest benefit to the wider community, for example securing economic, social or environmental benefits. However, you should continue to seek that this does not conflict with achieving value for money. • Demonstrate that there is equity in access to services across the community.