

## Agenda

**Meeting: Audit and Assurance Committee**

**Date: Thursday 26 September 2019**

**Time: 10.00am**

**Place: Conference Room 1, Palestra,  
197 Blackfriars Road, London,  
SE1 8NJ**

### Members

Anne McMeel (Chair)

Dr Lynn Sloman (Vice-Chair)

Kay Carberry CBE

Dr Mee Ling Ng OBE

Dr Nelson Ogunshakin OBE

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

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

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

Howard Carter, General Counsel  
Wednesday 18 September 2019

**Agenda  
Audit and Assurance Committee  
Thursday 26 September 2019**

**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 10 June 2019  
(Pages 1 - 8)**

General Counsel

**The Committee is asked to approve the minutes of the meeting of the Committee held on 10 June 2019 and authorise the Chair to sign them.**

**4 Matters Arising and Actions List (Pages 9 - 12)**

General Counsel

**The Committee is asked to note the updated actions list.**

**5 Independent Investment Programme Advisory Group Quarterly Report (Pages 13 - 18)**

Director of Risk and Assurance

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

**6 Pan TfL Revenue Protection Programme** (Pages 19 - 22)

Director of Compliance, Policing and On-Street Services

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

**External Audit Items**

**7 Annual Audit Letter** (Pages 23 - 44)

Chief Finance Officer

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

**Audit, Risk and Assurance Items**

**8 Risk and Assurance Quarter 1 Report 2019/20** (Pages 45 - 78)

Director of Risk and Assurance

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

**9 Counter-Fraud, Bribery and Corruption Strategy** (Pages 79 - 90)

Director of Risk and Assurance

**The Committee is asked to note the strategy and the steps taken to implement it.**

**Accounting and Governance**

**10 Effectiveness Review of the External Auditors** (Pages 91 - 94)

Chief Finance Officer

**The Committee is asked to note and comment on the paper.**

**11 TfL Statement of Accounts Year Ended 31 March 2019 - Changes Made Prior to Finalisation (Pages 95 - 96)**

Chief Finance Officer

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

**12 Freedom of Information Update (Pages 97 - 106)**

General Counsel

**The Committee is asked to note the update.**

**13 Register of Gifts and Hospitality for Members and Senior Staff (Pages 107 - 114)**

General Counsel

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

**14 Member suggestions for future agenda discussions (Pages 115 - 118)**

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.**

**15 Any Other Business the Chair Considers Urgent**

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

**16 Date of Next Meeting**

Tuesday 3 December 2019 at 2.00pm.

**17 Exclusion of Press and Public**

**The Committee is recommended to agree to exclude the press and public from the meeting, in accordance with paragraph 3 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.**

**18 Independent Investment Programme Advisory Group Quarterly Report** (Pages 119 - 122)

Direct of Risk and Assurance

**Exempt supplemental information relating to the item on Part 1.**

**19 Pan-TfL Revenue Protection Programme** (Pages 123 - 138)

Director of Compliance, Policing and On-Street Services

**Exempt supplemental information relating to the item on Part 1.**

**20 Risk and Assurance Quarter 1 Report 2019/20** (Pages 139 - 150)

Director of Risk and Assurance

**Exempt supplemental information relating to the item on Part 1.**

**21 Effectiveness Review of the External Auditors** (Pages 151 - 154)

Chief Finance Officer

**Exempt supplemental information relating to the item on Part 1.**

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# Agenda Item 3

## Transport for London

### Minutes of the Audit and Assurance Committee

**Committee Rooms 1 and 2, Ground Floor, Palestra,  
197 Blackfriars Road, London, SE1 8NJ  
10.00am, Monday 10 June 2019**

#### Members

Anne McMeel	Chair
Dr Lynn Sloman	Vice Chair
Dr Mee Ling Ng OBE	Member
Dr Nelson Ogunshakin OBE	Member

#### Executive Committee

Howard Carter	General Counsel
Vernon Everitt	Managing Director Customers, Communication and Technology (Minute Reference 22/06/19)
Simon Kilonback	Chief Finance Officer
Shashi Verma	Director of Strategy and Chief Technology Officer (Minute Reference 33/06/19)

#### Staff

Simon Adams	Head of Commercial, Crossrail (Minute Reference 32/06/19)
Sarah Bradley	Statutory Chief Finance Officer and Group Financial Controller
Patrick Doig	Finance Director, Surface Transport
Jazz Garcha	Chief Information Security Officer (Minute Reference 33/06/19)
David Hughes	Investment Delivery Planning Director (Minute Reference 32/06/19)
Lorraine Humphrey	Head of Project Assurance
Tony King	Finance Director – Major Projects
Nico Lategan	Head of Enterprise Risk
Richard Mullings	Head of Fraud
Dili Origbo	Head of Internal Audit
Rachel Shaw	Head of External Reporting
Clive Walker	Director of Risk and Assurance

Sue Riley	Secretariat
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#### Also In Attendance

Karl Havers	Partner, Ernst & Young (EY)
Caroline Mulley	Partner, Ernst & Young (EY)
Joanne White	Independent Investment Programme Advisory Group Member (Minute Reference 25/06/19)

## **18/06/19 Apologies for Absence and Chair's Announcements**

An apology for absence was received from Kay Carberry CBE.

The Chair welcomed Joanne White, Member of the Independent Investment Programme Advisory Group to her first meeting of the Committee.

She also thanked Sarah Bradley, on behalf of the Committee, for all her support and hard work, as this was her last meeting before leaving TfL.

Safety was paramount to TfL and accordingly, at the start of all meetings attended by Board Members, they were asked to raise any safety issues relating to items on the agenda or in general. Members confirmed there were no safety matters they wished to raise other than those to be discussed in relation to items on the agenda.

## **19/06/19 Declarations of Interest**

Members confirmed that their declarations of interests, as published on [tfl.gov.uk](http://tfl.gov.uk), were up to date and there were no other interests to declare that related specifically to items on the agenda.

## **20/06/19 Minutes of the Meeting Held on 14 March 2019**

The minutes of the meeting held on 14 March 2019 were approved as a correct record and signed by the Chair.

## **21/06/19 Actions List, Matters Arising and Chair's Action**

**The Committee noted the Actions List and the Chair's Action.**

## **22/06/19 Annual Report 2018/19**

Vernon Everitt presented the Annual Report for 2018/19.

The Committee welcomed the report as balanced, accessible and easy to read. The Secretariat would check and confirm the Chair's attendance figures for Finance Committee. **[Action: Secretariat]**

Other suggestions for improvement included an explanatory footnote to be added on the reduction in net cost of operations and like for like savings under Cutting our Costs, and also a footnote on value for money and re-occurring savings under the Severance Payments section. Vernon Everitt would consider the suggestions for improvement prior to submitting the Annual Report to the Board. **[Action: Vernon Everitt]**

**The Committee noted the Annual Report, commented on its contents, and agreed to delegate to the Managing Director, Customers, Communication and Technology the task of making any adjustments prior to submission to the Board.**

## **23/06/19 TfL Statement of Accounts for the Year Ended 31 March 2019**

Sarah Bradley introduced the Statement of Accounts for the year ended 31 March 2019.

The introduction of two substantial new financial reporting standards had not impacted significantly on the numbers reported by TfL. It was noted that the accounting requirements for calculating the defined benefit pension deficit as included on the Balance Sheet differed from those used in the Actuarial Funding Valuation; this resulted in a significant degree of volatility in the level of deficit recorded in the financial statements. This was widely understood by the market and did not impact on TfL's usable reserves or credit rating.

Brexit risks have been reported to the Finance and the Programmes and Investment Committees as part of TfL's overall management of strategic risks.

Members were advised that there was no certainty of capital funding beyond 2020/21, and the Treasury had only agreed a one year roll over budget as of November 2019, which posed challenges for long term planning and investments.

TfL would continue to seek recompense for the lost revenue grant from central Government.

### **The Committee:**

- 1 noted the draft Statement of Accounts and the delegation to the Statutory Chief Finance Officer to make any adjustments arising from the ongoing audit work prior to submission to the Board. Any material adjustments arising would be reported to the next meeting of the Committee;**
  
- 2 recommended that the Board confirm its overall approval of the provision of an ongoing guarantee by Transport Trading Limited of all the outstanding liabilities of those of its subsidiary companies listed below, such guarantee enabling those subsidiaries to be exempt from the need to have their accounts audited:**
  - (a) Woolwich Arsenal Rail Enterprises Limited;**
  - (b) City Airport Rail Enterprises Limited;**
  - (c) London Underground Limited;**
  - (d) LUL Nominee BCV Limited;**
  - (e) LUL Nominee SSL Limited;**
  - (f) Docklands Light Railway Limited;**
  - (g) Tube Lines Limited;**
  - (h) Rail for London Limited;**
  - (i) Rail for London (Infrastructure) Limited;**
  - (j) Tramtrack Croydon Limited;**
  - (k) London Buses Limited;**
  - (l) London Bus Services Limited;**
  - (m) London River Services Limited;**
  - (n) Transport for London Finance Limited;**
  - (o) TTL Properties Limited;**
  - (p) TTL Earls Court Properties Limited;**

- (q) Victoria Coach Station Limited;
- (r) TTL Blackhorse Road Properties Limited;
- (s) TTL Landmark Court Properties Limited;
- (t) TTL Kidbrooke Properties Limited; and
- (u) TTL Southwark Road Properties Limited.

3 recommended that the Board confirm its approval in respect of the provision of a guarantee from Transport Trading Limited to the following subsidiary company with effect from the financial period ended 31 March 2019:

- (a) TTL South Kensington Properties Limited.

4 noted that, as a result of the application of IFRS 9 Financial Instruments, our auditors, Ernst & Young LLP, have requested that letters of financial support previously provided by Transport for London in respect of the liabilities of its subsidiaries be re-signed annually by TfL's Chief Finance Officer. TfL Board approval for the issue of such letters was granted when the subsidiaries were first established or acquired. The template for the letter to be signed was included in Appendix 2 to the report.

## **24/06/19 Review of Governance and the Annual Governance Statement for the Year Ended 31 March 2019**

Howard Carter presented the review of governance and the Annual Governance Statement for the year ended 31 March 2019.

A number of changes would be made to the Statement including references to benchmarking, security and further detail regarding the internal audit opinion on TfL's governance and control framework.

Board Member training would be considered as part of the Board Effectiveness Review.

**[Action: Howard Carter]**

### **The Committee:**

- 1 supported the Annual Governance Statement, as set out in Appendix 1 to the paper, subject to the amendments raised at the meeting;
- 2 agreed to delegate to the Chair approval of the revised Statement, for signing by the Chair of TfL and the Commissioner, for inclusion in the 2018/19 Annual Report and Accounts; and
- 3 noted the progress against the 2018/19 Improvement Plan, as set out in Appendix 2 of the paper and the proposed Plan for 2019/20, as set out in Appendix 3 of the paper.

## **25/06/19 Independent Investment Programme Advisory Group Quarterly Report and Workplan**

Joanne White introduced the Independent Investment Programme Advisory Group (IIPAG) quarterly report and workplan.

The workplan for 2019/20 had been developed from a risk based approach and was therefore subject to change. IIPAG members had worked closely with Internal Audit when drafting the plan to avoid duplication. Additional external expertise, in specialist areas such as digital, would be utilised when and as required.

Members requested a draft timetable of the workplan to be submitted to the next meeting.  
**[Action: IIPAG/Lorraine Humphrey]**

The Committee welcomed the approach and content of the workplan.

**The Committee noted the report and approved the IIPAG workplan for 2019/20.**

## **26/06/19 EY Report to Those Charged with Governance**

Karl Havers introduced the report from EY to those charged with governance, including the supplemental information on Part 2 of the agenda.

The qualified statement in respect of value for money was consistent with TfL's Annual Governance Statement and the Internal Audit opinion included in the Risk and Assurance Annual Report.

Improvements around commercial procurement processes were being addressed as part of the Transformation programme with better controls and end to end processes. An update on procurement controls would be submitted to a future meeting.

**[Action: Simon Kilonback]**

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

## **27/06/19 EY Letter on Independence and Objectivity**

Karl Havers presented the EY letter on independence and objectivity.

**The Committee noted the paper.**

## **28/06/19 EY Report on Non-Audit Fees for Six Months Ended 31 March 2019**

Karl Havers introduced the report setting out EY non-audit fees for the year ended 31 March 2019.

**The Committee noted the report.**

## **29/06/19 Annual Audit Fee 2019/20**

Simon Kilonback and Sarah Bradley presented the report setting out the annual audit fee for 2019/20.

**The Committee noted the paper.**

## **30/06/19 Risk and Assurance Quarter 4 Report 2018/19**

Clive Walker introduced the risk and assurance Quarter 4 report 2018/19.

An amended Appendix 1 had been circulated prior to the meeting.

TfL's Head of Enterprise Risk had been sharing best practice with the senior leadership team at the London Transport Museum and the Mayor's Office for Policing and Crime, and would also be working closely with the recently appointed Head of Risk for Crossrail.

All strategic risks would have been reviewed by the relevant Committee or Panel by the end of the year.

Internal Audit was working closely with the Chief Finance Officer to ensure that the actions agreed in response to recent audits on procurement were delivered. Despite the vacancies within the Integrated Risk and Assurance team during the year, 95 per cent of the work planned had been completed.

No critical issues had been identified in the project assurance quarterly report. The Executive Committee had requested a review of engineering resources and a management action plan was being implemented.

The Fraud team was now fully staffed and would be progressing with fraud prevention work. There had been an increase in the number of whistleblowing reports.

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

## **31/06/19 Risk and Assurance Annual Report 2018/19**

Clive Walker and Dili Origbo presented the first annual report of Risk and Assurance, which incorporated the Head of Internal Audit's overall opinion on TfL's governance and control framework.

A reference to the impact of the delay of the opening of the Elizabeth line would be added to the internal audit opinion. **[Action: Dili Origbo]**

It was noted that the external training budget for all staff had been temporarily removed, except for safety critical roles. The Committee requested that an item on TfL's training and development strategy be discussed at a future meeting of the Safety, Sustainability and Human Resources Panel. **[Action: Secretariat]**

The Committee congratulated staff on the positive stakeholder feedback.

**The Committee noted the report.**

### **32/06/19 Crossrail KPMG Review Update**

David Hughes and Simon Adams introduced the close out report on the KPMG Governance Review.

The Chair would raise the issue of sponsor representation on the Crossrail Audit and Assurance Committee. **[Action: Chair]**

Any concerns would be reported to a future meeting of the Committee, and include an outline of any recommendations which had not been implemented with a clear reasoning why. **[Action: David Hughes/Simon Adams]**

**The Committee noted the report.**

### **33/06/19 Cyber Security Update**

Shashi Verma and Jazz Garcha presented the update on TfL's cyber security programme.

The Committee welcomed the report and requested an update report to the meeting of 3 December 2019, to include details of the levels of maturity in terms of security and capability across the different parts of the organisation.

**[Action: Shashi Verma/Jazz Garcha]**

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

### **34/06/19 Register of Gifts and Hospitality for Members and Senior Staff**

Howard Carter presented the standing item on details of gifts and hospitality declared by the Board and senior staff.

**The Committee noted the paper.**

### **35/06/19 Legal Compliance Report (1 October 2018 – 31 March 2019)**

Howard Carter presented the summary of information provided by each TfL Directorate for the Legal Compliance Report for the period 1 October 2018 – 31 March 2019.

The Committee requested that where possible, additional trend data be included in future reports. **[Action: Howard Carter]**

**The Committee noted the report.**

**36/06/19 Strategic Risk Update: Governance and Controls Suitability SR03**

Howard Carter introduced the information on Strategic Risk 3 and mitigation and monitoring controls.

Members noted the risk status and the mitigation and monitoring controls and requested that the corrective controls include additional detail in future reports.

**[Action: Howard Carter]**

**The Committee noted the paper.**

**37/06/19 Member Suggestions for Future Discussion Items**

Howard Carter presented the standing item on the current forward programme.

**The Committee noted the paper.**

**38/06/19 Any Other Business the Chair Considers Urgent**

There was no urgent business.

**39/06/19 Date of Next Meeting**

The next scheduled meeting was due to be held on Thursday 26 September 2019 at 10.00am.

**40/06/19 Exclusion of Press and Public**

**The Committee agreed to exclude the press and public from the meeting, in accordance with paragraphs 3 & 5 of Schedule 12A to the Local Government Act 1972 (as amended), in order to consider the following items of business: EY Report to Those Charged with Governance; Risk and Assurance Quarter 4 Report 2018/19; Cyber Security Update; and Strategic Risk Update: Governance and Controls Suitability SR03.**

The meeting closed at 1.15pm.

Chair: \_\_\_\_\_

Date: \_\_\_\_\_

## Audit and Assurance Committee



**Date:** 26 September 2019

**Item:** Actions List and Matters Arising

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**This paper will be considered in public.**

### **1 Summary**

1.1 This paper informs the Committee of progress against actions agreed at previous meetings and an update on any Chair's Action.

### **2 Recommendation**

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

#### **List of appendices to this report:**

Appendix 1 – Actions List

#### **List of Background Papers:**

Minutes of previous meetings of the Committee

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## Audit and Assurance Committee Actions List (reported to 26 September 2019 meeting)

## Actions from last meeting

Minute No.	Item/Description	Action By	Target Date	Status/note
22/06/19	<b>Annual Report 2018/19</b> Secretariat to check and confirm the Chair's attendance figures for Finance Committee.	Secretariat	24 July 2019 Board meeting.	Report to Board updated. Completed.
	Suggestions for improvement prior to submitting the Annual Report to the Board to be considered.	Vernon Everitt.	24 July 2019 Board meeting.	Changes reflected in the report to Board. Completed.
24/06/19	<b>Review of Governance and the Annual Governance Statement for the Year Ended 31 March 2019</b> Board Member training to be considered as part of the Board Effectiveness Review.	Howard Carter	20 November 2019 Board meeting.	Being considered as part of the Effectiveness Review by Deloitte. Completed.
25/06/19	<b>Independent Investment Programme Advisory Group Quarterly Report and Workplan</b> A draft timetable of the workplan to be submitted to the next meeting.	Lorraine Humphrey	26 September 2019 meeting.	Report on agenda. Completed.
26/06/19	<b>EY Report to Those Charged with Governance</b> An update on procurement controls to be submitted to a future meeting.	Simon Kilonback	3 December 2019 meeting	In progress. A report will be presented to the Committee meeting in December.
31/06/19	<b>Risk and Assurance Annual Report 2018/19</b> A reference to the impact of the delay of the opening of the Elizabeth line to be added to the internal audit opinion.	Dili Origbo	Following the meeting.	Report updated and uploaded to the website. Completed.

Minute No.	Item/Description	Action By	Target Date	Status/note
	TfL's training and development strategy to be discussed at a future meeting of the Safety, Sustainability and Human Resources Panel.	Secretariat	Following the meeting.	Referred to SSHRP and scheduled on Forward Plan. Completed.
<b>32/06/19</b>	<p><b>Crossrail KPMG Review Update</b> The Chair to raise the issue of sponsor representation on the Crossrail Audit and Assurance Committee.</p> <p>Any concerns would be reported to a future meeting of the Committee, and include an outline of any recommendations which had not been implemented with a clear reasoning why.</p>	<p>Chair</p> <p>David Hughes / Simon Adams</p>	<p>Following the meeting.</p> <p>Future meetings</p>	<p>Oral update to be provided at the meeting.</p> <p>The Committee will be updated if any issues arose.</p>
<b>33/06/19</b>	<p><b>Cyber Security Update</b> An update report to include details of the levels of maturity in terms of security and capability across the different parts of the organisation.</p>	Shashi Verma/Jazz Garcha	3 December 2019 meeting.	Scheduled on Forward Plan.
<b>35/06/19</b>	<p><b>Legal Compliance Report (1 October 2018 – 31 March 2019)</b> Additional trend data to be included in future reports.</p>	Howard Carter	3 December 2019 meeting.	Scheduled on Forward Plan.
<b>36/06/19</b>	<p><b>Strategic Risk Update: Governance and Controls Suitability SR03</b> That the corrective controls include additional detail in future reports.</p>	Nico Lategan	Following the meeting.	Changes will be incorporated in future reports.

**Actions from previous meetings: None**

## Audit and Assurance Committee



**Date:** 26 September 2019

**Item:** Independent Investment Programme Advisory Group  
Quarterly Report

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### **This paper will be considered in public**

#### **1 Summary**

- 1.1. This paper presents the Independent Investment Programme Advisory Group (IIPAG) Quarterly Report for September 2019. It describes the work undertaken since the last report presented to this committee on 10 June 2019.
- 1.2. A paper is included on Part 2 of the agenda which contains exempt supplementary information. The information is exempt by virtue of paragraph 3 of Schedule 12A of the Local Government Act 1972 in that it contains information relating to the business affairs of TfL. Any discussion of that exempt information must take place after the press and public have been excluded from this meeting.

#### **2 Recommendation**

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

#### **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.
- 3.2 There is one recommendation in the IIPAG September 2019 Quarterly Report.
- 3.3 The TfL Project Assurance team continue to track progress against the recommendations made by IIPAG through their reviews of TfL's projects and sub-programmes.
- 3.4 Following the reviews undertaken, the total number of recommendations made by IIPAG since January 2018 has increased from 314 as at the end of Quarter 4 of 2018/19 to 335 as at the end of Quarter 1 of 2019/20. There are no new un-agreed IIPAG recommendations this quarter.
- 3.5 Figure 1 on the following page sets out the status of the IIPAG recommendations at the end of each of the last three quarters.

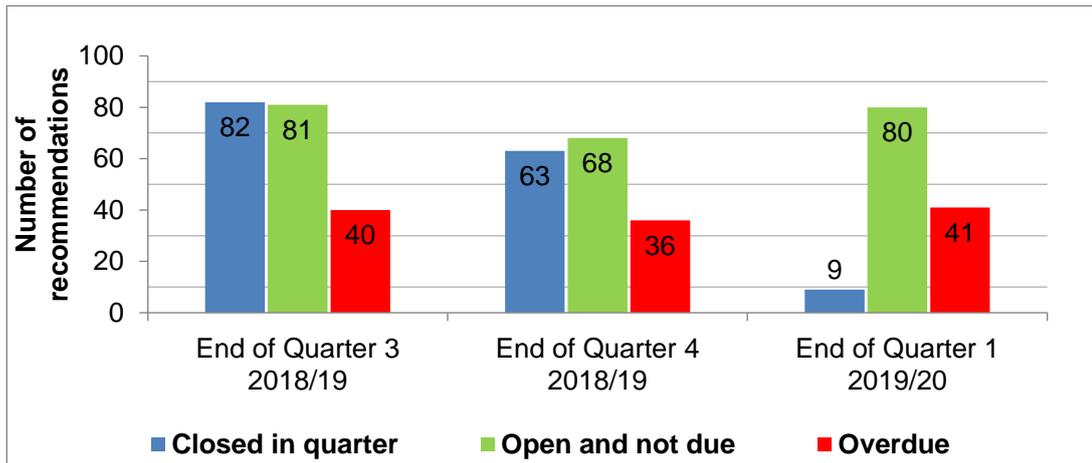


Figure 1: Status of IIPAG Recommendations

3.6 Comparing the end of Quarter 1 with the end of Quarter 4 there is a slight increase in the number of overdue recommendations from 36 to 41, with an increase of 12 in the number of open and not due recommendations. During Quarter 1 nine IIPAG recommendations were closed. The Project Assurance team will continue to focus on closing overdue recommendations. From the latest data, as at the end of August 2019, this stands at 36 overdue IIPAG recommendations.

## 4 Management Response

4.1 In their quarterly report IIPAG make one recommendation. This is for TfL to establish a rigorous and consistent approach to the quantification and valuation of economic development and housing benefits associated with our transport investments, with a central source of expertise providing guidance and to ensure consistency of application across our projects and programmes.

4.2 Our over-arching framework for appraisal is consistent with the broad approach defined by HM Treasury and the Department for Transport which includes quantification of economic development and housing benefits. The Investment Appraisal team, who own the central standards for appraisal within TfL, will work with the technical specialists in City Planning and with Sponsors to ensure that further guidance and a consistent approach is defined that will clarify the expected approach within TfL. This will be produced by the end of 2019 with a plan for further updates that can be incorporated as further research is undertaken.

### List of appendices to this report:

Appendix 1 - IIPAG Quarterly Report (September 2019)

### List of Background Papers:

None

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## Independent Investment Programme Advisory Group – Quarterly Report (September 2019)

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This paper will be considered in public

### 1. Summary

- 1.1. This is a report of the activities of IIPAG since the last meetings of AAC and PIC. It highlights the types of issues that have commonly been raised in our reviews of projects and sub-programmes, and cross-cutting or systemic issues that have emerged from this work. It makes one new recommendation. It reports our progress on the work on cross-cutting issues identified in our annual work programme.

### 2. Recommendations

- 2.1. We recommend that TfL establishes a rigorous and consistent approach to the quantification and valuation of economic development and housing benefits associated with its transport investments, with a central source of expertise to provide guidance and to ensure consistency of its application across all projects and programmes.

### 3. IIPAG reviews of projects and sub-programmes

- 3.1. Since our last report IIPAG has participated with Project Assurance (PA) in the following reviews.

<b>Project Assurance Reviews</b>
AC14
Fiveways Junction A23/A232
Cycling – Mini Hollands
Hammersmith Bridge
Essential Maintenance
Bank Station Capacity
Four Lines Modernisation
Elephant & Castle

- 3.2. Our reviews have highlighted a lot of good work in TfL, but each has also identified a number of issues and recommendations.
- 3.3. One particularly significant issue is that of train control. As a consequence of the decision last December to defer the Deep Tube Upgrade Programme (DTUP) and our reviews of DTUP it has become apparent that there is no longer a clear strategy to deal with the ageing train control infrastructure on the Underground. The existing LU Signalling Strategy, while very good at the time, is no longer valid. In line with our recommendation, work is now in hand to articulate an up to date strategy. We have been impressed by the quality of this work but it raises some big issues about the condition and sustainability of the current train control systems and what needs to be done over the coming years. We will continue to engage with and support the business on these issues.

## 4. Recurring themes

4.1. We are building an analysis of our findings by theme, which we will update as we undertake further reviews. Initial analysis of reviews to date suggests that the most frequent areas for IIPAG findings have been:

- Capability and resources (most frequently TfL's own engineering, project management or PMO resource, but also critical areas of supply chain resource).
- Programme/portfolio management – especially whether there are strategies and the appropriate management information in place to enable effective programme prioritisation and management.
- Costs and risk – notably the robustness of cost estimates, the tracking of costs and the reasons for changes, and the adequacy of risk allowances.
- Schedule pressure is high in many projects which risks driving poor value for money decisions on some projects.
- Governance – whether appropriate governance structures are in place, and whether roles and responsibilities are sufficiently clear and appropriate, including in relation to stakeholders.
- Value for money – the robustness and comprehensiveness of business cases and the evidence to support best value option selection.

4.2. We are considering most of these themes further through our cross-cutting work, which is discussed below.

4.3. We have reviewed a number of projects where the strategic case depends in large part on growth, economic development and the number of additional homes that the projects will facilitate. We recognise that these are policy priorities for the Mayor. It is important that TfL can be confident that it is prioritising the right investments that will have the biggest impacts on economic development and the supply of new homes, and that value for money is being secured. Predicting the extent to which transport investment will unlock additional homes or stimulate development is not straightforward, as a number of other factors outside of TfL's control will also play a part.

4.4. There is guidance from central Government on quantifying and valuing additional homes, and TfL has developed a process in the context of the Growth Fund. However we have found that the approach adopted for TfL's major investment projects is inconsistent. For example, the analysis can range from demonstrating consistency with local plans, through a detailed analysis of land plots and development potential, to in one case a monetary valuation of housing benefits.

4.5. We recommend that TfL establishes a rigorous and consistent approach to the quantification and valuation of the development and housing benefits associated with transport investment, with a central source of expertise to provide guidance and to ensure consistency of its application across all projects and programmes.

## 5. Management progress on IIPAG recommendations

- 5.1. Our February 2019 quarterly report made 2 recommendations on systemic issues. The first was about the need for information to track budgets, cost and delivery over the life of projects and sub-programmes; the second was about the need to review areas of resource risk, starting with engineering resource.
- 5.2. We are pleased to see that a detailed exercise is underway to review the future demand for engineering resource and how this demand will be met; and that this exercise is being overseen at a senior level within TfL through the Investment Group. We are also aware that work led by the PMO is in hand to establish cost and schedule baselines. This is an essential first step in providing the robust tracking information that we recommended, but we would also like the organisation to have visibility of the *originally* sanctioned baselines. The PMO has a challenging and ambitious work programme, but we would reiterate the priority that should be accorded to this work and the value of having a workable baselining capability as soon as possible, rather than a fully polished and better integrated system at a point in the future. We sense that on some projects TfL may be experiencing a combination of schedule drift, underspend in-year and rising EFCs. This could build up issues for later years, but current information does not provide a clear enough picture to be sure.

## 6. Cross-cutting work

- 6.1. Our annual work programme identified a number of areas which we would consider on a cross-cutting basis. We have classified this work into four categories:
  - Annual reviews (required by our Terms of Reference) – Benchmarking, Effectiveness of first and second lines of defence
  - One-off IIPAG reviews – Assurance of Commercial Development, Project Initiation, Management Reporting, Value for Money, TfL Standards, Cost Performance (scoping study)
  - IIPAG input into audits or exercises being undertaken elsewhere in TfL – Engineering Resources and Transformation
  - On-going advice – Business Planning
- 6.2. Fieldwork is underway on Benchmarking and Engineering Resources, and work is in hand to scope the other reviews in more detail. Where we undertake a one-off study ourselves, we will provide a report to AAC and PIC.

### List of appendices to this report:

None

### List of Background Papers:

None

Contact Officer: Alison Munro, Chair of IIPAG

[AlisonMunro1@tfl.gov.uk](mailto:AlisonMunro1@tfl.gov.uk)

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## Audit and Assurance Committee



**Date:** 26 September 2019

**Item:** Pan-TfL Revenue Protection Programme

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### **This paper will be considered in public**

#### **1 Summary**

- 1.1 This paper provides an overview of our new programme of activity to reduce the amount of revenue lost to fare evasion and ticket fraud, and covers information requested at the Board meeting on 24 July 2019.
- 1.2 A paper is included on Part 2 of the agenda which contains exempt supplemental information and documentation. Subject to the decision of the Committee, this paper is exempt and is therefore not for publication to the public or press by virtue of paragraph 7 of Schedule 12A of the Local Government Act 1972 in that it contains information relating to action which might be taken in relation to prevention, investigation or prosecution of a crime.

#### **2 Recommendation**

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

#### **3 Background**

- 3.1 The vast majority of our customers are fare paying (circa 97 per cent) and our fare evasion rates compare favourably with other world cities. However, we have a responsibility to ensure fairness to all our customers by taking a robust approach to tackling fare evasion and ticket fraud to maintain customer trust and confidence.
- 3.2 A comprehensive review in December 2018 provided us with a clear understanding of the financial impact of fare evasion to TfL – estimating net revenue loss to be circa £116m per annum (set out in Appendix 1). This is money that could and should be reinvested in services for our customers.
- 3.3 This is the first time we have produced an estimate using a consistent method to determine the scale of loss across all public transport modes. The estimated total loss is substantially higher than previously reported due to an improved methodology which integrates data from multiple sources and uses enhanced modelling of network usage to provide a more accurate picture of fare evasion.
- 3.4 Failure to tackle fare evasion is a frustration for all fare paying passengers and our staff. Visible prevention will help reassure that we are doing all that we can to maintain a safe and secure transport environment.

## **4 Existing Controls**

- 4.1 Our network and its ticketing systems are designed to maximise the ease with which our customers can use our services. Our ticketing system and technology allows customers to benefit from the cheapest fares for which they are eligible while minimising the risk of individuals deliberately avoiding payment.
- 4.2 Our frontline staff play a vital role in ensuring our customers pay the correct fares for their journeys. This includes drivers on our bus and tram networks and station staff across London Underground and other rail services.
- 4.3 We also have dedicated Revenue Control/Protection teams deployed across each of our public transport modes working both highly visible and in plain clothes on daily operations to deter and detect fare evaders. They have the power to issue Penalty Fare Notices and, in cases where an individual is suspected of deliberately evading their fare, they may report them for prosecution.
- 4.4 Tackling fare evasion and challenging fare evaders strongly correlates with our people experiencing violence and aggression at work. Those engaged in fare evasion are often involved in other criminality. Our approach includes working collaboratively with the British Transport Police and Metropolitan Police Service using technology and analytics to focus and optimise our combined resources.
- 4.5 Comprehensive ticketing information to help our customers ensure they purchase the correct ticket for their journey is provided on our website. We also publish our enforcement policies online which set out our approach to taking action against those who fare evade.

### **List of appendices to this paper:**

Appendix 1 – Scale of loss

Supplementary information is included in Part 2 of the agenda.

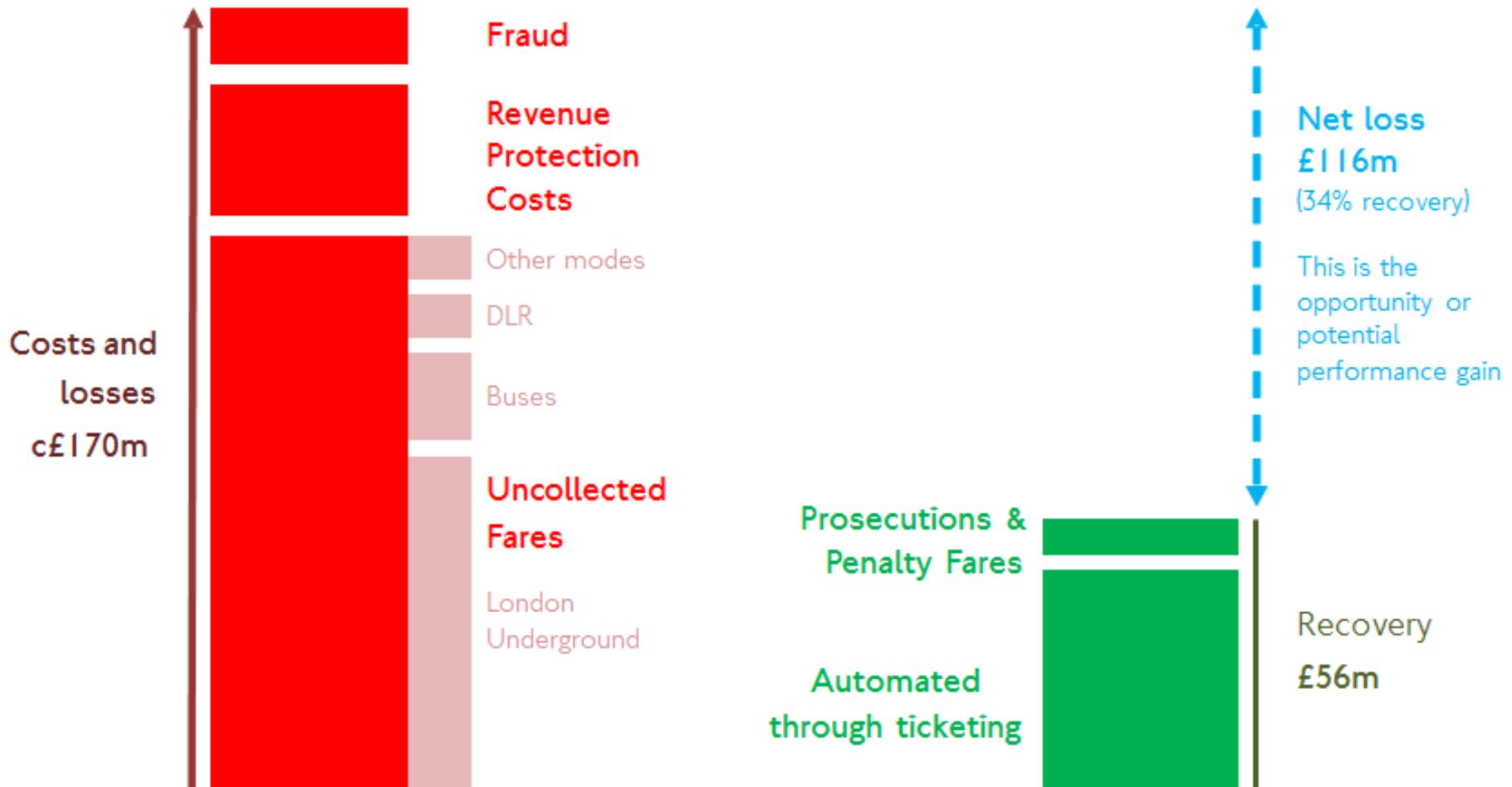
### **List of Background Papers:**

None

Contact Officer: Siwan Hayward, Director of Compliance, Policing and On-street Services  
Number: 07889089962  
Email: Siwan.Hayward@TfL.gov.uk

## Appendix 1 – Scale of loss

A comprehensive review estimates uncollected fares and fraud cost TfL over £116m every year (£172m gross).



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## Audit and Assurance Committee



**Date:** 26 September 2019

**Item:** Annual Audit Letter

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### This paper will be considered in public

#### **1 Summary**

- 1.1 To inform the Audit and Assurance Committee of the status of the Annual Audit Letter issued by EY.

#### **2 Recommendation**

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

#### **3 Background**

- 3.1 The Annual Audit Letter is prepared by EY and summarises their conclusions on the Annual Statement of Accounts and Value for Money. This letter is issued at the conclusion of the annual audit process.

#### **4 Update**

- 4.1 EY issued unqualified opinions on the TfL financial statements. Their opinion on Value for Money was qualified in two respects:
- (a) In respect of the governance arrangements relating to Crossrail's delivery of the Elizabeth line; and
  - (b) In respect of a series of weakness identified by management and Internal Audit in relation to procurement processes.
- 4.2 As at the date of issue of the Audit Letter, EY were still in the process of completing the procedures required by the National Audit Office on the accuracy of the consolidation pack prepared by the Corporation for Whole of Government Accounts papers. These were subsequently submitted to meet the deadline of 13 September 2019. They identified no matters to report.

#### **List of appendices to this report:**

Appendix 1: EY's Annual Audit Letter 2018/19

**List of Background Papers:**

None

Contact: Tony King, Interim Group Finance Director  
Statutory Chief Finance Officer  
Email: [AntonyKing@tfl.gov.uk](mailto:AntonyKing@tfl.gov.uk)  
Number: 020 7126 2880

## Transport for London

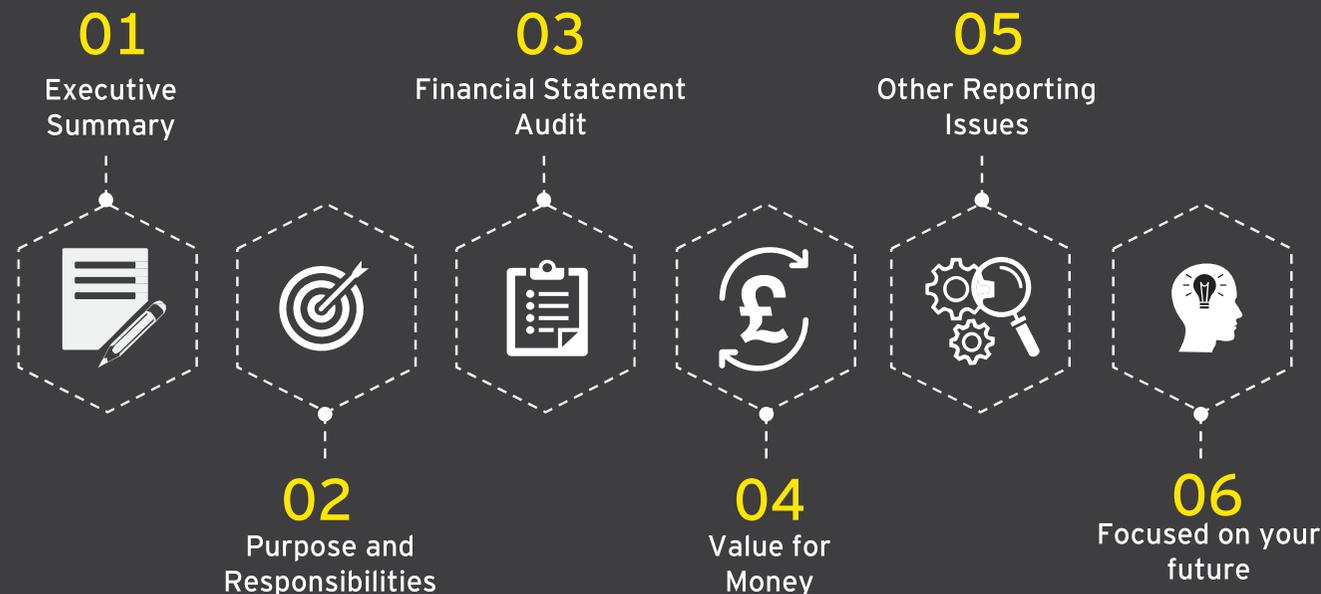
Annual Audit Letter for the year  
ended 31 March 2019

September 2019



Building a better  
working world

# Contents



Public Sector Audit Appointments Ltd (PSAA) have issued a 'Statement of responsibilities of auditors and audited bodies'. It is available from the Chief Executive of each audited body and via the PSAA website ([www.psa.co.uk](http://www.psa.co.uk)).

This Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The 'Terms of Appointment (updated April 2018)' issued by PSAA set out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and statute, and covers matters of practice and procedure which are of a recurring nature.

This Annual Audit Letter is prepared in the context of the Statement of responsibilities and Terms of Appointment. It is addressed to the Members of the audited body, and is prepared for their sole use. We, as appointed auditor, take no responsibility to any third party.

**Our Complaints Procedure** - If at any time you would like to discuss with us how our service to you could be improved, or if you are dissatisfied with the service you are receiving, you may take the issue up with your usual partner or director contact. If you prefer an alternative route, please contact Steve Varley, our Managing Partner, 1 More London Place, London SE1 2AF. We undertake to look into any complaint carefully and promptly and to do all we can to explain the position to you. Should you remain dissatisfied with any aspect of our service, you may of course take matters up with our professional institute. We can provide further information on how you may contact our professional institute.



01

# Executive Summary

## Executive Summary

We are required to issue an annual audit letter to Transport for London (the Corporation) following completion of our audit procedures for the year ended 31 March 2019.

Below are the results and conclusions on the significant areas of the audit process.

Area of Work	Conclusion
<b>Opinion on the Corporation's:</b> ▶ Financial statements	Unqualified - the financial statements give a true and fair view of the financial position of the Corporation as at 31 March 2019 and of its expenditure and income for the year then ended.
▶ Consistency of other information published with the financial statements	Other information published with the financial statements was consistent with the Annual Accounts.
Concluding on the Corporation's arrangements for securing economy, efficiency and effectiveness	We concluded that you have put in place proper arrangements to secure value for money in your use of resources, except in relation to two areas: <ul style="list-style-type: none"> <li>▶ A series of weaknesses identified by management and Internal Audit in respect of procurement processes; and</li> <li>▶ The governance arrangements relating to Crossrail's delivery of the Elizabeth line.</li> </ul>
Area of Work	Conclusion
<b>Reports by exception:</b>	
▶ Consistency of Governance Statement	The Governance Statement was consistent with our understanding of the Corporation.
▶ Public interest report	We had no matters to report in the public interest.
▶ Written recommendations to the Corporation, which should be copied to the Secretary of State	We had no matters to report.
▶ Other actions taken in relation to our responsibilities under the Local Audit and Accountability Act 2014	We had no matters to report.
Area of Work	Conclusion
Reporting to the National Audit Office (NAO) on our review of the Corporation's Whole of Government Accounts return (WGA).	We are currently undertaking our review of the Corporation's Whole of Government Accounts return (WGA). Based on procedures performed thus far, we have no matters to report.

## Executive Summary (cont'd)

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As a result of the above we have also:

Area of Work	Conclusion
Issued a report to those charged with governance of the Corporation communicating significant findings resulting from our audit.	Our Audit Results Report was issued on 24 May 2019.
Issued a certificate that we have completed the audit in accordance with the requirements of the Local Audit and Accountability Act 2014 and the National Audit Office's 2015 Code of Audit Practice.	We have not as yet issued our audit completion certificate. We cannot formally conclude the audit and issue an audit certificate until we have completed the work necessary to issue our assurance statement in respect of the Council's Whole of Government Accounts consolidation pack. We are satisfied that this work does not have a material effect on the financial statements or on our value for money conclusion.

We would like to take this opportunity to thank the Corporation's staff for their assistance during the course of our work.

Karl Havers

Partner

For and on behalf of Ernst & Young LLP



02

## Purpose and Responsibilities

# Purpose and Responsibilities

## The Purpose of this Letter

The purpose of this annual audit letter is to communicate to Members and external stakeholders, including members of the public, the key issues arising from our work, which we consider should be brought to the attention of the Corporation.

We have already reported the detailed findings from our audit work in our 2018/19 Audit Results Report dated 24 May 2019 (presented to the Audit and Assurance Committee on the 10<sup>th</sup> June 2019), representing those charged with governance. We do not repeat those detailed findings in this letter. The matters reported here are the most significant for the Corporation.

## Responsibilities of the Appointed Auditor

Our 2018/19 audit work has been undertaken in accordance with the Audit Plan that we issued on 29 November 2018 and is conducted in accordance with the National Audit Office's 2015 Code of Audit Practice, International Standards on Auditing (UK), and other guidance issued by the National Audit Office.

As auditors we are responsible for:

- ▶ Expressing an opinion:
  - ▶ On the 2018/19 financial statements; and
  - ▶ On the consistency of other information published with the financial statements.
- ▶ Forming a conclusion on the arrangements the Corporation has to secure economy, efficiency and effectiveness in its use of resources.
- ▶ Reporting by exception:
  - ▶ If the annual governance statement is misleading or not consistent with our understanding of the Corporation;
  - ▶ Any significant matters that are in the public interest;
  - ▶ Any written recommendations to the Corporation, which should be copied to the Secretary of State; and
  - ▶ If we have discharged our duties and responsibilities as established by the Local Audit and Accountability Act 2014 and Code of Audit Practice.

Alongside our work on the financial statements, we also review and report to the National Audit Office (NAO) on your Whole of Government Accounts return. The extent of our review and the nature of our report are specified by the NAO.

## Responsibilities of the Corporation

The Corporation is responsible for preparing and publishing its statement of accounts accompanied by an Annual Governance Statement (AGS). In the AGS, the Corporation reports publicly each year on how far it complies with its own code of governance, including how it has monitored and evaluated the effectiveness of its governance arrangements in year, and any changes planned in the coming period.

The Corporation is also responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.



03

## Financial Statement Audit

# Financial Statement Audit

## Key Issues

The Corporation's Statement of Accounts is an important tool for the Corporation to show how it has used public money and how it can demonstrate its financial management and financial health.

We audited the Corporation's Statement of Accounts in line with the National Audit Office's 2015 Code of Audit Practice, International Standards on Auditing (UK and Ireland), and other guidance issued by the National Audit Office and issued an unqualified audit report on 30 July 2019.

Our detailed findings were reported to the Audit and Assurance committee on 10 June 2019.

The key issues identified as part of our audit were as follows:

Significant Risk	Conclusion
Management override of controls, required by ISA (UK and Ireland) 240	We have not identified any material weaknesses in controls or evidence of material management override.
Inappropriate Revenue Recognition, required by ISA (UK and Ireland) 240	<p>We concluded that the basis on which fares revenue is recognised is reasonable. The judgements made related to fares revenue in the financial statements have been appropriately reflected.</p> <p>We note that fares compensation due to the TOCs is the subject of ongoing discussion, in respect of certain specific areas. We understand that the final position is yet to be agreed between parties and may be determined through an arbitration process, which will take some time to complete. We have provided further detail in the private papers for the Audit and Assurance Committee meeting, due to the legal sensitivity of this matter.</p>
Inappropriate capitalisation or potential impairment of capital projects including capital accruals	<p>From a Group perspective the largest in progress capital project is Crossrail which has faced significant overruns. We have completed a statutory audit of Crossrail as a subsidiary of TfL. The close down of contracts over 2019/20 and later, is likely to result in further claims from contractors and subcontractors, particularly if deadlines are squeezed to meet the opening date. This does give rise to the risk of additional costs and pressures on funding for TfL as an organisation which will require careful management.</p> <p>TfL also has a number of other significant capital projects at various stages of completion. We have challenged management as to whether there are any significant changes in plans (around aborted projects or projects put on hold) which would indicate any impairment.</p> <p>We note management has recognised an impairment of costs previously incurred on two projects, where plans have changed and the projects are no longer included in the current business plan and within available funding. We have received confirmation in the letter of representation that the remaining expenditure carried forward in the balance sheet for in progress projects is expected to be funded and that there is no impairment required in the carrying value at 31 March 2019.</p> <p>No other matters were identified in our testing. We are satisfied that the capitalised costs in the year are appropriate.</p>



# Financial Statement Audit

Significant Risk	Conclusion
Significant accounting estimates, including complexity of provisions	We have concluded that the provisions made are within an acceptable range, based on latest available information and are therefore materially correct.
Complexity of accounting for TfL and TTL's property portfolio	We have concluded that property valuations were within an acceptable range.
Crossrail Funding	<p>We have assessed the impact of Crossrail funding requirement, together with the impact of lost revenue originally included in the business plan, to the wider TfL and have identified no issues during our audit procedures.</p> <p>We have procedures to complete to conclude on Crossrail's going concern and the impact of the Early Opening Programme "EOP" on the business plan.</p>

## Our application of materiality

When establishing our overall audit strategy, we determined a magnitude of uncorrected misstatements that we judged would be material for the financial statements as a whole.

Item	Thresholds applied
Planning materiality	<p>We determined planning materiality to be £103.3m (2018: £106.0m), which is 1% of total gross expenditure - revenue and capital reported in the accounts of £11,019 million.</p> <p>We consider total gross expenditure - revenue and capital, to be one of the principal considerations for stakeholders in assessing the financial performance of the Corporation.</p>
Reporting threshold	We agreed with the Audit and Assurance Committee that we would report to the Committee all audit differences in excess of £5.5m (2018: £5.3m).



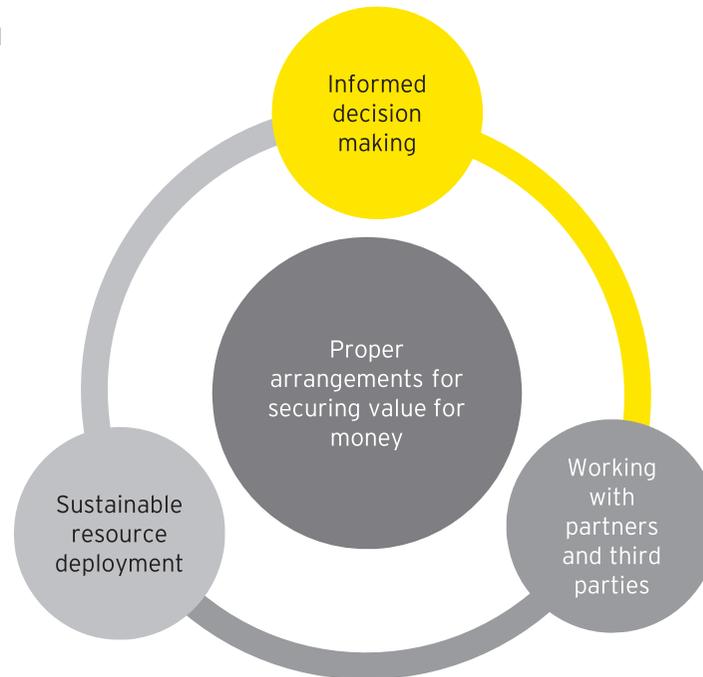
# 04 Value for Money

## £ Value for Money

We are required to consider whether the Authority has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources. This is known as our value for money conclusion.

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.



We identified significant risks in relation to these arrangements. The tables on the following pages present the findings of our work in response to the risks identified and any other significant weaknesses or issues to bring to your attention.

We have performed the procedures outlined in our audit plan. We conclude that there are arrangements in place to secure economy, efficiency and effectiveness, except in relation to two areas which are presented on the following slides:

- ▶ A series of weaknesses identified by management and Internal Audit in respect of procurement processes; and
- ▶ The governance arrangements relating to Crossrail's delivery of the Elizabeth line.



## Value for Money Risks

### What is the significant value for money risk?

#### Sustainable resource deployment - Significant audit risk

TfL has significant financial risks in its business plan to 2022/23 as a result of:

- continuing reductions in external funding from government
- the commitments relating to the launch of the Elizabeth line and lost revenue arising from the delayed opening date
- significant cumulative cost reductions planned to be delivered over the course of the next five years to 2022/23.

### What arrangements did the risk affect?

Deploy resources in a sustainable manner

### What are our findings?

TfL has robust governance arrangements put in place around budget setting and the financial planning process that incorporate a sufficient level of guidance, review and challenge to ensure the achievement of realistic figures and plan well to secure sustainable resource deployment.

Current year outturn positions show positive performance against the budget especially in the light of challenging economic conditions faced by government and public sector bodies.

Review of the assumptions included in the 2019/20 budget concluded that reasonable and appropriate assumptions were used, which were based on reliable economic forecasts and performance in previous years. The impact of delays in launching the Elizabeth line, as well the reduction in government funding, were appropriately reflected in the financial forecast. Current year borrowings were also increased in comparison to prior year, but were within with Statutory approved limit. A surplus after the cost of day to day operations is planned to be achieved in 2022/23 - one year later compared to the prior year plan.

Appropriate risk management arrangements are in place and robust risk assessment is performed as part of the preparation of the budget with appropriate risks and their impact being included within the budget and long-term business plan. Efficiencies achieved to date as a result of a transformation programme have already shown a positive impact on reducing operating expenditure, which will have a long-term effect. TfL continues to identify and develop new sources of revenue and funding for financing capital projects, whilst working further on its transformation programme to generate further efficiencies and costs savings in the long-term to achieve a net surplus after the cost of day to day operations by 2022/23.

Despite sound governance arrangements around budgeting and the financial planning that support sustainable resource deployment for TfL as a whole, the governance arrangements relating to Crossrail's delivery of the Elizabeth line have been an area of significant scrutiny in 2018/19. An independent report for TfL and the Department for Transport by KPMG on finance and commercial, and governance aspects of Crossrail, as well as an independent review by the National Audit Office have both identified issues relating to decision making, leading to increased costs and impacting the plan for completion of Crossrail as a whole. As noted in the reports referred to above, the programme reporting had been significantly overstating 2018/19 progress and significantly underestimated the impact of each element on other aspects, most notably the system testing. The revised funding plan, whilst agreed, requires TfL to fund any excess costs over and above the current planned spend. Should this occur the knock on impacts could be significant causing deferral or cancellation of future projects.

We note that significant effort is being undertaken to reassess actual progress of the programme, forecast spending and opening dates for the line. We also note that during 2018/19 a new management team has been appointed and a revised completion schedule drawn up, however proper arrangements were not operating effectively during the entirety of the year covered by this opinion.



# Other matters to bring to your attention

### Other matters impacting Value for Money considerations

#### Procurement process

During the year, a series of weaknesses were identified by management and Internal Audit in respect of certain areas of the procurement processes. This, together with a number of other matters that were brought to our attention, caused us to perform specific additional testing in this area. Our findings from this were consistent with Internal Audit conclusions. Internal Audit had identified a number of high priority recommendations that require implementation across the organisation to rectify the weaknesses. During 2018/19, an action plan has been drawn up to address these matters, however implementation will occur during 2019/20, therefore proper arrangements were not operating effectively during the year covered by this opinion.



05

## Other Reporting Issues



## Other Reporting Issues

### Whole of Government Accounts

We are currently in process of completing the procedures required by the National Audit Office on the accuracy of the consolidation pack prepared by the Corporation for Whole of Government Accounts purposes which will be submitted to meet the deadline of 13 September 2019.

### Annual Governance Statement

We are required to consider the completeness of disclosures in the Corporation's annual governance statement, identify any inconsistencies with the other information of which we are aware from our work, and consider whether it is misleading.

We completed this work and did not identify any areas of concern.

### Report in the Public Interest

We have a duty under the Local Audit and Accountability Act 2014 to consider whether, in the public interest, to report on any matter that comes to our attention in the course of the audit in order for it to be considered by the Corporation or brought to the attention of the public.

We did not identify any issues which required us to issue a report in the public interest.

### Written Recommendations

We have a duty under the Local Audit and Accountability Act 2014 to designate any audit recommendation as one that requires the Corporation to consider it at a public meeting and to decide what action to take in response.

We did not identify any issues which required us to issue a written recommendation.

### Objections Received

We did not receive any objections to the 2018/19 financial statements from members of the public.

### Other Powers and Duties

We identified no issues during our audit that required us to use our additional powers under the Local Audit and Accountability Act 2014.

### Independence

We communicated our assessment of independence and objectivity in our Audit Results Report dated 24<sup>th</sup> May 2019 and presented to the Audit and Assurance Committee at their meeting on 10<sup>th</sup> June 2019. In our professional judgement the firm is independent and the objectivity of the audit engagement partner and audit staff has not been compromised within the meaning regulatory and professional requirements.



## Other Reporting Issues (continued)

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### Control Themes and Observations

As part of our work, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed. Although our audit was not designed to express an opinion on the effectiveness of internal control, we are required to communicate to you significant deficiencies in internal control identified during our audit.

Our audit did not identify any controls issues to bring to the attention of the Audit and Assurance Committee other than those discussed in previous reports.



06

Focused on your future



## Focused on your future

The Code of Practice on Local Authority Accounting in the United Kingdom introduces the application of new accounting standards in future years. The impact on the Corporation is summarised in the table below.

Standard	Issue	Impact
<b>IASB Conceptual Framework</b>	<p>The revised IASB Conceptual Framework for Financial Reporting (Conceptual Framework) will be applicable for local authority accounts from the 2019/20 financial year.</p> <p>This introduces;</p> <ul style="list-style-type: none"><li>• new definitions of assets, liabilities, income and expenses</li><li>• updates for the inclusion of the recognition process and criteria and new provisions on derecognition</li><li>• enhanced guidance on accounting measurement bases</li><li>• enhanced objectives for financial reporting and the qualitative aspects of financial information.</li></ul> <p>The conceptual framework is not in itself an accounting standard and as such it cannot be used to override or disapply the requirements of any applicable accounting standards.</p> <p>However, an understanding of concepts and principles can be helpful to preparers of local authority financial statements when considering the treatment of transactions or events where standards do not provide specific guidance, or where a choice of accounting policies is available.</p>	<p>It is not anticipated that this change to the Code will have a material impact on Local Authority financial statements.</p> <p>However, Authorities will need to undertake a review to determine whether current classifications and accounting remains valid under the revised definitions.</p>

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## Audit and Assurance Committee



**Date:** 26 September 2019

**Item:** Risk and Assurance Quarter 1 Report 2019/20

---

### 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 1 of 2019/20, 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.**

#### 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 Work is ongoing to review all Level 0 and Level 1 risks quarterly. Identification, assessment and mitigation of Level 1 risks is continuing in some areas. A list of the Level 0 and Level 1 risks is included in Appendix 1.
- 4.2 The following risks have been reviewed and updated:
  - (a) Talent attraction and retention (SR2): updates to post risk event controls and actions.

- (b) Major cyber security incident (SR4): updates to controls and actions
  - (c) Loss of external stakeholder trust (SR6): updates to post risk event controls and actions.
  - (d) Financial sustainability (SR7): updates to causes, consequences, KRIs, pre- and post-risk event controls and actions. Awaiting sign off.
  - (e) Inability to meet changing demand (SR9): updates to causes, consequences, pre- and post-risk event controls and actions.
  - (f) Delivery of key investment programmes (SR12): updates to controls and actions.
  - (g) TfL's environmental impact (SR14): updates to pre risk event actions.
  - (h) Resilience to climate change and extreme weather (SR15): updates to causes, pre risk event controls and consequences.
  - (i) Opening of the Elizabeth Line (SR16): ownership transferred to the Commissioner.
  - (j) Protective security (SR17): updates to pre risk event actions.
- 4.3 The Executive Committee has reviewed 'Catastrophic event' (SR10) and agreed that the risk should be closed. This is because the risk description and associated consequences, causes and controls duplicated elements of other strategic risks, namely: Safety Outcomes (SR1); Operational Reliability (SR13); Resilience to Climate Change (SR15); and TfL Protective Security (SR17). The risk team carried out an exercise to demonstrate how all causes, controls and actions were mapped to the other strategic risks.
- 4.4 General Counsel chaired a meeting to discuss TfL's response to protecting personal data in the context of the latest BA and Marriot General Data Protection Regulation breaches, which resulted in potential £100m+ fines from the Information Commissioner's Office. Matters discussed included additional mitigation actions, strengthening of supply chain assurance and ensuring proper management focus by raising Level 1 Risks throughout TfL.
- 4.5 Content for an Enterprise Risk Management training course has been finalised and is being developed into an eLearning course.
- 4.6 We have developed a level 0 and level 1 strategic opportunity template, similar to the strategic risk (threat) template. This has been trialled with a strategic opportunity regarding revenue protection and proved useful.
- 4.7 The Executive Committee has continued to review the Level 0 risks periodically. One or two risks are reviewed in detail at each meeting, and there is also a review of the overall status of the strategic risks with the opportunity to agree or challenge any risk assessments and discuss

upcoming challenges or emerging risks.

- 4.8 All strategic risks will have been reviewed by the Executive Committee and a member level Committee or Panel by the end of the calendar year. A review on lessons learned to improve the process for the next cycle will then be undertaken including feedback from Members. The outcome of the review will be reported to the Audit and Assurance Committee.

## 5 Audit and Assurance

- 5.1 In TfL, assurance is delivered in accordance with the ‘three lines of defence’ model, as follows:

- (a) First line of defence – control and monitoring arrangements carried out by the functions responsible for managing the risks/ controls;
- (b) Second line of defence – typically audit and inspection regimes carried out by teams separate from those responsible for managing the risks/ controls, but reporting through the TfL management hierarchy; and
- (c) Third line of defence – fully independent audit and review activities, typically with a strategic focus, and reporting to Executive Committee, Audit and Assurance Committee and other Board Committees and Panels.

- 5.2 Within the Risk and Assurance Directorate, the Internal Audit function provides third line assurance, whilst the Integrated Assurance and Project Assurance teams provide second line assurance. Further information of the work of these teams during Q1 is set out below.

- 5.3 The table below maps the outcomes of audit and project assurance reviews carried out by the teams in Risk and Assurance up to Q1 against the TfL Strategic 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
SRI Achieving safety outcomes	4	2	1	7	2	1	3	
SR3 Governance and control suitability					2		2	
SR7 Financial sustainability	1			1	1	3	4	
SRI2 Delivery of key investment programmes	2		11	13	1	1	2	
SRI3 Operational reliability	1	1	4	6				
LTM					1		1	

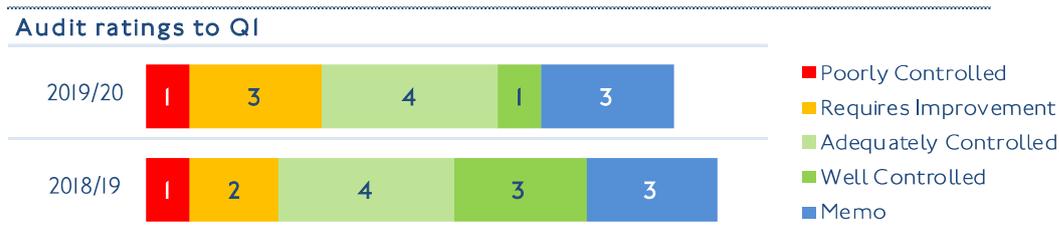
**Audit rating/PA review outcome**

<span style="color: red;">■</span>	Poorly controlled
<span style="color: orange;">■</span>	Requires improvement/critical recommendations
<span style="color: lightgreen;">■</span>	Adequately controlled/recommendations
<span style="color: green;">■</span>	Well controlled
<span style="color: blue;">■</span>	Memo or consultancy

## Internal Audit

5.4 The Internal Audit plan forms part of the integrated assurance plan that the Audit and Assurance Committee approved on 14 March 2019. Schedule 1: Internal Audit Q1 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 during Q1 2019/20, together with comparative figures for 2018/19:



5.6 At the end of Q1, we delivered 17 per cent (12 audits) of the audit plan. This represents a slight increase compared to the same period in 2018/19.

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 Q1 can be found in Appendix 3, work planned to start in Q2 can be found in appendix 4, and details of changes to the audit plan can be found in Appendix 5.

### *Mayoral Directives*

5.8 There were no new Mayoral directives issued during Q1 2019/20.

### *Management Actions*

5.9 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

5.10 At the end of the quarter, we saw an increase in the overall number of overdue actions, and in the recorded number of days, actions were overdue. The internal audit team has put in a tremendous amount of effort to chase down and close out outstanding actions, and as at the end of period six, none of the outstanding actions was more than 60 days overdue, compared with the 17 identified in Schedule 1.

5.11 We continue to look for ways to improve the transparency of action status within the delivery businesses, and are in discussion with Surface Transport to include audit action status as part of their daily 'Vis Board' meetings.

### *Changes to audit plan*

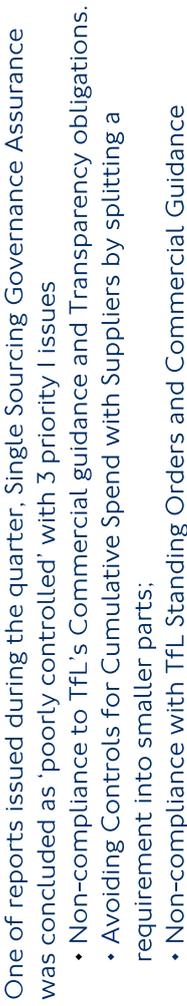
- 5.12 We cancelled six audits during the quarter, of which four relate to the use of mini competitions within framework contracts, and low value works. In light of previous audit reviews focused around commercial governance, and management activity to improve the overall control environment, these audits were unlikely to add additional value. Since we published the reports, we have used our expertise to provide ad-hoc advisory services relating to matters raised, and good control design. In addition, we are actively working in partnership with our Procurement and Finance colleagues to maintain awareness of, and where appropriate, provide assurance over, the design of new controls. We have jointly agreed that after implementation, Internal Audit will provide additional assurance over their operating effectiveness, within a 12-18 month timeframe.
- 5.13 Since the last Crossrail Audit and Assurance Committee on 16 June 2019, we have added an additional three audits to the Crossrail plan, the detail of which is part of Appendix 5.

### *Crossrail Audit Service Delivery*

- 5.14 We have continued to work with Crossrail to ensure alignment of our audit plan with the other assurance providers across the second line of defence. The Head of Internal Audit participated in the first periodic Crossrail Program Assurance Group (CPAG) meeting, attended by all (second and third line) assurance providers. The guiding principles within which the group operates are:
- (a) Importance of independence, and objectivity, and avoidance of heuristics (perpetuation of myth and rumour based upon rule-of-thumb speculation.)
  - (b) Important to fully engage with other functional leads not attending CPAG and find a way to do so that is time efficient.
  - (c) Maximise visibility and sharing of broader reporting across the organisation to help joined-up thinking.
  - (d) Avoid duplication and unnecessary scrutiny where existing processes demonstrate evident control and assurance.
- 5.15 We have already begun planning activity for the first series of Crossrail audits these are included as a list within Appendix 4.
- 5.16 Following the TfL Audit and Assurance Committee, an informal meeting of the Crossrail Audit and Assurance Committee members will take place to allow members to discuss matters of common interest.

# Schedule I: Internal Audit Q1 summary

## Audit plan 2019/20 (to Period 4 end)



**Reports issued in Q1 2019/20**  
 One of reports issued during the quarter, Single Sourcing Governance Assurance was concluded as 'poorly controlled' with 3 priority 1 issues

- Non-compliance to TFL's Commercial guidance and Transparency obligations.
- Avoiding Controls for Cumulative Spend with Suppliers by splitting a requirement into smaller parts;
- Non-compliance with TFL Standing Orders and Commercial Guidance

This was the last of a set of four poorly controlled procurement audits related to single sourcing within LU and/or specific procurements. The root causes, and the related recommendations, are similar across the four audits, and internal audit is actively engaged with the business to identify additional value adding assurance activity.

**Notable audits planned during Q2 2019/20**

- Crossrail – Management of the Programme Schedule (P6)

## Reports

**12** Issued Q1 | **17** Issued (to Period 4 end)

Audit ratings by Directorate – rolling 13 period view

	PC	RI	AC	WC	M/C*
Crossrail			1		
CCT		2	1	1	3
Finance	3	3	4	1	5
Gen. Counsel		1	2		2
HR		1			1
LU		1			5
Major Projects		3	3		1
Surface	1				
TfL Engineering					
TfL Strategy					
Pan Tfl	1	3			
TOTAL	10.4%	27.1%	22.9%	4.2%	35.4%

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

### **Integrated Assurance**

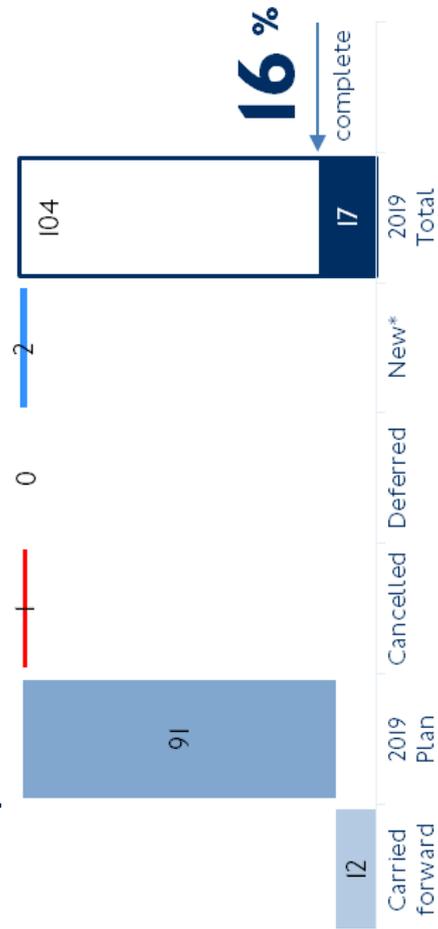
- 5.17 The Integrated Assurance team carries out second line of defence audits, primarily in relation to health and safety and engineering compliance, and compliance with Payment Card Industry Data Security Standard (PCI DSS). Audit reports issued by the team follow the same system of audit conclusions and priority ratings for issues as the Internal Audit team.
- 5.18 A summary of work carried out by Integrated Assurance can be found in Schedule 2: Integrated Assurance Q1 summary.

### **Project Assurance**

- 5.19 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, their agreed work-bank is based on risk profile and so they are looking at some projects less than £50m and are not reviewing all sub-programmes. 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.
- 5.20 Project Assurance also conducts reviews of the sub-programmes to inform their annual request for Authority at the Programmes and Investment Committee.
- 5.21 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.
- 5.22 A summary of the work completed by Project Assurance during Q1 can be found in Schedule 3: Project Assurance Q1 summary.

# Schedule 2: Integrated Assurance Q1 Summary

## Audit plan 2019/20



### Work complete

We delivered 17 audits in Q1. There has been an improving trend regarding actions being closed on time with 71% closed on time at the end of period 3.

There were four audits rated as requires improvement relating to:  
 - LU Management of Legionella, all requirements of the approved code of practice were not in place. We were also able to identify areas of 'over control' where savings can be made.

- ST Management of Asbestos, the ST team has made significant progress in the last year and is on track to achieve legal compliance in the coming months.  
 - LU Premises Inspections, this was a

follow-up to an audit previously concluded as 'poorly controlled' progress has been made but significant action is still required.  
 - Trams Infrastructure (TfL) Competence Management where key activities to fully implement the requirements of ROGS legislation have not been implemented.

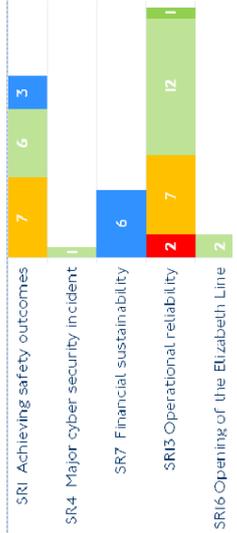
For the first time the Integrated Assurance team undertook the annual DLR HSE audit, providing a considerable saving for TfL.

## Reports last 13 periods

	PC	RI	AC	WC	M/C*
Crossrail			1		
CCT					2
Finance		2	4	1	
Gen. Counsel					
HR					
LU	2	10	12		1
Major Projects					4
Surface		2	2		
TfL Engineering					
TfL Strategy					
Pan Tfl			1		
<b>TOTAL</b>	<b>4.3%</b>	<b>29.8%</b>	<b>44.7%</b>	<b>2.1%</b>	<b>19.1%</b>

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

## Audit Ratings by Strategic Risk Last 13 Periods



## Action management (to Period 3)

### Overall Tfl performance

Measure	#	%	6-period trend
Closed on time*	53	71%	
Extended*	26	35%	

**2** actions overdue due this period

### by Directorate

Directorate	Overdue	Closed on time*
Crossrail		50%
CCT		
Finance		44%
Gen. Counsel		
HR		
LU		77%
Major Projects	1	67%
Surface	1	100%
TfL Engineering		80%
TfL Strategy		
Pan Tfl		

\*based on actions due in the last six periods

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

## Project Assurance quarterly report

Q1, 2019/20

Reviews undertaken this quarter continue to highlight the budget pressures resulting from increasing EFCs. Business cases also need to be strengthened to demonstrate value for money and strategic fit.

### Sub- Programme Reviews

	Recommendations (Critical Issues)	Commentary
Silvertown Tunnel	7	Preferred bidder selected on 30 May 2019. Bidder confirming financial arrangements with lenders and mobilising supply chain. Project Agreement was expected to be completed by end August 2019, but Reserve Bidder has challenged the outcome of the procurement process. Commencement of court proceedings automatically results in a legal suspension of our right to award the contract. TfL are awaiting further details about the claim and working with legal advisors to determine next steps.

### Overdue Recommendations

There are open recommendations for each of the 22 sub programme reviews, 30 became overdue on their original completion date. Revised dates have been agreed for them all and a number have been closed in Q2.

### Project Reviews

Project Assurance has completed 17 project reviews in Q1. IIPAG participated in three of these. Seven Critical Issues were identified; two are closed and five remain open at this time but none of those are overdue.

	Critical Issue	Action Being Taken
Sutton Link CLOSED	The final stage of the option selection process must be revisited with Project Assurance, IIPAG and experts from around the business. Further assurance of the option selection process is required before submission to the Surface Transport Investment Board, Deputy Mayor or Mayor.	The final stage of the option selection process will be updated following further work on the modelling, new homes unlocked, strategic case and benchmarking against a low cost alternative. This will be reviewed with Project Assurance, IIPAG and experts from around the business prior to seeking endorsement for the preferred option.

<b>Sutton Link</b>	The funding strategy should be updated to present an accurate and informed view of the project's affordability, with a realistic estimate of funding available from local sources.	Further work on the funding strategy is being undertaken to provide a clearer picture of the funding sources and their likelihood of proceeding. This will include a more detailed estimate of funding available from local sources. The revised and more detailed funding strategy document will be prepared and submitted to Project Assurance and IIPAG for review.
<b>Sutton Link</b>	If the scheme is to progress, a thorough and objective narrative should be produced demonstrating that factors beyond the economic appraisal support a conclusion that the scheme offers good value for money.	The Strategic Outline Business Case is being updated with an enhanced narrative and more evidence to help inform whether the scheme should be progressed further despite a relatively weak transport case. This will include a more robust estimate of the number of new homes unlocked by the scheme.
<b>Sutton Link CLOSED</b>	A base cost 'affordable' option should be developed and used as a benchmark.	An 'affordable' option is being developed as a comparator against which the shortlisted options for the Sutton Link project can be assessed. We are also identifying potential cost savings for the shortlisted tram and Bus Rapid Transit options. Assessment of the lower cost option(s) will be included in the updated business case that will be submitted for review to Project Assurance and IIPAG.
<b>Safer Junctions</b>	The Business Case must be completed to demonstrate that the programme will deliver good value for money and is affordable. It must be reviewed by Project Assurance with an update to the Healthy Streets Programme Board.	Additional support has been secured to enable progression of the overarching programme business case. The assessment methodology has been agreed, and work is in train. Individual project business cases continue to be developed by Sponsors.
<b>Safer Junctions</b>	The schemes are not managed as a programme. Programme level management processes must be established, including financial, change control, milestones, reporting, risk, benefits.	A programme level Pathway Product Management Plan (PPMP) has been created and a list of deliverables per gate issued to Sponsors and Project Managers to link to the PPMP.

<p><b>Safer Junctions</b></p>	<p>Programme level documentation must be developed in line with Pathway guidance.</p>	<p>The Project Management Unit (PMU) will facilitate a review of the Pathway Product Management Plan (PPMP) and apply professional judgement on the products required to manage this programme and the I9/20 projects. An integrated assurance plan will clearly set out the key approval milestones and approach to Gate management at both the programme and project level. Some general Pathway housekeeping is underway reviewing each product for completeness and relevance to programme/project, and linking signed products where available into the PPMP.</p>
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## **Customer Feedback**

- 5.23 The customer feedback data shows a drop in the average scores since the last quarter. This is in the context of an improved return rate of 64 per cent in Q1, (43 per cent the previous quarter), but with a higher number of 'satisfactory' scores, which has brought the average down. A summary of the responses to the questionnaire, together with the comparative figures for the previous quarter is included as Appendix 6.

## **6 Fraud**

- 6.1 The Fraud team carries out investigations in all cases of suspected and alleged fraud. They also carry out a proactive programme of fraud awareness, prevention and detection activities designed to minimise TfL's exposure to fraud risk. A summary of the Fraud Team's activities during Q1, including information on significant closed fraud investigations is set out in Schedule 4: Fraud Q1 Summary.
- 6.2 Details of significant new and ongoing fraud investigations during Q1 can be found in the paper on Part 2 of the agenda.

# TfL Risk & Assurance - Fraud Team Quarter 1 report 20 19/20

The Fraud Team is now at full strength following the successful recruitment of a new Fraud Investigator and a Fraud Prevention Manager in Q1

## Fraud investigation

During Q1, 7 new cases were opened (2018/19 Q1: 12 new cases). This decrease is primarily due to a reduction in thefts from Passenger Operated Machines reflecting an increased focus on this area and well-publicised prosecutions of offenders.

Following liaison with the National Crime Agency (NCA) a process for conducting financial investigations by an Accredited Financial Investigator (AFI) within the Fraud Team has now been agreed with senior management. The new process will help to progress cases of suspected procurement fraud to law enforcement where illicit financial gain is established.

## Fraud prevention

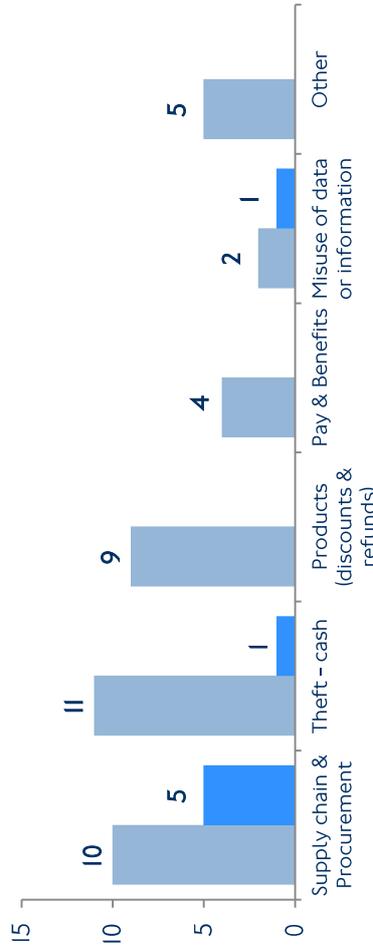
Our Counter-Fraud, Bribery and Corruption Strategy was approved by the Executive Committee in May, and the inaugural meeting of the Steering Group, chaired by General Counsel, that will support delivery of the Strategy has now taken place. A separate paper on this is included elsewhere on this agenda.

The Fraud Team have now completed a series of bespoke fraud awareness workshops for all Senior Commercial Managers as part of an ongoing fraud awareness programme. Feedback on the workshop content and presentational delivery has been extremely positive.

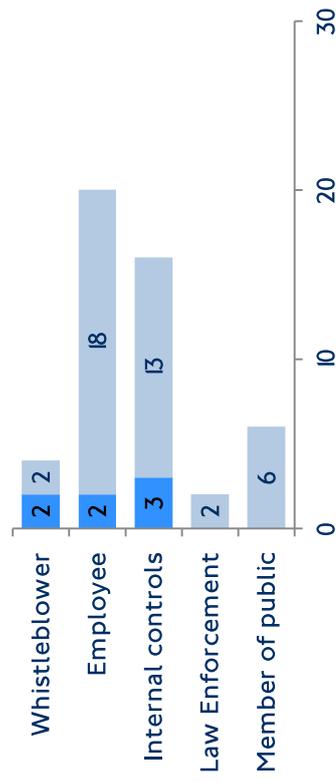
## Cases by directorate

Investigations	B/F	New	Closed	C/F
LU	25	4	5	24
Surface Transport	6	2	1	7
CCT	8	0	0	8
Crossrail	1	0	0	1
Major Projects	1	0	0	1
Commercial Dev.	0	1	0	1
<b>Total</b>	<b>41</b>	<b>7</b>	<b>6</b>	<b>42</b>

## Cases by type New and Brought Forward



## Cases by source New and Brought Forward



## Significant closed cases

### Allegation of procurement fraud and a potential conflict of interest

A Senior Commercial employee reported that a supplier had been employed using single source justifications (SSJ) on a number of LU station and retail projects. The suppliers' Directors were identified as former NPL within LU. The investigation identified a conflict of interest between a serving NPL and the Directors of the supplier. The serving NPL, who had failed to adhere to TfL procurement policy, was dismissed on 15 October 2018. A 2nd NPL, responsible for completing SSJs in respect of retail station works also left the business. Following a review of the case with BTP, there was insufficient evidence to proceed with a criminal investigation or prosecution. The supplier is now in liquidation, and the case is closed.

### Allegation of theft from POM's by Engineer

A Cubic Engineer was identified as being responsible for a series of 11 Passenger Operated Machine (POM) cash discrepancies over a 2-year period with losses totalling £1,905. Following a review of the evidence by the Fraud Team, with the co-operation of Cubic senior management, the Engineer was suspended, interviewed and dismissed following an internal investigation.

## 7 Resources

- 7.1 At the beginning of the financial year the Directorate was carrying nine vacancies, including four in Internal audit, two each in Fraud and Integrated Assurance, and one in Project Assurance.
- 7.2 During Q1 we had some success filling these vacancies, with the Fraud and Project Assurance teams now at full strength, although we also had two further leavers. At the end of the quarter there were four vacancies: two in Integrated Assurance and one each in Internal Audit and Enterprise Risk. Staff turnover has continued since the end of the quarter with a number of further joiners and leavers.
- 7.3 The longest standing vacancy is the Senior Internal Audit Manager – Technology, Information and Security (TIS) post, which has proved difficult to fill. A renewed effort to recruit for this post is now underway.
- 7.4 We have recently completed the exercise to tender contracts with audit co-sourcing partners, with KPMG and RSM UK the successful bidders. Twelve-month contracts are in place with each. Primarily they will help us to deliver the TIS audit plan, although our contract is broad enough to support delivery of other types of audit too.

## 8 Control Environment Trend Indicators

- 8.1 The Business Services and Finance team has been working with in conjunction with the Finance and Commercial teams to revise the Commercial and Financial indicators following the last Committee. The remaining Q1 indicators are attached as Appendix 7.

### List of appendices to this report:

Appendix 1 – Level 0 and Level 1 Risks  
Appendix 2 – Internal Audit reports issued in Q1 2019/20  
Appendix 3 – Work in Progress at the end of Q1 2019/20  
Appendix 4 – Work Planned for Q2 2019/20  
Appendix 5 – Changes to the audit plan at the end of Q1 2019/ 20  
Appendix 6 – Customer Feedback Form – Summary of Responses Q1  
Appendix 7 – Control Environment Trend Indicators

### List of Background Papers:

Audit reports, Project Assurance reports.

Contact Officer: Clive Walker, Director of Risk and Assurance  
Number: 020 3054 1879  
Email: [clivewalker@tfl.gov.uk](mailto:clivewalker@tfl.gov.uk)

Level 0 TfL Strategic Risks				
#	Risk	Owner	Manager	Mayor's Transport Strategy / Corporate Strategy
SR1	Achieving safety outcomes	Managing Director – Surface Transport	Director of HSE	MTS: Healthy streets and healthy people
SR2	Talent attraction and retention	Chief People Officer	Head of Strategic Planning and Governance	CS: People
SR3	Governance and controls suitability	General Counsel	Director of Legal	MTS: All MTS outcomes
SR4	Major cyber security incident	MD Customer, Communications & Technology	Director of Strategy and CTO	MTS: A good public transport experience
SR5	Technological or market developments	MD Customer, Communications & Technology	Director of Innovation	MTS: All MTS outcomes
SR6	Loss of external stakeholder trust	MD Customer, Communications & Technology	Director of News and External Relations	MTS: All MTS outcomes
SR7	Financial sustainability	MD - Chief Financial Officer	Finance Director - MPD	CS: Finance
SR8	Inability to deliver predicted revenue growth	Director of Commercial Development	Divisional Finance Director (CD)	MTS: New homes and jobs
SR9	Inability to meet changing demand	Director of Strategy & Chief Technology Officer	Head of TfL Business Strategy	MTS: New homes and jobs
SR10	Catastrophic event	LU Managing Director	Director of Line Operations	MTS: Healthy streets and healthy people
SR11	Significant technology failure	MD Customer, Communications & Technology	Director of Strategy and CTO	MTS: A good public transport experience
SR12	Delivery of key investment programmes	Director of Major Projects	Head of TfL PMO	MTS: All MTS outcomes
SR13	Operational reliability	LU Managing Director	Director of Asset Operations	MTS: A good public transport experience
SR14	TfL's environmental impact	Director of City Planning	Head of Transport Strategy and Planning	MTS: Healthy streets and healthy people
SR15	Resilience to climate change and extreme weather	Director of City Planning	Head of Transport Strategy and Planning	MTS: All MTS outcomes
SR16	Opening of the Elizabeth Line	Commissioner	Director, Elizabeth Line Operations	MTS: New homes and jobs
SR17	TfL Protective Security	Managing Director – Surface Transport	Director Compliance Policy & On-Street	MTS: Healthy streets and healthy people
SR18	Transformation	Transformation Director	Head of TfL Change Delivery	CS: People

Level 1 London Underground Strategic Risks				
#	Risk	Owner	Manager	Mayor's Transport Strategy / Corporate Strategy
LU-01	LU Industrial relations	LU Managing Director	Director of Line Operations	CS: People
LU-02	LU Staff attraction and retention	Chief People Officer	LU - Head of HR	CS: People
LU-03	LU Operational reliability	LU Managing Director	Director of Asset Operations	MTS: A good public transport experience
LU-04	LU Revenue forecasts	LU Divisional Finance Director	LU Senior Divisional Financial Controller	CS: Finance
LU-05	LU Cost savings	LU Divisional Finance Director	LU Senior Divisional Financial Controller	CS: Finance
LU-06	LU Major incident - internal	Director of Line Operations	Head of Network Delivery	MTS: A good public transport experience
LU-07	LU Major incident - external	Director of Line Operations	Head of Network Delivery	MTS: A good public transport experience
LU-08	Significant operational cyber security risk (threat) to core LU control system	LU Managing Director	Director of Strategy and CTO	MTS: A good public transport experience
LU-09	LU safety framework ineffective	Director of HSE	Head of HSE LU	MTS: Healthy streets and healthy people
LU-10	LU Data loss, misuse or breach of GDPR	Chief of Staff	Investment Planning & Efficiency Manager	CS: Finance
LU-11	Elizabeth Line revenue assumptions incorrect	LU Divisional Finance Director	Head of Finance (Elizabeth Line)	CS: Finance
LU-12	Inability to deliver R&E programmes and projects	LU Director of Renewals and Enhancements	Head of PMU	All MTS themes: All MTS outcomes

Level 1 Surface Transport Strategic Risks				
#	Risk	Owner	Manager	Mayor's Transport Strategy / Corporate Strategy
ST-02	Inability to deliver Bus income target	Director of Bus Operations	Head of Bus Tendering & Evaluation	MTS: A good public transport experience
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	Investment Delivery Planning Director	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	Head of Business Partnering	CS: People
ST-09	Continued declining bus patronage	Director of Bus Operations	Principal Planner - Bus Policy and Development	MTS: A good public transport experience
ST-10	Disruptive technology undermines core business	Director of Innovation	Senior Policy Manager	All MTS themes: All MTS outcomes

Level 1 Surface Transport Strategic Risks (continued)				
#	Risk	Owner	Manager	Mayor's Transport Strategy / Corporate Strategy
ST-11	Achieving health, safety and environmental outcomes and performance	Director of HSE	Senior HSE Manager	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)	Senior Divisional Financial Controller	CS: Finance
ST-17	Protective Security	Director of CPOS	Snr Op Security & Crime Reduction Manager	MTS: Healthy streets & healthy people: London's transport system will be safe & secure
ST-18	Reliability of the new Class 710 rolling stock	Director, Rail & Sponsored Services	General Manager London Overground	MTS: A good public transport experience

Level 1 Commercial Development Strategic Risks				
#	Risk	Owner	Manager	Mayor's Transport Strategy / Corporate Strategy
CD-01	Inability to deliver predicted revenue growth	Director of Commercial Development	Divisional Finance Director (CD)	MTS: New homes and jobs

Level 1 Professional Services Strategic Risks				
#	Risk	Owner	Manager	Mayor's Transport Strategy / Corporate Strategy
Work is in progress to identify and agree the Level 1 risks across the Professional Services areas.				
Engineering				
ENG-01	TfLE key customers and key stakeholders do not fully understand or appreciate the purpose of TfLE and the value it can provide	Director of TfL Engineering	COO Engineering	All MTS themes: All MTS outcomes
ENG-02	TfL is not compliant with its Railways & Other Guided Transport Systems (ROGS) regulations or equivalent safety regulations for other asset types	Director of TfL Engineering	Head of Technical Engineering	MTS: Healthy streets & healthy people: London's transport system will be safe & secure
ENG-03	TfLE unable to deliver its purpose to the wider TfLE organisation i.e. does not provide a planned and agreed service provision	Director of TfL Engineering	COO Engineering	MTS: A good public transport experience
ENG-04	TfLE unable to attract and retain the required quantity of skilled / experienced / competent resources	Director of TfL Engineering	Head of Technical Engineering	CS: People

Level 1 Professional Services Strategic Risks (continued)				
#	Risk	Owner	Manager	Mayor's Transport Strategy / Corporate Strategy
ENG-05	TfLE fails to maintain a suite of Technical & Data standards that protects TfL operational control systems from Cyber attack, plus assure that these standards are being adhered to	Director of TfL Engineering	Head of Technical Engineering	MTS: Healthy streets & healthy people: London's transport system will be safe & secure
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 skills, talent and capability to deliver our Business Plan and Mayoral commitments	Chief People Officer	Director of Diversity, Inclusion & Talent	CS: People
HR-02	Inability to retain the right skills, talent and capability to deliver our Business Plan and Mayoral commitments	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 and embed ongoing Organisational Change	Chief People Officer	Head of Strategic Planning & Governance	CS: People

Level 1 Professional Services Strategic Risks (continued)				
#	Risk	Owner	Manager	Mayor's Transport Strategy / Corporate Strategy
HR-07	TfL Pension Fund funding	Chief People Officer	Director of Compensations & Benefits	CS: People
HR-08	Continuing to deliver a seamless Hire to Retire process with Business Services for our customers	Chief People Officer & Transformation Director	Head of Strategic Planning & Governance	CS: People

Level 1 Major Projects Directorate Strategic Risks				
#	Risk	Owner	Manager	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 and Closures Plans	Director of Major Projects	Head of Delivery - Access	MTS: A good public transport 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, descope 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

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## Transport for London Audit and Assurance Committee

### Internal audit reports issued in Q1 2019/20 Grouped by Strategic Risk

### Appendix 2

- Twelve reports were issued during the quarter

Strategic risk	Directorate	Audit title	Objective	Issued period	Last action date	Conclusion	Current status	PI	P2	P3
Achieving safety outcomes	LU	Principal Contractor Arrangements	To provide assurance that the work stream to revise management arrangements regarding LU acting as Principal Contractor has been effective and that arrangements are being assured via 2nd line of defence activities	2	31/08/2019	Requires Improvement	Follow-up	0	5	1
	Surface Transport	Bus Safety Update Programme	To provide assurance on the deliverables within, and management of, the Bus Safety Update programme	3	31/01/2020	Requires Improvement	Follow-up	0	7	0
		London Overground Safety Assurance Arrangements	To provide assurance on the effectiveness and timeliness of safety assurance arrangements	3	31/10/2019	Adequately Controlled	Follow-up	0	0	1
Delivery of key investment programmes	Finance	Re-tender of Professional Services Framework-(Commercial Services)	To provide assurance that the procurement of the Commercial Services Framework is managed effectively in accordance with approved procedures	2		Memo	Complete	0	0	0
	Pan TfL	Building Information Modelling Governance	To provide assurance on the effectiveness of the implementation of Building Information Modelling	2	31/12/2019	Requires Improvement	Follow-up	0	4	2
Financial sustainability	Customers, Communication & Technology	Section 278 Agreements	To review the controls in place to ensure that monies due under s278 agreements are collected in full and on a timely basis	2	31/03/2020	Adequately Controlled	Follow-up	0	2	2

## Transport for London Audit and Assurance Committee

Strategic risk	Directorate	Audit title	Objective	Issued period	Last action date	Conclusion	Current status	PI	P2	P3
	Finance	TfL Scorecard	Provide assurance that the year-end outturns on the scorecard indicators are being reported accurately	2	30/08/2019	Adequately Controlled	Follow-up	0	2	0
		Governance and Financial Controls for the use of Framework suppliers (Delatim Ltd)	To provide assurance that contracts awarded to Delatim Ltd have adhered to the governance and financial controls in place for framework suppliers	2	31/03/2020	Adequately Controlled	Follow-up	0	1	0
		Single Sourcing Governance Assurance (ST)	To provide assurance that the controls and processes in place to manage the use of single sourcing or non-competitive procurements are robust and are being adhered to	3	30/03/2020	Poorly Controlled	Follow-up	3	0	1
Governance and control suitability	General Counsel	Review of UK Corporate Governance Code 2018 Changes	Assessment of TfL's compliance with applicable elements of the updated UK Corporate Governance Code (2018)	3		Memo	Complete	0	0	0
		Ultra-Low Emissions Zone	To provide assurance over the preparation for go live	2	30/08/2019	Memo	Follow-up	0	0	9
LTM	Customers, Communication & Technology	Safeguarding: Nib Report follow up	To provide assurance over the implementation of recommendations raised by Nib Shared Vision's review of the LTM's safeguarding activity	1		Well Controlled	Complete	0	0	0
<b>Total</b>								<b>3</b>	<b>21</b>	<b>16</b>

## Transport for London Audit and Assurance Committee

### Work in progress at the end of Q1 2019/20

### Appendix 3

#### Grouped by Strategic Risk

- 17 audits were in progress at the end of Q1

Strategic risk	Directorate	Audit title	Objective	Current status
Achieving safety outcomes	LU	Occupational Health	To provide assurance on the adequacy and effectiveness of the current operating model and level of service provided to the organisation	In Progress
	Pan TfL	Effectiveness of the new safety complaints process	To provide assurance that the new complaints process is effective and efficient	Follow-up
Delivery of key investment programmes	Finance	Re-tender of the Project & Programme Management Services Framework	To provide assurance that the procurement of the Programme and Project Management Services Framework (component of the Professional Services Framework 2 (PSF2)) is managed effectively, in accordance with approved procedures	Follow-up
		Re-tender of the Transport Planning and Impact Monitoring	To provide assurance that the procurement of the Transport Planning and Impact Monitoring Framework (component of the PSF2) is managed effectively in accordance with approved procedures.	Follow-up
Financial sustainability	Customers, Communication & Technology	Business Services E2E Processes	To advise on the adequacy of the 'End to End' (E2E) process designs by reviewing the proposed processes and suggesting improvements where necessary, in order to facilitate the achievement of Business Services' objectives	Reporting
	Finance	Allowances Overtime and Higher Duty Pay Process	To provide assurance on the adequacy and effectiveness of controls in place for allowances, overtime and higher duty pay	In Planning
		Governance of Foreign Vendor Invoices	To provide assurance on the adequacy and effectiveness of controls in place for processing foreign vendor invoices	In Planning
		Delivery of the Major Accommodation Property Programme (MAPP)	To provide assurance on the accuracy of financial savings reported as part of the MAP Programme	In Progress
Governance and control suitability	Customers, Communication & Technology	Third Party Supplier Review - Journeycall	To provide assurance over the adequacy and effectiveness of key business controls	In Progress

## Transport for London Audit and Assurance Committee

Strategic risk	Directorate	Audit title	Objective	Current status
	Surface Transport	Cycle Hire	To provide assurance over the operation of key business and financial controls following signing of a new contract and implementation of the revised back office and governance arrangements between Serco and Cubic from July 2017	Follow-up
Inability to deliver predicted revenue growth	Finance	Governance of Over Site Development (OSD) sites	To provide assurance on the strategy for optimising revenue from the delivery of OSD sites	In Progress
Loss of external stakeholder trust		Procurement of Energy for London: SSQ - up to Contract Award	The objective of this audit is to provide assurance that the procurement process for the Energy for London project is effective.	In Progress
Major cyber security incident	Customers, Communication & Technology	Data Privacy and Protection – Marketing Data Security	To evaluate the adequacy of security governance and controls relating to marketing data	In Progress
	Surface Transport	Network and Information Systems (NIS) Regulations - Surface Transport	To provide assurance on the effectiveness of the governance and internal controls designed to ensure compliance with NIS guidelines	In Progress
Talent attraction and retention	HR	People Strategy	To provide assurance on the expected cultural benefits of transformation	In Planning
		Nominee Passes	To provide assurance on the adequacy and effectiveness of controls in place for nominee passes	In Planning
TfL's environment impact	General Counsel	Taxi Delicensing	To provide assurance on the adequacy and effectiveness of controls to manage the Taxi delicensing scheme	In Planning

**Total**

**17**

## Transport for London Audit and Assurance Committee

### Work planned to start in Q2 2019/20

### Appendix 4

#### Grouped by planned period

- There are 16 audits planned to start during the quarter

Strategic risk	Directorate	Ref	Audit title	Objective	Planned period
Governance and control suitability	Surface Transport	19 006	Payments to Local Authorities using the Borough Portal	To provide assurance on the effectiveness of the management of the borough portal	P4
Financial sustainability	Customers, Communication & Technology	19 404	Software Licence Management	Assess the framework and process controls in place to manage risks associated with software licensing across TfL	P5
	Finance	19 609	Management of the ONE Facilities Management (FM) Contract	Provide assurance on the effective management of the ONE FM contract	
Inability to deliver predicted revenue growth	Finance	19 617	Management of Joint Venture Partners and Associated Risks	To provide assurance that the selection of Joint Venture partners and management of associated risks is effective	P6
	Customers, Communication & Technology	19 610	Governance over the JC Decaux advertising contract	Provide assurance that robust contract management controls are in place to ensure accurate reporting of income	
EOI Earliest Opening plan does not demonstrate Crossrail's ability to deliver the programme	Crossrail	19 507	Management of Programme Schedule	To provide assurance over the adequacy of the Early Opening Programme strategy, and the effectiveness of schedule management, and reporting	P6
RBI Recruiting and retaining specific skills to prevent shortage		19 505	The strategic approach to workforce planning	To provide assurance over the controls to ensure resource planning and retention is adequate and operating effectively to support delivery of the Crossrail Business Plan objectives	

## Transport for London Audit and Assurance Committee

Strategic risk	Directorate	Ref	Audit title	Objective	Planned period
SCI Contractors fail to deliver Earliest Opening Programme	Crossrail	19 500	Management of Tier I suppliers	To provide assurance over the Commercial management of Tier I contractors	P6
FCI AFC/DFC exceeds the funding envelope		19 503	Management and Control Over Project Cost Forecasting	To provide assurance over the adequacy and effectiveness of project cost forecasting controls including 'Anticipated Final Cost' (AFC)	
Financial sustainability	Customers, Communication & Technology	19 112	Clean Mobile Energy Cost Certification	To certify costs in respect of EU funding for clean mobile energy (third review)	
	Finance	19 117	Use of Consultants	To provide assurance on the adequacy and effectiveness of controls in place for the use of consultants	
	LU	19 119	TfL Ambassadors	To provide assurance on the adequacy and effectiveness of controls in place to manage TfL Ambassadors	
	Surface Transport	19 120	TfL Fare Evasion Programme – Governance and Performance Management	To provide advisory services in support of programme set up including a review of governance arrangements and performance management	
Governance and control suitability	Finance	19 602	Procurement Governance	To assess the adequacy of commercial governance for procurements	
	Surface Transport	19 007	Bus Operations Model	To review the effectiveness of the Bus operating model	

## Transport for London Audit and Assurance Committee

Strategic risk	Directorate	Ref	Audit title	Objective	Planned period
Major cyber security incident	Customers, Communication & Technology	19 400	Vulnerability & Threat Management	To provide assurance that the plans and implementation of steps to minimise the vulnerability of IT systems from attack are adequate, efficient, and cost effective	P6
<b>Total</b>					<b>16</b>

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## Transport for London Audit and Assurance Committee

### Changes to the 2019/20 audit plan

### Appendix 5

- There are three new Crossrail audits and we cancelled six audits during the quarter.

Ref	Audit title	Status	Audit Comments
19 511	Crossrail - Safety Assurance Arrangements	New	To provide assurance over the effectiveness of arrangements governing safe transition from construction to Rail Operations
19 512	Crossrail - Operational Readiness for trial running		To provide assurance over the adequacy of the handover process to support the commencement of Trial Running
19 513	Crossrail - Operational Readiness for trial operations		To provide assurance over the operational readiness of the operators to commence Trial Operations
19 601	Adequacy of Commercial Governance and Controls for Low Value Works	Cancelled	Following a series of recent internal audits in relation to single sourcing, and other review activity, the Procurement and Supply chain Directorate are completing a programme of improvement initiatives that will address the findings from these reviews. In light of that, these audits are unlikely to add value at this time.
19 606	Governance and Use of Mini-competitions in Framework Contracts - LU		
19 604	Governance and Use of Mini-competitions in Framework Contracts - ST		
19 607	Governance and Use of Mini-competitions in Framework Contracts - Professional Services		
18 031	Telecoms Commercialisation Project - ITT to Contract Award		
19 015	Building Information Modelling (BIM) Governance – Asset Management		
			This audit has been cancelled due to ongoing assurance activity carried out by our Risk & Assurance - Project Assurance colleagues
			The plans to embed BIM in asset management have not been progressed. The intent is to incorporate BIM into a new Digital Strategy. We may revisit for the 2020/21 plan

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**Risk and Assurance Audit Teams Customer Feedback Form Summary of Responses for 2019/20  
Quarter I**

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

Customer Feedback Forms Sent: Q1 =33 (Q4 = 23 )

Customer Feedback Forms Returned: Q1 = 21 (Q4 = 10)

Appendix 6

ASSIGNMENT ASSESSMENT CRITERIA	No score given		Very poor		Poor		Satisfactory		Good		Very good		Average Score	
	Q4	Q1	Q4	Q1	Q4	Q1	Q4	Q1	Q4	Q1	Q4	Q1	Q4	Q1
<b>PLANNING AND TIMING</b>													4.5	3.9
The assignment timing was agreed with me and there was appropriate consideration of my other commitments as the work progressed	0	0	0	0	0	1	0	6	5	7	5	7	4.5	4.0
The assignment was completed and the report issued within appropriate timescales	0	0	0	0	0	2	0	7	5	6	5	6	4.5	3.8
<b>COMMUNICATION</b>													4.5	3.9
Communication prior to the assignment was appropriate, including the dates and objectives	0	0	0	0	0	1	1	7	3	7	6	6	4.5	3.9
Throughout the assignment I was informed of the work's progress and emerging findings	0	0	0	0	0	1	2	6	2	9	6	5	4.4	3.9
<b>CONDUCT</b>													4.6	4.0
The Internal Audit team demonstrated a good understanding of the business area under review and associated risks, or took time to build knowledge and understanding as the work progressed	0	0	0	0	0	1	1	7	3	6	6	7	4.5	3.9
The Internal Audit team acted in a constructive, professional and positive manner	0	0	0	0	0	1	0	5	4	6	6	9	4.6	4.1
<b>RELEVANT AND USEFUL ADVICE AND ASSURANCE</b>													4.5	4.0
A fair summary of assignment findings was presented in the report	0	0	0	0	0	0	1	5	3	10	6	6	4.5	4.0
Assignment recommendations were constructive, practical and cost-effective	0	0	0	0	0	0	1	6	3	10	6	5	4.5	4.0
My concerns were adequately addressed and the review was beneficial to my area of responsibility and operations	0	0	0	0	0	2	0	4	4	10	6	5	4.6	3.9
<b>Overall assessment</b>													4.5	3.9

**Other comments including suggested improvements and areas of good performance:**  
*Planning & Timing: I was very happy with the arrangements re planning and timing.*  
*Planning & Timing: Report was issued in a reasonable time.*  
*Conduct: Audit team seemed knowledgeable and well briefed*  
*Conduct: Team was very professional and positive*  
*Conduct: I wasn't kept informed but I expect my team was. I didn't view this as a problem*  
*Advice and Assurance: I would like to have been involved in the scope discussions for the audit. I think this would have helped focus the scope and therefore findings which I think would have led to more tangible management actions.*  
*Advice and Assurance: The final report I received had closure dates that were mostly March 2020. I think we could have worked on a more detailed set of management responses which would have targeted specific closure of more prioritized items earlier.*

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Control Environment – Trend Indicators

Audit indicators – rolling average									
	Q1 18/19	Q2 18/19	Q3 18/19	Q4 18/19	Q1 19/20	Q2 19/20	Q3 19/20	Q4 19/20	Trend
Poorly Controlled	7.2%	3.6%	6.4%	8.5%	8.7%				
Requires Improvement or Poorly Controlled	20.8%	23.6%	25.5%	31.9%	34.8%				

Technology									
	Q1 18/19	Q2 18/19	Q3 18/19	Q4 18/19	Q1 19/20	Q2 19/20	Q3 19/20	Q4 19/20	Trend
Internal system availability	100.00%	99.97%	99.78%	99.76%	99.85%				

Information Governance									
	Q1 18/19	Q2 18/19	Q3 18/19	Q4 18/19	Q1 19/20	Q2 19/20	Q3 19/20	Q4 19/20	Trend
Number FOI requests	3034	2973	2903	3025	2884				
On time FOI responses	91.7%	92.3%	93.3%	95.3%	95.8%				

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**Date:** 26 September 2019

**Item:** Counter-Fraud, Bribery and Corruption Strategy

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### This paper will be considered in public

## 1 Summary

- 1.1 The purpose of this report is to present to the Committee TfL's Counter-Fraud, Bribery and Corruption Strategy.

## 2 Recommendation

- 2.1 **The Committee is asked to note the Counter-Fraud, Bribery and Corruption Strategy and the steps being taken to implement it.**

## 3 Background

- 3.1 TfL, in common with all organisations, faces significant risks from fraud, bribery and corruption (collectively 'financial crime'). The total estimated cost of financial crime to the UK is £193bn, approximately two-thirds of which relates to procurement fraud. It is estimated that a typical organisation loses two to five per cent of its income due to financial crime, and the level of fraud has increased significantly in recent years driven by technological advances and increasing digitisation.
- 3.2 TfL has a well-established Fraud Team within the Risk and Assurance Directorate, which has a good record of ensuring that fraud cases are prosecuted and that employees found to have committed fraud are dismissed. We have recently seen an increase in the number of fraud cases, with 56 new cases referred to the Fraud Team in 2018/19 compared to 23 in 2017/18. This reflects ongoing fraud awareness activities and improved interaction with other teams carrying out related activities.
- 3.3 However, it is acknowledged that there is likely to be an underlying level of undetected fraud in TfL. This can only be addressed by working hard to ensure that TfL has the best culture in relation to fraud, improving awareness of warning signs of fraud and proactively seeking to detect fraud, as well as strengthening the controls that prevent fraud from happening.
- 3.4 In order to bring about the required changes to minimise TfL's losses from financial crime, the Executive Committee has approved a Counter-Fraud, Bribery and Corruption Strategy structured around five key components: Prevent; Detect; Punish; Deter; and Educate. The Strategy is attached as Appendix 1.

- 3.5 Delivery of this Strategy will require support and sponsorship from senior management across TfL. In order to ensure this happens a Counter-Fraud, Bribery and Corruption Executive Steering Group, has been established, chaired by General Counsel, with senior representation from across the business. Its role will be to provide Executive support to a range of initiatives and activities that support delivery of the Strategy. The Steering Group will monitor progress with delivery of the Strategy and help remove blockages to its success.
- 3.6 The Steering Group has agreed a number of actions to take forward including:
- (a) a targeted approach to identifying the areas of highest fraud risk across the business and strengthening internal controls to minimise the risk of losses. Where applicable this will be delivered by working closely with other initiatives, such as the fare evasion and fraud workstream being led by the Director of Compliance, Policing and On-Street Services;
  - (b) improving the reach and effectiveness of training and awareness activities;
  - (c) implementing a communications plan using a range of media to deter fraud by raising awareness of fraud risks, highlighting successful prosecutions, encouraging reporting and emphasising TfL's zero-tolerance approach to fraud; and
  - (d) improving the use of data, both internal and external, to drive targeted activity to proactively detect fraud.

**List of appendices to this report:**

Appendix 1 – Anti Fraud, Bribery and Corruption Strategy

**Background papers:**

None

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# Counter-Fraud, Bribery & Corruption Strategy 2019-20 - Appendix 1

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Key Messages	Page 6
Action Plan	Pages 7-10

1 May 2019



## Introduction

Fraud, Bribery and Corruption (“Financial Crime”) are acknowledged as inherent risks facing all businesses and organisations.

TfL is exposed to acts of Financial Crime from within the business by its employees, temporary resources, contractors and consultants and externally from the supply chain, customers and other third parties.

The size of TfL as a business with its large headcount, substantial asset base and high volume and value of contracts means the risks of Financial Crime are not insignificant. Coupled with TfL’s role in being entrusted to manage significant public funds and its high profile presence in the city, it is critically important that there is demonstrably effective and efficient prevention, detection and response to all acts of Financial Crime regardless of value or who is involved. Poor or inadequate Financial Crime controls have the very real potential to inflict significant damage on TfL’s reputation in addition to any financial losses suffered.

TfL has in place an Anti-Fraud & Corruption Policy and Procedures, a dedicated Fraud team and regular reporting to the Audit & Assurance Committee. Financial Crime incidents have and continue to be detected and dealt with, including successful criminal prosecutions.

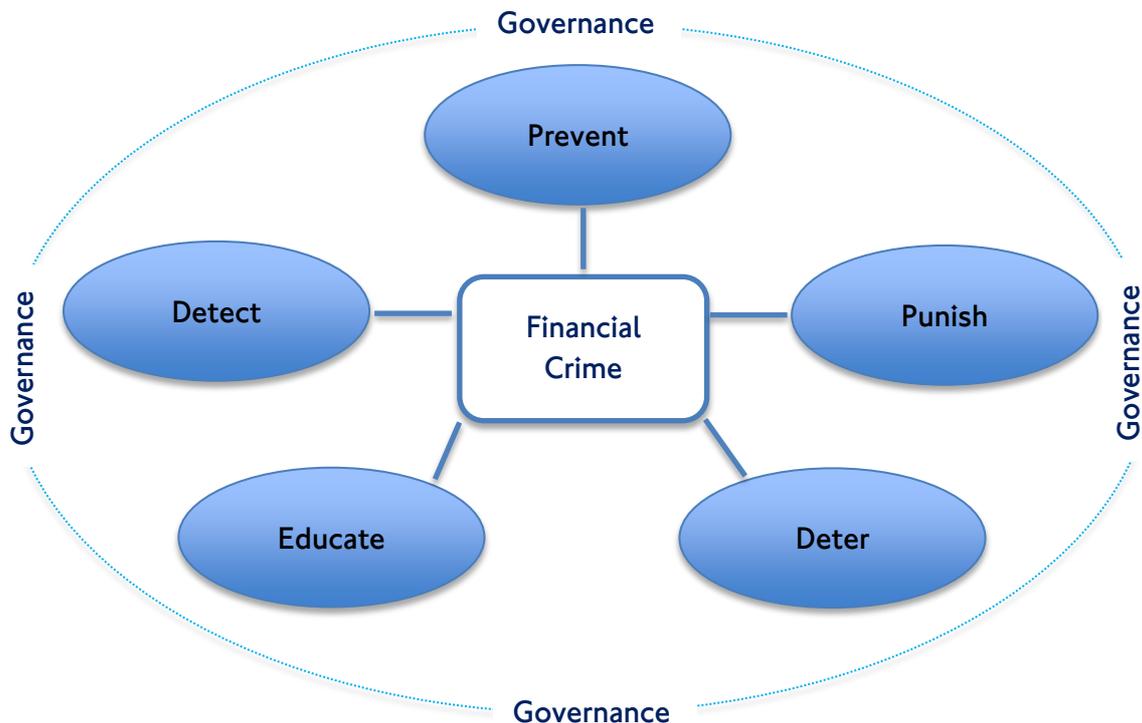
**However and notwithstanding the positive progress and results to date, TfL is some way short of best practice in its approach to prevent and detect Financial Crime. There is more that can and should be done to tackle Financial Crime across the business and also better integrate and align risks for TfL associated with data and information security.**

This strategy takes into account the progress made thus far in tackling Financial Crime and outlines an action plan to strengthen and modernise TfL’s defences, and importantly provide greater protection for its assets and reputation.

Clive Walker  
Director of Risk and Assurance  
1 May 2019

## The Strategy

The strategy has **five** key components, which collectively contribute to TfL's zero tolerance to Financial Crime, specifically:



## Governance

### *Current Position*

TfL has in place an Anti-Fraud & Corruption Policy and Procedure. There are also other supportive policies and procedures covering, for example, Code of Conduct, Business Ethics, Conflicts of Interest and Gifts & Hospitality. There is regular reporting to the TfL Executive Committee and the Audit and Assurance Committee on Financial Crime matters too.

TfL has a well-established Fraud Team within the Risk & Assurance Directorate. The team has processes and procedures in place for dealing with Financial Crime that comes to their attention, and has effective links with law enforcement agencies. A whistleblowing facility is in place for use by all employees, to include the option to contact an independent third party organisation. Other reporting options are also available to employees, including direct reporting to the Fraud Team.

### *Action*

It is proposed that a “**Counter-fraud, Bribery & Corruption Executive Steering Group**” should be established, comprise senior level representation from across TfL. This would provide Executive support for identifying and recommending initiatives and activities that support the enhancement, development and delivery, of a demonstrably effective and efficient risk-based TfL Counter-Fraud, Bribery and Corruption Strategy. One of the tasks of the Group would be monitoring the progress and delivery of initiatives and activities, and helping remove blockages to their success.

# The Five Strategy Components

## 1). Prevent

TfL will strengthen its controls to prevent Financial Crime occurring in the first instance and reduce associated losses.

### *Current Position*

TfL has processes and controls in place to manage key business activities. There are risk-based audit and assurance arrangements to review the effectiveness of controls. Management actions to address control weaknesses are tracked to ensure completion.

Where Financial Crime investigations identify control weaknesses these are highlighted to management to ensure they are addressed.

### *Action*

The Fraud Team, supported by the Risk Team will facilitate risk workshops at strategic and local levels ensure there is clear understanding of the risks of Financial Crime. This will enable resources to be effectively targeted on high risk areas.

Targeted reviews will be carried out of areas with high risk of Financial Crime with the aim of strengthening the controls in place.

## 2). Detect

TfL will improve its capability to detect and respond to instances of Financial Crime.

### *Current Position*

The Fraud and Internal Audit Teams have, historically, carried out work specifically aimed at detecting Financial Crime, but this has been ad-hoc and reactive.

### *Action*

Plan and deliver a structured programme of Financial Crime detection activities, focusing on high risk areas. To facilitate this, identify technological solutions available within and outside TfL to enable interrogation of high volumes of data and use external fraud data, working with other areas of the business (particularly the FSC controls team).

## 3). Punish

TfL will **pursue** criminal or civil prosecutions and recovery of Financial Crime losses.

### *Current Position*

We always pursue criminal prosecutions and recovery of losses where evidence supports this course of action. However, there are increasing challenges in getting law enforcement agencies to take on cases due to their reducing resources and capability to take on Financial Crime cases, regardless of the strength and quality of evidence of crimes presented. This is a widespread challenge faced by businesses, and has led, for example, to the UK insurance industry setting up and funding the City of London Police Insurance Fraud Enforcement Department, and the banking sector sponsoring the Dedicated Card & Payment Crime Unit resourced by Police Officers from the City of London and Metropolitan Police Services.

### **Action**

We will explore using civil recovery channels and, where law enforcement do not accept cases we refer, pursuing civil prosecutions to strengthen our ability to punish offenders.

## **4). Deter**

TfL will publicise internally and externally its Financial Crime strategy including its zero tolerance approach to financial crime.

### **Current Position**

We already regularly undertake messaging internally in presentations for new starters in the Contact Centre, publicise prosecutions and emphasise TfL's zero-tolerance approach to financial crime using Source, Yammer and other media.

### **Action**

We can and should do more, including as part of implementing this strategy and making it very clear Financial Crime in any form is not tolerated. Creating an environment in which those with dishonest intentions feel at risk of detection and punishment is very important. We will use visual deterrents, for example posters displayed in our offices containing powerful messaging which also encourage reporting and short video clips accessible on-line to all employees including for new starter inductions. We will continue to explore opportunities for our zero tolerance approach and capabilities to prevent, detect and respond to Financial Crime, being used in the public domain using social media and other channels.

## **5). Educate**

TfL will provide suitable training, awareness and knowledge for its employees on Financial Crime, to encourage and equip them to identify and report potential Financial Crime activity.

### **Current Position**

The Fraud Team carries out and makes available a range of training and awareness activity, including: the Fraud e-Learning package; targeted awareness sessions for employees in high risk areas, including for Commercial and the Contact Centre; regular fraud awareness messages on Source and Yammer; articles in LU and Surface Transport magazines, and specific activities for events such as the annual Fraud Week.

### **Action**

Take steps to increase the reach and effectiveness of training and awareness activity, including:

- Increase the number and range of awareness sessions.
- Deliver awareness sessions to senior management to ensure they understand their key role in setting 'tone from the top'.
- Work to make the supply chain aware of TfL's Counter-Fraud, Bribery & Corruption strategy and zero-tolerance approach, and their responsibility for having effective controls in place, to including suspicious activity.
- Work to incorporate awareness of Financial Crime into the induction process and for completion of the Fraud Ezone module to be a core requirement for all employees.

## Key Messages

The strategy will need to be supported by an integrated communication plan, encompassing messaging both within and outside TfL. The key messages would include the following:

- The strategy has the unequivocal support and commitment from the TfL Executive, setting the tone from the top and making it clear that TfL is an ethical business focused on doing the right thing.
- TfL is intolerant of any form of Financial Crime regardless of who it is committed by.
- No-one in TfL up to and including the Executive, are outside the law.
- Acts of dishonesty will be robustly acted upon and the ramifications are serious, with convictions publicised within and outside TfL to reinforce this, act as a deterrent and encourage reporting.
- Everyone in TfL and its supply chain has a common responsibility to protect the business and its assets from Financial Crime.
- All employees and suppliers are expected to report any suspicions or knowledge of Financial Crime. Further, that silence, turning a blind eye and tolerance is completely unacceptable.
- Explaining the range of mechanisms for reporting Financial Crime, and that all reports will be investigated.
- Who the TfL Fraud team are and what they do, underline that they are independent and acting with the full support of the Executive and how to contact the team.
- Awareness training and education is provided to employees, and advice and guidance is always readily available from the Fraud team.
- How employees and customers can protect themselves from being victims of fraud.



## Action Plan

The action plan outlined from page (8) will need to be agreed with the Executive Strategy Group. The content of the plan for the purpose of this paper is not intended to be exhaustive, rather illustrative of the specific actions that should form part of the plan. Successful delivery of the plan has a core dependency on Directorates across TfL working in partnership with the Fraud, Risk and Audit teams.

**GOVERNANCE:**

ACTIONS	Responsibility	Timeline
Implement a “Counter-fraud, Bribery & Corruption Executive Steering Group” and agree the Action Plan.	General Counsel	End June 2019

**PREVENT: Strengthen controls to prevent Financial Crime occurring in the first instance and reduce associated losses.**

ACTIONS	Responsibility	Timeline
1). For areas with higher fraud risk, facilitate workshops to identify the key risks, related controls and weaknesses, and implement a programme of controls improvements (this will include items 2 and 3 below).	Fraud and Risk teams with relevant directorates	Q2 2019/20
2). Review employee screening/vetting for all roles, whether permanent or temporary, to identify and then implement the most appropriate model to encompass new starters, internal moves and promotions, and repeat screening/vetting of existing employees in higher-risk roles.	Fraud team/ Business Services	Q2 2019/20
3). Review the end-to-end procurement and supply chain management process to identify control weaknesses that increase the risk of financial crime and data/information abuse, and implement control enhancements.	Fraud team/ Commercial	Q2 2019/20
4). Conduct a no-cost proof of concept using Synectics National SIRA fraud database, to match employee, temporary resource, consultant and contractor data against, to identify matches to persons who have been loaded to National SIRA by financial services business for being concerned with or linked to, fraud and or other financial crime activity, and report the match results and recommendations.	Fraud team	Q2 2019/20
5). Work with HR to include responsibilities for the prevention and detection of Financial Crime in relevant employee job descriptions.	Fraud team/ HR	Q3/4 2019/20
6). Design and implement a “mystery shopper” programme to test and report on business Financial Crime systems and controls, and reporting, in higher risk areas of the business.	Fraud team	Q3/4 2019/20

**DETECT: Improve capability to detect and respond to instances of Financial Crime.**

ACTIONS	Responsibility	Timeline
Conduct an exercise to identify existing internal and external technology such as analytics, Ai and machine learning, to conduct proof of concepts to determine how to cost-effectively increase the identification of suspicious activity using automation before transactions take place and submit a business case to implement subject to the results, to include where the technology could reduce operational expense.	Fraud team working with Finance and T&D	Q2/3 2019/20

**PUNISH: Pursue criminal or civil prosecutions and recovery of Financial Crime losses.**

ACTIONS	Responsibility	Timeline
Explore use of civil prosecutions and alternative civil recovery options for losses sustained, and submit recommendations for the preferred options.	Fraud team/ Legal	Q2 2019/20

**DETER: Publicise internally and externally TfL's Financial Crime strategy including zero tolerance approach to financial crime.**

ACTIONS	Responsibility	Timeline
Formulate and launch an integrated communications strategy that encompasses employees, temporary resources, contractors, consultants, the supply chain, customers, third parties and other stakeholders. Strategy to include as one delivery clearly promoting the options to report suspicions or knowledge, including using Safeline.	Fraud team/ Employee Communications	From May 2019

**EDUCATE: Provide suitable training, awareness and knowledge for employees on Financial Crime, to encourage and equip them to identify and report potential Financial Crime activity**

ACTIONS	Responsibility	Timeline
1). Build and implement an educational framework that encompasses new and existing employees, Managers, Senior Managers and the Executive. Education and awareness to include specific reference at all new starter induction days. The use of short on-line educational and awareness video clips to be explored as means of expanding influence and coverage across TfL, and recommendations submitted for options to proceed.	Fraud team/ Business Services	Q3/4 2019/20
2). Communicate TfL's stance on Financial Crime with the existing supply chain and during tender processes and TfL's expectations for supporting such as part of delivering services/products to TfL.	Fraud team/ Commercial	Q3 2019/20
3). Provide customers with on-line access to information about TfL's stance on Financial Crime, to include reporting channels for suspicions or knowledge.	Fraud team/ Comms	Q3 2019

End

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## Audit and Assurance Committee



**Date:** 26 September 2019

**Item:** Effectiveness Review of the External Auditors

---

### This paper will be considered in public

## 1 Summary

- 1.1 To report to the Audit and Assurance Committee on external auditor effectiveness.
- 1.2 A more detailed paper is included on Part 2 of the agenda, which contains exempt supplementary information. The information is exempt by virtue of paragraph 3 of Schedule 12A of the Local Government Act 1972 in that it contains detailed comments on Ernst & Young's (EY's) performance during the audit, which are commercially sensitive. Any discussion of that exempt information must take place after the press and public have been excluded from the meeting.

## 2 Recommendation

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

## 3 Background

- 3.1 The Terms of Reference of the Audit and Assurance Committee require it to review formally the performance of the external auditors at least annually. This review covers the performance of the external auditors of all parts of the TfL Group where EY are auditor.
- 3.2 The Terms of Reference do not specify the means by which auditor performance is to be assessed. Other guidance is available, one of the more recent of which is the Financial Reporting Council 2016 publication "Guidance on Audit Committees". This is an update of guidance first published in 2003 and subsequently updated in 2008. It is based on the UK Corporate Governance Code, and although this relates to listed companies, the principles are also relevant to entities such as TfL.
- 3.3 The Guidance identifies four criteria in assessing external auditors:
  - (a) qualification;
  - (b) expertise and resources;
  - (c) Effectiveness; and
  - (d) Independence.

- 3.4 EY are the auditors of all entities within the TfL group (with the exception of London Transport Museum which was audited by Kingston Smith LLP). Both EY and Kingston Smith LLP are “registered auditors” and are required to comply with the Audit Regulations which cover such matters as independence and integrity, maintaining competence, compliance with technical standards and monitoring compliance with the Regulations. These requirements ensure that the criterion regarding qualification is addressed.
- 3.5 Independence of the external auditors is dealt with through separate reports to the Audit and Assurance Committee on fees for non-audit services and on independence and objectivity, both reported twice a year. The external auditors are appointed by Public Sector Audit Appointments Limited, the successor body to the Audit Commission, under a statutory process, and this provides additional safeguards in terms of independence.
- 3.6 This paper deals with assessing the remaining two criteria in the Guidance, namely the effectiveness, and also the expertise and resources, of EY as external auditors. The Museum is not material to the group as a whole and the effectiveness of the Museum audit was discussed at their own Audit Committee.

#### **4 Methodology for Assessing External Auditor Effectiveness and Expertise**

- 4.1 A questionnaire was devised and distributed to key finance staff and senior management to obtain their views on the conduct and effectiveness of the external audit, including the expertise and resources of the external auditors.
- 4.2 A separate questionnaire was also devised and distributed to members of the Audit and Assurance Committee to assess the quality and effectiveness of EY’s performance and reporting across the Group in respect of the audit of the year ended 31 March 2019.
- 4.3 Responses from key staff were sought under four main headings:
- (a) audit planning and preparation;
  - (b) field work;
  - (c) closing meetings and sign-off; and
  - (d) General.

Responses from Committee Members were sought under the headings:

- (a) assessing the auditor’s judgements about materiality;
  - (b) risk assessment;
  - (c) nature and extent of audit work; and
  - (d) audit conclusions and auditor reporting.
- 4.4 The questionnaires provided respondents with an opportunity to comment on the specific questions and also respond on more general free-form topics.

- 4.5 Questionnaires were sent out to all parts of the business and to Committee Members, and most were completed and returned. Some parts of the business consolidated their responses into one return for that business unit. The Finance Shared Services Centre and the Group Accounting team were also covered.
- 4.6 Respondents were asked to score responses on a 1 to 3 scale, with 3 being the top score. Average scores were calculated for each part of the questionnaire.

## **5 Conclusions on External Auditor Effectiveness and Expertise**

- 5.1 Overall Members were satisfied with EY's performance as external auditors during 2018/19. Average scores ranged from 2.8-3.0.
- 5.2 TfL finance staff were also generally satisfied with EY performance. Given that this was the third year of EY as auditors the scores on average were broadly consistent with prior years with individual questions achieving average scores ranging from 2.1-3.0 (2017/18 1.9-3.0). The average score across all questions was 2.7 (2017/18 2.7).
- 5.3 It was noted that the thoroughness of the audit work had increased above the prior year, and that EY had taken on board suggested improvements from the 2017/18 feedback. There are some minor areas of improvement that have been communicated to EY.
- 5.4 The questionnaire asked if there were any members of the audit team that TfL staff would single out for their strong personal contribution. Several names were mentioned and these have been fed back to the partners.

### **List of appendices to this report:**

Exempt supplementary information is included in a paper on Part 2 of the agenda.

### **List of Background Papers:**

None

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## Audit and Assurance Committee



**Date:** 26 September 2019

**Item:** TfL Statement of Accounts Year Ended 31 March 2019 -  
Changes Made Prior to Finalisation

---

**This paper will be considered in public**

### **1 Summary**

- 1.1 The draft TfL Group Statement of Accounts for the year ended 31 March 2019 were presented at the previous Committee meeting, where the Statutory Chief Financial Officer was delegated authority to make any adjustments arising from the ongoing audit work prior to submission to the Board.
- 1.2 This paper contains information on the material changes to the Statement of Accounts subsequent to their presentation at the previous Committee.

### **2 Recommendation**

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

### **3 Background**

- 3.1 The Statement of Accounts were signed and approved by the Board on 24 July 2019. At the time that the Statement of Accounts were presented to the Committee at its meeting of 10 June 2019, the audit was ongoing and there were a number of adjustments processed in the intervening period.

### **4 Changes Made Prior to Finalisation**

- 4.1 The following adjustments and disclosure amendments were made to the accounts prior to their finalisation and approval by the Board:
  - (a) The inclusion of the Independent Auditor's Report. This was not incorporated into the draft that went to the 10 June 2019 meeting of the Committee, as the wording around the qualified Value for Money opinion had not, at that time, been agreed.
  - (b) The inclusion, in note 2 Segmental Analysis, of a reconciliation of the Operating Account as reported to management in the Quarterly Performance Report, to the statutory Group Comprehensive Income and Expenditure Account for 2018/19 and 2017/18. This was added to address concerns raised by the Committee over the difficulty of reconciling between the reported deficit in the Quarterly Performance Report and the surplus disclosed in the Statement of Accounts.

- (c) Additional disclosure was added to note 13 Investment Properties, in respect of operating expenditure relating to investment properties.
- (d) A new dormant company incorporated on 8 October 2018 was added to the list of subsidiaries disclosed in note 14 Investment in Subsidiaries.
- (e) A number changes were made to the movement categories in note 28 Provisions. The year end balances for each class of provision remained unchanged.
- (f) Note 30 Guarantees was appended to include disclosure of an additional guarantee granted by the Corporation to Lloyd Bank Plc in relation to liabilities owed by a TfL subsidiary under the Bombardier Journey Time Capability contract.
- (g) Other minor cosmetic and wording changes have also been made throughout.

**List of appendices to this report:**

None

**List of Background Papers:**

None

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Statutory Chief Finance Officer  
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Number: 020 7126 2880

## Audit and Assurance Committee



**Date:** 26 September 2019

**Item:** Freedom of Information Update

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### **This paper will be considered in public**

#### **1 Summary**

1.1 The Freedom of Information (FOI) Act provides public access to information held by public authorities. This legislation is overseen by the Information Commissioner's Office (ICO), who is the independent regulator overseeing the effective processing of requests by public authorities. This paper provides an overview of our performance in processing FOI requests in 2018/19, as well as 2019/20 to date.

#### **2 Recommendation**

2.1 **That the Committee notes this paper.**

#### **3 Background**

3.1 The ICO expects public authorities to reply to at least 90per cent of all FOI requests within the statutory deadline (usually 20 working days – the deadline can be extended in the event more time is required to assess whether the public interest favours using an exemption, to withhold information). TfL exceeded this target on an annual basis for the first time in 2017/18, with a response rate of 91.3per cent.

#### **4 Current Performance**

4.1 TfL ended 2018/19 having processed 2,898 requests within the statutory deadline from a total of 3,027 received. This provides a response rate of 95.7per cent of replies being within the statutory deadline (including 19 requests which were on time but where the deadline was extended). This figure is the highest percentage of requests replied to on time within a financial year by TfL since the Act came into force in 2005, and a 4.4 per cent increase on the previous year which was the previous highest. The overall number of requests received in 2018/19 showed a 5.4 per cent decrease on the preceding year (3027 compared to 3201).

4.2 In each period across 2018/19, TfL achieved a response rate that exceeded its equivalent period in 2017/18 and no single period saw replies on time falling below the ICO's minimum expectation of 90 per cent within deadline.

4.3 Appendix 1 provides the response rate broken down by period for both 2017/18 and 2018/19, as well as the periods within 2019/20 for which we have complete figures so far.

- 4.4 Appendix 2 shows the number of FOI requests received in each period since 2017/18, along with a breakdown of cases categorised as complex and non-complex. Requests are classified as 'complex' when they have potential to create media or political interest.
- 4.5 Appendix 3 provides a table comparing the status of overdue cases since 2017/18. As well as reducing the total number of overdue requests significantly, there has also been a very large reduction in the length of time cases spend overdue before a response is issued.
- 4.6 Attention has been placed on reducing the time it takes to respond to requests generally. Across 2018/19 this produced a 7.6 per cent increase in the proportion of cases being responded to within 14 working days. Focus is being placed on increasing this proportion further so that we are able to routinely respond as promptly as possible, ahead of the 20 working day statutory deadline.
- 4.7 All of the above performance measures are continuing to improve further throughout 2019/20 and we are on track to exceed our previous highest response rate from 2018/19.
- 4.8 As at 9 September, 1097 cases have reached their deadline with 1092 (99.5 per cent) being responded to within the statutory deadline. These performance improvements have been achieved despite the number of requests received increasing against those received within the same timeframe in the previous year (1,383 in 2019/20, 1,299 in 2018/19).
- 4.9 So far in 2019/20, 56.9 per cent of the completed cases have been responded to within 14 working days, increasing from 42.4 per cent of the total achieved across 2018/19.

## **5 The Freedom of Information Caseload**

- 5.1 FOI requests are made about the full range of TfL's responsibilities, and perhaps the most striking aspect of the caseload is its variety. In 2018/19 examples of notable clusters of requests include those around Crossrail's cost and schedule pressures, the Cycle Superhighway programme, the possible use of electric scooters, air quality and ULEZ, Tube noise and the licensing of private hire operators.
- 5.2 Replies to all requests received in 2018/19 were published on the TfL website, which supports the Transparency Strategy, and we have been able to answer more requests by simply referring to previously published replies, or other information published on the website. Approximately 20 per cent of all exemptions applied are because the information is already published, or intended for future publication.
- 5.3 The significant volume of Crossrail material published since 31 August 2018 has helped limit the volume and complexity of FOI requests on this subject, despite the intense scrutiny the project has received. The FOI Case Management team continues to work with all business areas to identify further information suitable for pro-active publication.

## 6 Legal Implications

- 6.1 The progress made in achieving a consistently high response rate across all areas of TfL has required a sustained effort and we maintain a commitment and focus across the organisation on FOI legislation to keep this going.
- 6.2 Should a requester be unhappy with a response to their FOI request, they have the right to request an internal review into the handling of their request. As a result of the improvements highlighted above, we have reduced both the number and proportion of these complaints - 183 (5.7 per cent of 2017/18 caseload) to 137 (4.5 per cent of 2018/19 caseload).
- 6.3 Of the 137 internal review requests into the handling of an FOI request, 11 (8 per cent, or 0.36 per cent of the total caseload) were escalated to the ICO by the requester for further consideration. We received six Decision Notices from the ICO in 2018/19, recording their formal conclusion on our compliance.
- 6.4 Four Decision Notices were in our favour and two were against. Of those against, one related to a late response regarding the Crossrail 2 Programme Board meeting minutes and the other was successfully appealed at the First Tier Tribunal (Information Rights). Five other complaints to the ICO were either resolved informally (two) or were withdrawn (three).
- 6.5 The volume of requests referred to the Information Commissioner in 2018/19 (11) is exactly half the amount that was escalated to them in 2017/18 (22). This, along with the reduction in internal review requests, shows that requesters are increasingly happy with the manner in which TfL has approached their request and, specifically, complied with the legislation. This goes some way to improving how open and transparent TfL is perceived to be.
- 6.6 Since April 2018 three Decision Notices on FOI requests have been appealed to the Information Rights Tribunal. Two were appeals brought by requesters against ICO Decision Notices in our favour and one appeal (on the location of suicide incidents on the Tube) was brought by TfL against an adverse Decision Notice by the ICO. In all three cases the Information Tribunal found in our favour. The appeal we brought was only the second time we have contested an ICO Decision Notice and reflected the importance of the principle at issue and the benefits to health and safety from resisting the ICO's original decision.

### List of appendices to this report:

- Appendix 1 – FOI response rate by period 2017-19
- Appendix 2 – FOI request volumes by period 2017-19
- Appendix 3 – Overdue FOI requests 2017/18 and 2018/19

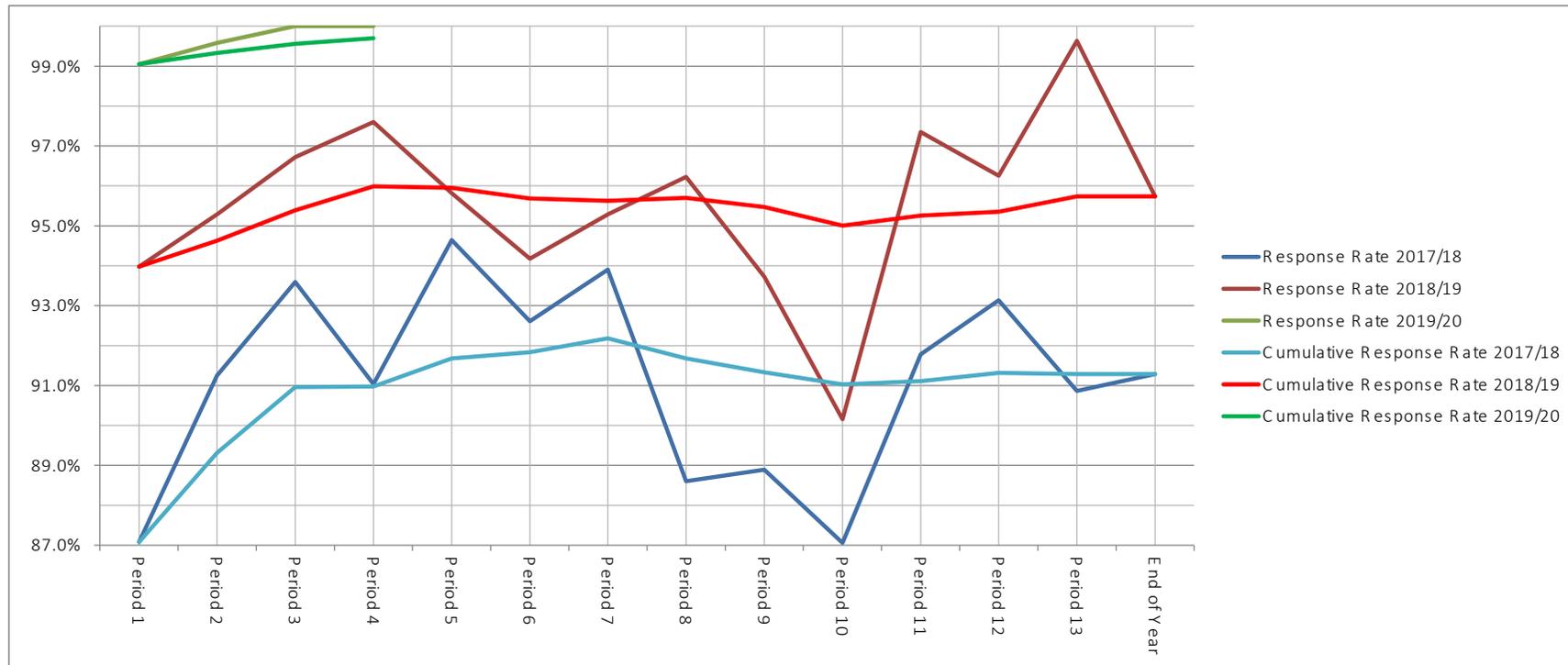
### List of Background Papers:

None

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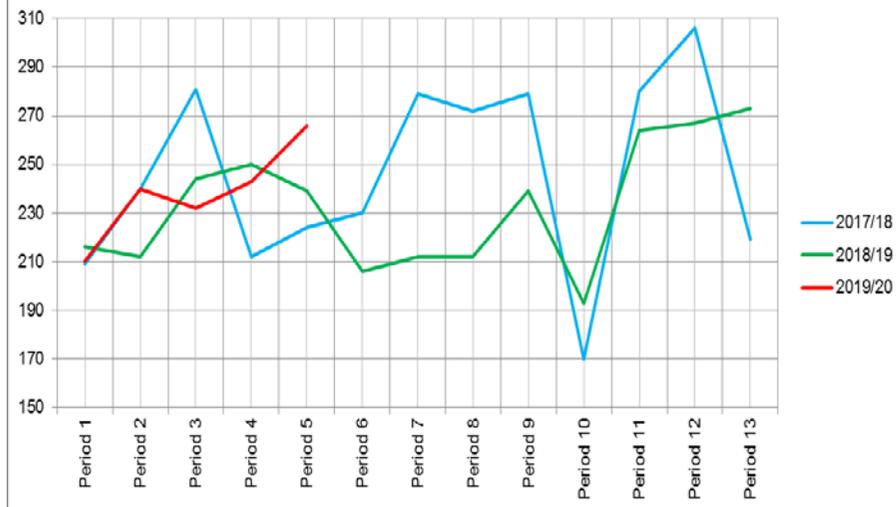
	Response Rate			Cumulative Response Rate		
	2017/18	2018/19	2019/20	2017/18	2018/19	2019/20
Period 1	87.1%	94.0%	99.0%	87.1%	94.0%	99.0%
Period 2	91.3%	95.3%	99.6%	89.3%	94.6%	99.3%
Period 3	93.6%	96.7%	100.0%	91.0%	95.4%	99.6%
Period 4	91.0%	97.6%	100.0%	91.0%	96.0%	99.7%
Period 5	94.6%	95.8%		91.7%	96.0%	
Period 6	92.6%	94.2%		91.8%	95.7%	
Period 7	93.9%	95.3%		92.2%	95.6%	
Period 8	88.6%	96.2%		91.7%	95.7%	
Period 9	88.9%	93.7%		91.3%	95.5%	
Period 10	87.1%	90.2%		91.0%	95.0%	
Period 11	91.8%	97.3%		91.1%	95.3%	
Period 12	93.1%	96.3%		91.3%	95.4%	
Period 13	90.9%	99.6%		91.3%	95.7%	
End of Year	91.3%	95.7%	99.6%	91.3%	95.7%	99.7%



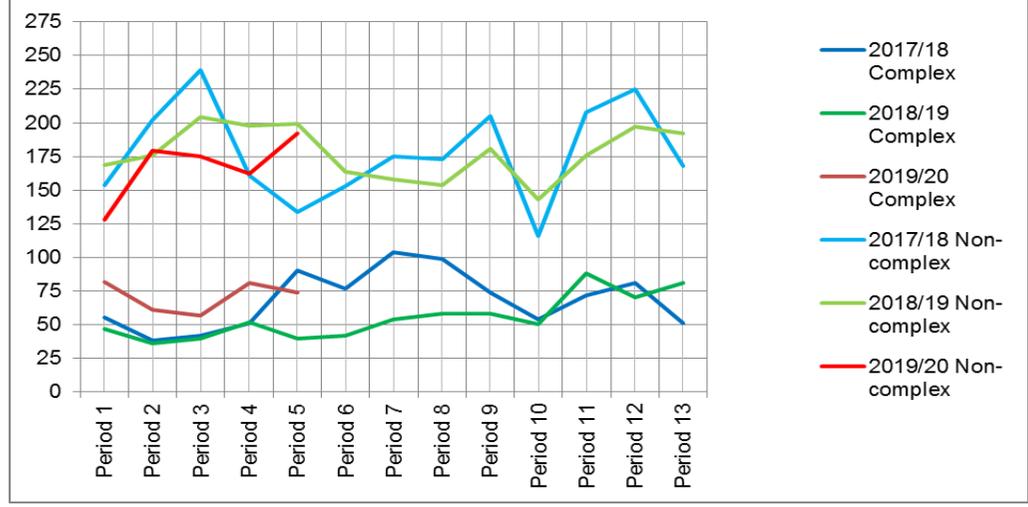
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	Total requests logged			Complex logged			Non-complex logged		
	2017/18	2018/19	2019/20	2017/18	2018/19	2019/20	2017/18	2018/19	2019/20
Period 1	209	216	210	55	47	82	154	169	128
Period 2	240	212	240	38	36	61	202	176	179
Period 3	281	244	232	42	40	57	239	204	175
Period 4	212	250	243	51	52	81	161	198	162
Period 5	224	239	266	90	40	74	134	199	192
Period 6	230	206		77	42		153	164	
Period 7	279	212		104	54		175	158	
Period 8	272	212		99	58		173	154	
Period 9	279	239		74	58		205	181	
Period 10	170	193		54	50		116	143	
Period 11	280	264		72	88		208	176	
Period 12	306	267		81	70		225	197	
Period 13	219	273		51	81		168	192	
End of Year	3201	3027	1191	888	716	355	2313	2311	836

Total FOI request volumes by period



Requests split by complex / non-complex



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Appendix 3

	2017/18	2018/19	Increase/Reduction	2019/20 YTD
Median days overdue	12	11	↓	1
Average (Mean) days overdue	22	14	↓	8
Total days overdue	6107	1828	↓	4279
Total cases overdue	279	129	↓	150
No. of Cases 100+ days overdue	6	0	↓	6
No. of Cases 50-99 days overdue	30	4	↓	26
No. of Cases 20-49 days overdue	63	26	↓	37
No. of Cases 10-19 days overdue	58	40	↓	18
No. of Cases 1-9 days overdue	122	59	↓	63

	2017/18	2018/19	Increase/Reduction	2019/20 YTD
Median days overdue	12	11	↓	1
Average (Mean) days overdue	22	14	↓	8
Total (cumulative) days overdue	6107	1828	↓	4279
Total cases overdue	279	129	↓	150
No. of Cases 100+ days overdue	2%	0%	↓	100%
No. of Cases 50-99 days overdue	11%	3%	↓	73%
No. of Cases 20-49 days overdue	23%	20%	↓	13%
No. of Cases 10-19 days overdue	20%	31%	↑	55%
No. of Cases 1-9 days overdue	44%	46%	↑	4.5%

	2017/18	2018/19	Increase/Reduction	2019/20 YTD
Number of Complex Overdues	146	68	↓	78
Number of Non Complex overdues	133	61	↓	72
% Overdues as Complex cases	52.3%	52.7%	↑	0.4%
% Overdues as Non Complex cases	47.7%	47.3%	↓	0.4%

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## Audit and Assurance Committee



**Date:** 26 September 2019

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

---

**This paper will be considered in public.**

### **1 Summary**

- 1.1 This paper sets out details of the gifts and hospitality declared by the Board and senior staff. This report covers the period 1 May to 31 July 2019. Details of the gifts and hospitality accepted by Members and the most senior staff are already routinely published on our website.

### **2 Recommendation**

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

### **3 Background**

- 3.1 TfL's policy on gifts and hospitality applies to TfL Board Members, all staff who work for TfL and staff contracted to work for TfL including on advisory groups or through a third party. It covers both gifts and hospitality offered directly or offered through a spouse or partner.
- 3.2 The policy was last reviewed and updated in November 2017. It starts from the premise that any gifts or hospitality offered should usually be declined. No offer should be accepted where there is a possibility, or a perception, of being influenced by it. The guidance provides advice on the few circumstances where acceptance might be appropriate but, as a guiding principle, Members and staff are advised to err on the side of caution. Acceptance of any offer requires line manager approval and an explanation as to why acceptance is appropriate.
- 3.3 Board Members and staff are required to register with the General Counsel any gift or hospitality received in connection with their official duties that has a value of £25 or over, and also the source of the gift or hospitality. For staff, declarations are made at the end of every month. As the acceptance of any offers of gifts or hospitality by Members is uncommon, they are asked to confirm any declarations at the end of every quarter. Offers accepted by Members and the most senior staff are then reviewed and published on [tfl.gov.uk](http://tfl.gov.uk) on a quarterly basis.
- 3.4 Gifts and hospitality declarations from Members, the Commissioner and Managing Directors, the General Counsel and the Chief Finance Officer have been published on [tfl.gov.uk](http://tfl.gov.uk) since 2012.

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

## 4 Reporting Period and Issues for Consideration

- 4.1 Appendix 1 sets out gifts and hospitality declared by senior staff over the three month period from 1 May to 3 July 2019 (the latest reporting period). There were no declarations by Members during this period.
- 4.2 A total of 145 declarations were made by senior staff in relation to gifts and hospitality offered at a value of £25 or over within the period covered by the report (three months). A total of 110 offers were declined and 35 were accepted. Table 1 provides a summary of the number of offers accepted and declined by senior staff who received more than 10 offers during the period.

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

Name	Role	Offers	Accepted	Declined
Mike Brown MVO	Commissioner	29	8	21
Graeme Craig	Director of Commercial Development	46	4	42
Stephen Field	Director of Pensions and Reward	18	2	16
Michael Hurwitz	Director of Transport Innovation	12	1	11

- 4.3 Table 2 shows the figures provided in previous reports since May 2018 and then breaks these down to a monthly average for each period reported, to enable some trend analysis.
- 4.4 On a monthly average basis, the actual number of offers received has fluctuated from a high of 83 to a low of 43. The number of offers received and accepted in the latest period (May to July 2019) fall within that range and are significantly less than in the same reporting period in 2018 (May to July 2018).
- 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 2: Figures reported to previous meetings and monthly averages**

	<b>01/05/18- 31/07/18</b>	<b>01/08/18- 31/10/18</b>	<b>01/11/18 31/01/19</b>	<b>01/02/19- 30/04/19</b>	<b>01/05/19- 31/07/19</b>
<b>Period reported to Committee</b>	3 months	3 months	3 months	3 months	3 months
Total offers	249	167	193	128	145
Total declined	185	137	136	94	110
Total accepted	64	30	57	34	35
<b>Monthly average</b>					
Total offers	83	56	64.3	43	48.3
Total declined	62	46	45.3	31	37
Total accepted	21.3	10	19	11	12

**List of appendices to this report:**

Appendix 1 – Gifts and Hospitality Register, Members and Senior Staff 1 May to 31 July 2019

**List of Background Papers:**

Corporate Gifts and Hospitality Register

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**Gifts and Hospitality Register - TfL Board Members and Senior Officers  
1 May - 31 July 2019**

<b>Name of Officer</b>	<b>Donor/Provider of Gift/Hospitality</b>	<b>Detail of Gift/Hospitality</b>	<b>Reason for Accepting Gift / Hospitality</b>
Adams Simon	Gardiner and Theobald	Drinks reception	Networking
Adams Simon	Wates	Dinner in aid of Save the Children.	Networking
Brown Matt	Chartered Institute of Public Relations	Awards dinner	Matt was judging at the event
Brown Mike	Kathryn & Frances Nichols and Simon Kirby	Dinner with Nichols Group	Business discussion
Brown Mike	Colas Rail	Colas Rail successfully bid for a tour and dinner with the Commissioner at the LTM Dinner and Auction	Dinner with the Commissioner was a prize at the LTM Dinner & Auction
Brown Mike	Sir Peter Hendy, Chair and Lyn Garner, CEO LLDA	Queen Elizabeth Olympic Park Partners Dinner	Park Partner - networking
Brown Mike	LCCI	Colin Stanbridge's (LCCI CEO) Retirement Dinner	LCCI & TfL's longstanding relationship
Brown Mike	Dame Colette Bowe, DfT NED	Lunch	Business meeting
Brown Mike	London First - Jasmine Whitbread, CEO	London First Summer Business Lunch	Networking with Government and business leaders
Brown Mike	Major Project Association (invite from Michele Dix, MPA Board Member)	MPA Prestige Lecture and Dinner	Guest of Michele Dix
Brown Mike	Societe Nationale des Chemins de Fer Francais team (France's national state-run railway company)	Lunch	Business lunch
Craig Graeme	Jones Lang LaSalle	Reception	Networking Event
Craig Graeme	Aprirose	Completion of Holborn Central Contract - Lunch	Networking Event
Craig Graeme	Urban Land Institute Netherlands Annual Conference	Speaking engagement - ULI Netherlands Annual Conference	Networking Event
Craig Graeme	Pipers Projects	2019 London Real Estate Forum	Networking Event

**Gifts and Hospitality Register - TfL Board Members and Senior Officers  
1 May - 31 July 2019**

Dix Michèle	Institution of Civil Engineers	All-Party Parliamentary Group for Women in Transport - Summer Reception	To promote women in transport
Dix Michèle	Royal Academy of Engineering	Annual Awards Dinner	50th anniversary awards
Dix Michèle	Major Projects Association	Dinner Reception at Institution of Civil Engineers (ICE)	Michele is a member of the ICE
Everitt Vernon	Fujitsu	CEO's Dinner	Relationship management
Everitt Vernon	Financial Times	Future of Transport' - FT Dinner	Relationship building
Field Stephen	Neil Lalley, Principal, XPS Pensions Group	XPS Pensions Group 2019 Annual Drinks Party	Networking
Field Stephen	Gareth Oxtoby, Willis Towers Watson (WTW)	Actuarial Valuation Committee Dinner with WTW in their offices	Conclusion of trustee valuation
Hurwitz Michael	GreenTech Festival	Invitation from Nico Rosberg - speaking engagement	Speaking engagement
Judge Paul	Siemens (Dave Hooper)	Post-work meeting - informal regular catch up on progress - Drinks / Nibbles	Key Supplier / Commercial Relationship
Judge Paul	Bruton Group	Bruton Group - Organised Networking Event	Networking - Promoting TfL
Matson Lilli	Kings College London	Policy Institute Summer Reception	Networking opportunity
Matson Lilli	Green Alliance	Summer reception	Networking
Miller Elspeth	Arcadis	Networking opportunity with industry leaders and experts, including Professor Andrew Baum, Saïd Business School.	Industry networking opportunity
Murphy Helen	Arup	Arup summer reception	Networking
Page Tom	Ben Foulser	Dinner	Attended as UITP colleague (on same committee).
Page Tom	RATP	Networking event organised by RATP with light food and drinks	UITP networking event - invited as member of UITP committee

**Gifts and Hospitality Register - TfL Board Members and Senior Officers**  
**1 May - 31 July 2019**

Pickup Nigel	Savills World Research Team	Launch Evening Event over Drinks/Canapes	Business/Networking/Launch
Powell Gareth	Leighton Paisner LLP	Driving Change from the Top Networking	Sponsor of Sub-group Wellment
Powell Gareth	The City of London Corporation	Reception and boat tour	Stakeholder
Reid Stuart	Systra Limited	Reception at the London Transport Museum	Opportunity to hear about transport development outside London
Williams Alex	Mark Lever - Gatwick Airport	Reception with Gatwick Airport's new owners	Meeting new owners and networking and building contacts
Williams Alex	Jace Tyrrell - New West End Company	The London Development Dinner	Dinner and discussion on the key development-related issues facing the industry and London's government.
Williams Alex	Tony Newman / Sir Peter Hendy	Dinner and discussion of the Croydon Area remodeling scheme and the Croydon Station redevelopment	Discussion of projects to help forge enhanced partnership and collaboration to move forward with the shaping of the proposals

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## Audit and Assurance Committee



**Date:** 26 September 2019

**Item:** Members Suggestions for Future Discussion Items

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**This paper will be considered in public.**

### **1 Summary**

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

### **2 Recommendation**

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

### **3 Forward Plan Development**

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

3 December 2019:	Director of Risk and Assurance
18 March 2020:	Chief Finance Officer
8 June 2020:	External Auditors
December 2020:	Director of Risk and Assurance

## 4 **Current Plan**

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

### **List of appendices to this report:**

Appendix 1 – Audit and Assurance Committee Forward Plan

### **List of Background Papers:**

None

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**Audit and Assurance Committee Forward Planner 2019/20**

**Appendix 1**

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

<b>3 December 2019</b>		
Risk and Assurance Quarterly Report	D Risk and Assurance	Quarterly
EY Report on Non-Audit Fees	Chief Finance Officer	Quarterly
Legal Compliance Report	General Counsel	Bi-annual
Gifts and Hospitality Register	General Counsel	Quarterly
Executive Committee Expenses	Chief Finance Officer	Quarterly
IIPAG Quarterly Report	Head of Project Assurance	Quarterly
Update on Procurement Controls	Chief Finance Officer	Minute Ref 26/06/19
Financial Key Indicators	Chief Finance Officer	
Cyber Security Update	D Strategy and Chief Technology Officer	Minute Ref 33/06/19
Strategic Risk Update - Significant Technology Failure (SR11)	D Strategy and Chief Technology Officer	Annual

<b>18 March 2020</b>		
Risk and Assurance Quarterly Report	D. Risk and Assurance	Quarterly
EY Report on Non-Audit Fees	Chief Finance Officer	Quarterly
Integrated Assurance Plan 2020/21	D. Risk and Assurance	Annual
Personal Data Disclosure to the Police and Other Agencies	D. Compliance, Policing and On-Street Services	Annual
Register of Gifts and Hospitality	General Counsel	Quarterly
IIPAG Quarterly Report	Head of Project Assurance	Quarterly
Executive Committee Expenses	Chief Finance Officer	Quarterly
Strategic Risk Update - Protective Security (SR17)	D. Compliance, Policing and On-Street Services	Annual

## Audit and Assurance Committee Forward Planner 2019/20

<b>8 June 2020</b>		
Risk and Assurance Quarterly Report	D. Risk and Assurance	Quarterly
Risk and Assurance Annual Report	D. Risk and Assurance	Annual
TfL Annual Report and Accounts	Chief Finance Officer	Annual
Review of Governance and the Annual Governance Statement	General Counsel	Annual
EY Report to Those Charged with Governance	Chief Finance Officer	Annual
EY Letter on Independence and Objectivity	Chief Finance Officer	Annual
EY Report on Non-Audit Fees for Six Months ended 31 March 2020.	Chief Finance Officer	Quarterly
Annual Audit Fee 2020/21	Chief Finance Officer	Annual
Register of Gifts and Hospitality	General Counsel	Quarterly
Executive Committee Expenses	Chief Finance Officer	Quarterly
Legal Compliance Report	General Counsel	Bi-annual
IIPAG Quarterly Report	Head of Project Assurance	Quarterly
Strategic Risk Update - Governance and Controls Suitability (SR3])	General Counsel	Annual

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