

Agenda

Meeting: Audit and Assurance Committee

Date: Wednesday 30 November 2022

Time: 10:00am

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

Members

Mark Phillips (Chair)

Anurag Gupta (Vice-Chair)

Kay Carberry CBE

Dr Mee Ling Ng OBE

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

This meeting will be open to the public and webcast live on [TfL YouTube channel](#), except for where exempt information is being discussed as noted on the agenda.

There is access for disabled people and induction loops are available. A guide for the press and public on attending and reporting meetings of local government bodies, including the use of film, photography, social media and other means is available on www.london.gov.uk/sites/default/files/Openness-in-Meetings.pdf.

Further Information

If you have questions, would like further information about the meeting or require special facilities please contact: Sue Riley, Secretariat Officer; Email: sueriley@tfl.gov.uk.

For media enquiries please contact the TfL Press Office; telephone: 0343 222 4141; email: PressOffice@tfl.gov.uk

Howard Carter, General Counsel
Tuesday 22 November 2022

**Agenda
Audit and Assurance Committee
Wednesday 30 November 2022**

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 21 September 2022
(Pages 1 - 8)**

General Counsel

The Committee is asked to approve the minutes of the meeting of the Committee held on 21 September 2022 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.

External Audit Items

5 External Audit Plan TfL, TTL and Subsidiaries - Year Ending 31 March 2023 (Pages 13 - 72)

Statutory Chief Finance Officer

The Committee is asked to note the Plan.

6 Annual Audit Letter (Pages 73 - 104)

Statutory Chief Finance Officer

The Committee is asked to note the paper.

7 EY Report on Non-Audit Fees for the Period 1 April - 30 November 2022 (Pages 105 - 108)

Statutory Chief Finance Officer

The Committee is asked to note the paper.

Audit, Risk and Assurance Items

8 Risk and Assurance Quarter 2 Report 2022/23 (Pages 109 - 154)

Director of Risk and Assurance

The Committee is asked to note the report and the exempt supplementary information on Part 2 of the agenda and approve the updated Audit Plan set out in Appendix 1.

9 Independent Investment Programme Advisory Group Quarterly Report (Pages 155 - 160)

General Counsel

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

10 Elizabeth Line Programme Assurance Quarter 2 Report 2022/23 (Pages 161 - 168)

Director of Risk and Assurance

The Committee is asked to note the report.

Accounting and Governance

11 Annual Tax Compliance Update (Pages 169 - 188)

Group Finance Director and Statutory Chief Finance Officer

The Committee is asked to note the paper.

12 Legal Compliance Report (1 April 2022 - 30 September 2022) (Pages 189 - 198)

General Counsel

The Committee is asked to note the report.

13 Finance Control Environment Trend Indicators (Pages 199 - 204)

Statutory Chief Finance Officer

The Committee is asked to note the paper.

14 Register of Gifts and Hospitality for Members and Senior Staff (Pages 205 - 210)

General Counsel

The Committee is asked to note the paper.

15 Members' Suggestions for Future Discussion Items (Pages 211 - 214)

General Counsel

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

16 Any Other Business the Chair Considers Urgent

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

17 Date of Next Meeting

Wednesday, 15 March 2023 at 10.00am.

18 Exclusion of Press and Public

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

Agenda Part 2

19 Risk and Assurance Quarter 2 Report 2022/23 (Pages 215 - 252)

Director of Risk and Assurance

Exempt supplementary information relating to the item on Part 1.

20 Independent Investment Programme Advisory Group Quarterly Report (Pages 253 - 256)

Director of Risk and Assurance

Exempt supplementary information relating to the item on Part 1.

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Transport for London

Minutes of the Audit and Assurance Committee

**Conference Rooms 1 and 2, Ground Floor, Palestra
197 Blackfriars Road, London, SE1 8NJ,
10.00am, Wednesday 21 September 2022**

Members

Mark Phillips	Chair
Anurag Gupta	Vice-Chair
Kay Carberry CBE	Member
Dr Mee Ling Ng OBE	Member

Executive Committee

Howard Carter	General Counsel
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Staff

Richard Bevins	Head of Information Governance (Minute Reference 50/09/22)
Joan Buszewska	Head of Elizabeth line Programme and Project Assurance
Patrick Doig	Group Finance Director and statutory Chief Finance Officer
Jill Elliott	Head of Internal Audit
Jules Gascoigne	Chief Information Security Officer (Minute Reference 52/09/22)
Lorraine Humphrey	Director of Risk and Assurance
Nico Lategan	Head of Enterprise Risk
Richard Mullings	Head of Counter-Fraud and Corruption
James Norris	Interim Head of Project Assurance
Chris Tann	Head of Financial Accounting and Tax
Mike Shirbon	Head of Quality, Safety and Security Assurance
Vicky Taylor	Senior Governance and Business Change Manager (Minute Reference 52/09/22)
Sue Riley	Secretariat Officer

Also In Attendance

Janet Dawson	Partner, Ernst & Young
Caroline Mullings	Partner, Ernst & Young
Alison Munro	Chair, Independent Investment Programme Advisory Group

40/09/22 Apologies for Absence and Chair's Announcements

The Chair welcomed everyone to the meeting. There were no apologies for absence.

The Chair agreed to take Item 5, TfL Annual Report and Statement of Accounts for the Year Ended 31 March 2022, and Item 6, Annual Audit Letter 2022, which were marked to follow on the agenda, as late items, as information in the papers was being verified and finalised at the time of publication. There was no report for Item 19 (Annual Audit Letter Part 2 paper) and this had been withdrawn.

The Chair reminded those present that safety was paramount at TfL and encouraged Members to raise any safety issues during discussions on a relevant item or with TfL staff after the meeting. No matters were raised.

Following the meeting Members were scheduled to receive an annual security briefing.

41/09/22 Declarations of Interest

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

42/09/22 Minutes of the Meeting of the Committee held on 6 June 2022

The Chair, in consultation with the Committee, approved the minutes of the meeting held on 6 June 2022, subject to the fourth paragraph of Minute 28/06/22 being amended from £25,000 to £2,500.

43/09/22 Matters Arising, Actions List and Use of Delegated Authority

Howard Carter introduced the paper, which set out progress against actions agreed at previous meetings and the use of Chair's Action in signing off the end of year results against the 2021/22 scorecards.

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

44/09/22 TfL Annual Report and Statement of Accounts for the Year Ended 31 March 2022

This item was published as a late urgent item on 20 September 2022, as information in the report was not available when the papers for the meeting were published.

Patrick Doig introduced the report. He expressed his thanks to Board Members, and particularly the Chair of the Finance and Audit and Assurance Committees for their support during this challenging period.

While the level of uncertainty had significantly reduced with the funding settlement, uncertainty remained. He was confident that TfL would meet the funding conditions of the settlement, but in the interests of transparency and full disclosure, he highlighted to the Committee the continued risks and uncertainty.

The Board had agreed the draft Annual Report on 27 July 2022. The Foreword had been updated to reflect the agreed funding settlement and the recent death of HM Queen Elizabeth II.

The accounts would be signed by the Statutory Chief Finance Officer on 22 September 2022, and a copy sent to EY for final review ready for final signature by the Chair and publication on 27 September 2022.

The Committee noted the paper and:

- (a) approved the 2021/22 Statement of Accounts for the Year Ended 31 March 2022 and agreed that the Statutory Chief Finance Officer make any adjustments arising from the work prior to the auditors, Ernst & Young LLP, signing their opinion or from any comments made by the board of any Subsidiary company. Should any changes be required to the Statement of Accounts which, in the opinion of the Statutory Chief Finance Officer are material, he would seek approval of the Committee for these changes;**
- (b) noted that the TfL Board had authorised the Chief Customer and Strategy Officer to make any further design or editorial changes to the Annual Report as may be required;**
- (c) noted that the Chair of the Committee would sign and date the Statement of Accounts in due course.**

45/09/22 Annual Audit Letter

This item was published as a late urgent item on 20 September 2022, as information in the report was not available when the papers for the meeting were published.

Janet Dawson presented the Annual Audit Letter summarising EY's conclusions on the Annual Statement of Accounts and Value for Money. Key areas of focus and risks, as set out in the Audit Results Report, were highlighted.

At the time of issue of the report, EY were finalising their comments in relation to their assessment of TfL as a going concern, and a verbal update was provided.

The Committee noted the Letter.

46/09/22 Risk and Assurance Quarter 1 Report 2022/23

Lorraine Humphrey introduced the report setting out work completed by the Risk and Assurance Directorate during Quarter 1 of 2022/23 (1 April to 25 June 2022), including work in progress and planned activities. Jill Elliott, Nico Lategan, Richard Mullings, James Norris and Mike Shirbon were also in attendance.

There was a continued focus on reducing the number of overdue management actions, which was reflected in the downward trend. Actions arising from completed audits were being actively tracked with positive engagement from Chief Officers.

The Project Assurance reviews had identified areas for improvement in the quality of business cases and Estimated Final Costs. There had been a continued decrease in overdue recommendations. One response on an overdue critical recommendation had been received and was being reviewed.

The Committee requested further details in future reports on any overdue management actions above 100 days, including Management action plans.

[Action: Jill Elliott/Mike Shirbon]

Further information on the Requires Improvement audits would be provided, including an update on the review of Cubic User Access Management controls. **[Action: Jill Elliott]**

The Committee sought clarification on whether fraud against TfL, through its revenue activities, was increasing or decreasing and further information, following engagement with key stakeholders, would be provided at the next meeting.

[Action: Richard Mullings]

Discussions took place about the increase in fraud referrals, including whistleblowing cases, being received by TfL. The Committee was advised that a review of TfL's whistleblowing procedures, and other reporting mechanisms, was in progress.

The current 14 Enterprise Risks had been reviewed and had been reduced to 10. A risk appetite exercise was currently in progress.

Discussions took place about how TfL monitored risk exposure for each Enterprise Risk and the mitigations in place.

It was agreed that the Executive Committee should discuss the best approach to ransomware.

[Action: Jules Gascoigne]

The Committee noted the downward trajectory of the audit indicators trend for poorly controlled or requires improvement audit outcomes.

The Committee noted the report and the exempt supplementary information on Part 2 of the agenda and approved the updated Audit Plan.

47/09/22 Independent Investment Programme Advisory Group Quarterly Report

Lorraine Humphrey introduced the Independent Investment Programme Advisory Group's (IIPAG's) Quarterly Report. Alison Munro set out the key areas of the report in detail.

Good progress was being made in the recruitment of additional members of IIPAG and it was intended that new members would be appointed in the autumn.

The Committee noted the Independent Investment Programme Advisory Group's Quarterly Report, the management response and approved the Independent Investment Programme Advisory Work Programme for 2022/23.

48/09/22 Elizabeth Line Programme Assurance Quarter 1 Report 2022/23

Lorraine Humphrey and Joan Buszewska presented the overview of programme assurance activity in relation to the Elizabeth line during Quarter 1 of 2022/23 (1 April to 25 June 2022).

The recent Infrastructure and Projects Authority review of the Elizabeth line had been positive and acknowledged the robust assurance processes in place.

Network Rail had set up a programme of improvements to improve performance on the western section of the railway, but there was continued concern whether the necessary improvements would be achieved in the timescales needed.

The Committee noted the paper.

49/09/22 Finance Control Environment Trend Indicators

Patrick Doig introduced the quarterly report on Financial Control Environment Trend Indicators.

The Committee welcomed the progress in performance and the introduction of stretch targets.

The Committee noted the paper.

50/09/22 Freedom of Information Update

Richard Bevins presented the annual update on Freedom of Information requests and performance at TfL.

TfL continued to outperform other public bodies and above the requirements of the Information Commissioner's Office, despite receiving some of the highest number of requests.

Trends in requests were continually monitored and the continual increase of published information led to a decrease in requests.

The Committee noted the paper.

51/09/22 Effectiveness Review of the External Auditors

Patrick Doig introduced the annual report on external auditor effectiveness. EY were not present for the Part 2 discussion of this item.

Issues around availability and continuity of partners had been fed back to EY.

The Committee asked that its thanks to EY for their hard work during this challenging period be recorded.

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

52/09/22 Enterprise Risk Update – Significant Security Incident (ER4)

Vicky Taylor and Jules Gascoigne presented the annual update on Enterprise Risk 4.

The Committee was assured that there was close, integrated working between the Risk and Assurance Directorate and the Security, Governance and Culture team, including the sharing of knowledge, information and good practice through a range of internal forums.

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

53/09/22 Register of Gifts and Hospitality for Members and Senior Staff

Howard Carter presented the quarterly update on the register of gifts and hospitality for Board Members and senior staff.

The Committee noted the paper.

54/09/22 Members' Suggestions for Future Discussion Items

Howard Carter presented the current forward plan for the Committee.

The Committee noted the forward plan.

55/09/22 Any Other Business the Chair Considers Urgent

There was no additional urgent business.

56/09/22 Date of Next Meeting

The next scheduled meeting of the Committee would be held on Wednesday 30 November 2022 at 10.00am.

57/09/22 Exclusion of Press and Public

The Committee agreed to exclude the press and public from the meeting, in accordance with paragraphs 3 and 7 of Schedule 12A to the Local Government Act 1972 (as amended), when it considered the exempt information in relation to the items on: Risk and Assurance Quarter 1 Report 2022/23; Effectiveness Review of the External Auditors; and Enterprise Risk Update – Significant Security Incident (ER4).

The meeting closed at 1pm.

Chair: _____

Date: _____

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Audit and Assurance Committee



Date: 30 November 2022

Item: Matters Arising and Actions List

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 of recent appointments, approved by the Committee's Chair, to the Independent Investment Programme Advisory Group (IIPAG).

2 Recommendation

- 2.1 **The Committee is asked to note the paper and the attached Actions List.**

3 IIPAG Appointments

- 3.1 As set out in the Terms of Reference for IIPAG, the Chair of this Committee approves the appointment of members of the IIPAG or any of its sub-groups.
- 3.2 Following competitive recruitment processes, the Chair has approved the following six appointments:

Approval given 20 September 2022

- (a) Phil Threlfall, as a member of IIPAG and as a member of the IIPAG Elizabeth Line Sub-Group;
- (b) Ray Christopher, as Chair and Peter Cornforth and Derek Williams as members of the IIPAG-TTLP Sub-Group, which will provide assurance on the activities of TfL's property company TTL Properties Limited;

Approval given 12 October 2022

- (c) Simon Blanchflower, as a member of IIPAG; and
- (d) Elizabeth Baker, as a member of IIPAG, effective from 9 January 2023.

List of appendices to this report:

Appendix 1: Actions List

List of Background Papers:

Minutes of previous meetings of the Audit and Assurance Committee
IIPAG Terms of Reference

Contact Officer: Howard Carter, General Counsel
Email: HowardCarter@tfl.gov.uk

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Audit and Assurance Committee Actions List (to be reported to the meeting on 30 November 2022)

Actions from the meeting held on 21 September 2022

Minute No.	Item/Description	Action By	Target Date	Status/Note
46/09/22 (1)	Risk and Assurance Quarter 1 Report 2022/23 Further details in future reports on any overdue management actions above 100 days, including Management action plans, to be provided.	Jill Elliot	30 November 2022 meeting.	Information included in report on agenda. Complete.
46/09/22 (2)	Further information on the Requires Improvement audits to be provided, including an update on the review of Cubic User Access Management controls.	Jill Elliot	30 November 2022 meeting.	Information included in report on agenda. Complete.
46/09/22 (3)	Clarification on whether fraud against TfL, through revenue activities, was increasing or decreasing and further information, following engagement with key stakeholders, to be provided at the next meeting.	Richard Mullings	15 March 2023 meeting.	In progress.
46/09/22 (4)	The Executive Committee to discuss the best approach to ransomware.	Jules Gascoigne	15 March 2023 meeting.	In progress.

Actions from previous meetings

Minute No.	Item/Description	Action By	Target Date	Status/Note
29/06/22 (1)	Risk and Assurance Annual Report Enterprise Risk 1 (Major safety, health or environmental incident or crisis) audits to be shared with the Chair of the Safety, Sustainability and Human Resources Panel.	Lorraine Humphrey	-	Ongoing.

Audit and Assurance Committee



Date: 30 November 2022

Item: External Audit Plan TfL, TTL and Subsidiaries - Year Ending 31 March 2023

This paper will be considered in public

1 Summary

- 1.1 This paper presents to the Committee EY's draft audit planning report for the audit of the financial statements of Transport for London, Transport Trading Limited (TTL) and its subsidiaries for the year ending 31 March 2023 (the Plan).

2 Recommendation

- 2.1 The Committee is asked to note the paper.

3 Background

- 3.1 The Plan has been developed by EY and sets out their audit strategy for the 2022/23 financial year. It highlights key audit risks and areas of focus.
- 3.2 Due to the increased public scrutiny of TfL's funding needs, the Plan assesses the overall engagement risk as a 'close monitoring risk assurance engagement'. In response the audit will be subject to an enhanced Audit Quality review and specific procedures to be performed.

List of appendices to this report:

Appendix 1: EY's Draft TfL Audit Planning Report for the Year Ended 31 March 2023

List of Background Papers:

None

Contact: Patrick Doig, Group Finance Director and Statutory Chief Finance Officer

Email: PatrickDoig@TfL.gov.uk

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Transport for London Audit planning report

Year ending 31 March 2023

30 November 2022

Appendix 1

Private and Confidential

**Audit and Assurance Committee
Transport for London
5 Endeavour Square
Stratford
London
E20 1JN**

30 November 2022

Dear Audit and Assurance Committee Members

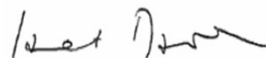
We are pleased to attach our draft Audit Plan which sets out how we intend to carry out our responsibilities as auditor. Its purpose is to provide the Audit and Assurance Committee with a basis to review our proposed audit approach and scope for the 2022/23 audit in accordance with the requirements of the Local Audit and Accountability Act 2014, the National Audit Office's 2020 Code of Audit Practice, the Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA) Ltd, auditing standards and other professional requirements. It is also to ensure that our audit is aligned with the Committee's service expectations.

This plan summarises our initial assessment of the key risks driving the development of an effective audit for Transport for London, and outlines our planned audit strategy in response to those risks.

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

We welcome the opportunity to discuss this report with you on 30 November 2022 as well as understand whether there are other matters which you consider may influence our audit.

Yours faithfully



Janet Dawson

For and on behalf of Ernst & Young LLP

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Contents



Public Sector Audit Appointments Ltd (PSAA) issued the "Statement of responsibilities of auditors and audited bodies". It is available from the PSAA website (<https://www.psa.co.uk/managing-audit-quality/statement-of-responsibilities-of-auditors-and-audited-bodies/>). The 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 and further guidance (updated July 2021)" issued by the PSAA (<https://www.psa.co.uk/managing-audit-quality/terms-of-appointment/terms-of-appointment-and-further-guidance-1-july-2021/>) sets 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 in legislation, and covers matters of practice and procedure which are of a recurring nature. This report is made solely to the Audit and Assurance Committee and management of **Transport for London** in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the Audit and Assurance Committee and management of Transport for London those matters we are required to state to them in this report and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the Audit and Assurance Committee and management of Transport for London for this report or for the opinions we have formed. It should not be provided to any third-party without our prior written consent.



01

Overview of our 2022/23 audit strategy



Overview of our 2022/23 audit strategy

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

Audit risks and areas of focus

Risk / area of focus	Audit risk identified	Change from PY	Details
Misstatement due to fraud or error	Fraud Risk	No change in risk or focus	There is a risk that the financial statements as a whole are not free from material misstatement whether caused by fraud or error. We perform mandatory procedures regardless of specifically identified fraud risk.
Management override of controls	Fraud risk	Change in area of focus	<p>Management is in a unique position to perpetrate fraud because of their ability to directly or indirectly manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. We identify and respond to this fraud risk on every engagement under ISA (UK & Ireland) 240.</p> <p>If TfL's operating expenditure in any financial year within the funding settlement period exceeds the net operating envelope amount set out by the funding settlement agreement and/or non-passenger revenue is lower, this will be for TfL to manage and no additional funding will be provided by the DfT.</p> <p>There is a potential risk relating to recording, or instructing others to record, fictitious journal entries, particularly close to the end of an accounting period, to manipulate operating result in order to meet the quantum stipulated in the 'Operating Envelope'.</p> <p>As the funding provided by the DfT is restricted to specific projects, there is a risk of altering the cost incurred relating to other cost to be included in cost incurred for Major project that is eligible for funding.</p>

Overview of our 2022/23 audit strategy

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

Risk / area of focus	Audit risk identified	Change from PY	Details
Inappropriate Revenue recognition, required by ISA (UK & Ireland) 240 (including expenditure as required by Practice Note 10)	Fraud risk	Additional area of focus	<p>TfL needs to have robust controls in place to forecast and accurately recognise and report revenue in its financial statements.</p> <p>Based on our previous experience, we have concluded that there is significant risk of material misstatement in the recognition of fare income which comprises £1,764m (P06 Actuals YTD 2022/23) generated through various sources including cash and contactless payments, fares which are apportioned with the Train Operating Companies "TOC" and those fares that are recognised over the period of the travel card. The process of revenue recognition is complex and involves significant judgement with regards to the apportionment of revenue between TfL and TOCs.</p> <p>New in 2022/23: The funding settlement from the DfT provides a revenue true-up mechanism that compensates TfL for fluctuations in passenger demand. If passenger demand varies, the DfT will cover the shortfall against the budgeted revenue. The true-up mechanism provides incentive for management to manipulate the revenue amount in order to receive additional compensation from the DfT.</p> <p>The focus of the above fraud risk is related to fares revenue, we will also review journal entries for unusual postings related to manual adjustments to all revenue streams to identify any risk of manipulation of revenue in total terms.</p>
Inappropriate capitalisation of capital projects including capital accruals	Fraud risk	Change in area of focus	<p>Under the current funding agreement with the DfT, TfL has a capital funding envelope and an agreed level of expected capital expenditure.</p> <p>There is a risk of misstating the capital expenditure in order to maximise capital funding receipts.</p>

Overview of our 2022/23 audit strategy

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

Audit risks and areas of focus

Risk / area of focus	Audit risk identified	Change from PY	Details:
Complexity of accounting for TfL and TTL property portfolios	Significant risk	Change in area of focus	<p>TfL has an extensive property portfolio, with a net book value of investment property and assets held for sales amounting to £1.7bn and £160.9m respectively as at 31 March 2022. Included within the portfolio are office buildings and investment properties.</p> <p>The unique and material nature of TfL and TTL group's property portfolios means that small changes in assumptions when valuing these assets can have a material impact on the financial statements.</p> <p>There is an on-going uncertainty with regards to the valuation and rapid changes in market values in the current market conditions as a result of uncertain economy situation.</p>
Going concern	Significant risk	Changes in the area of focus	<p>In FY22 we concluded that there was a material uncertainty relating to going concern arising as a results of:</p> <ul style="list-style-type: none"> • The requirement to meet conditions set out in the agreements; failure to do so may result in a 'dispute mechanism' that may reduce overall funding • The operation of the inflation review mechanism, which may result in funding below the rate of inflation incurred • Risk of failing to deliver the full efficiency saving programme included in the budget (including the incremental £230m required by DfT) <p>When we will be completing the FY23 audit, part of the going concern period will be covered by the funding agreement and part by post 31 March 2024 trading. We will need to assess both periods for areas of uncertainty that might give rise to a material uncertainty in going concern.</p>

Overview of our 2022/23 audit strategy

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

Risk / area of focus	Audit risk identified	Change from PY	Details
Significant accounting estimates - including complexity of provisions	Inherent risk	No change in risk or focus	TfL, TTL and subsidiaries have complex capital contract and commercial arrangements. A large proportion of TfL's provisions come from its compensating and contractual and capital investment activities. These provisions are subject to significant estimation and include uncertainty around negotiations.
IFRS 16 Leases - Lease accounting, including the complexity of the estimating the Incremental borrowing rate (IBR)	Inherent risk	No change in risk or focus	IFRS 16 was adopted for the first time in the 31 March 2020 financial statements. It requires entities to recognise a right of use asset and corresponding lease liability in its Statement of Financial Position. There are a number of judgements relating to accounting for IFRS16 assets and liabilities and an unadjusted audit difference was identified in the prior year audit which affect our risk assessment of the lease accounting in the current year. These matters will be re-assessed in the current year and any changes to contracts assessed for IFRS16 accounting.
Complexity of accounting for infrastructure assets	Inherent risk	New inherent risk	There are extensive capital spent on continuous improvement and upgrades made to the existing infrastructure assets on an annual basis. There is a risk of not identifying and removing existing cost relating to infrastructure assets which has been replaced by the new improvement and upgrades completed.
Complexity of accounting and disclosures for TfL's borrowing and treasury management	Inherent risk	No change in risk or focus	TfL holds a number of derivative balances including FX forwards and interest rate swaps. Whilst the recalculation of derivative fair values is relatively complex the type of derivatives held by TfL (FX and Interest rate swaps) are not the most complex investment vehicles. The balances held are also not highly material and therefore the risk has been designated as a higher inherent risk.

Overview of our 2022/23 audit strategy

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

Risk / area of focus	Audit risk identified	Change from PY	Details
Judgemental assumptions impacting TfL's pension deficit	Inherent risk	No change in risk or focus	<p>The assumptions used to arrive at the value of the actuarial valuation of defined benefit obligations is complex and involves significant judgment and estimation. Therefore, we consider the IAS19 as higher estimation risk.</p> <p>At 31 March 2022, TfL's deficit recognised as a liability in the balance sheet amounted to £3,201.5 million. The Group's balance sheet reflects the deficit from Public Sector Section of the TfL Pension Fund Scheme, Local Government Pension Fund Scheme, Crossrail section of the Railways Pension Scheme and the unfunded scheme provisions. TfL uses the services of Barnett Waddingham and XPS Group, actuarial experts to support them with the actuarial assumptions and disclosures supporting the IAS19 figures</p>

Overview of our 2022/23 audit strategy

Other areas of audit focus

ISA 315 (Revised 2019) - Identifying and Assessment of Material Misstatement through Understanding the Entity and Its Environment

ISA 315 (Revised 2019), Identifying and Assessing the Risks of Material Misstatement through Understanding the Entity and Its Environment, has been revised to (i) encourage a more robust risk assessment, thereby promoting more focused responses to the identified risks; (ii) Clarify current requirements to promote consistency in the application of procedures for risk identification; and (iii) Modernize the standard to keep up with the evolving environment in which entities operate, in particular in relation to the entity's use of information technology.

We will be required to perform new and additional procedures to understand TfL's use of IT, the IT processes related to those IT applications relevant to the audit used in the different accounting processes and, where relevant, the IT general controls (ITGCs) that address IT risks in the IT processes and evaluation of their design effectiveness and whether they have been implemented.

More control observations may be identified and communicated, and the additional evaluations of the components of the system of internal control may help identify deficiencies that are considered to be significant deficiencies.

Participation in shared investment arrangement managed by GLA

TfL's requirement to maintain a significant cash balance for operational reasons adds a further dimension of complexity to the overall group cash position. To optimise the opportunity for deploying cash wisely, ie maximising investment opportunities and minimising borrowing costs, TfL plans to participate in the shared investment arrangement managed by the GLA for itself and the other public bodies and to co-ordinate material borrowing decisions and strategy with the GLA.

As of November 2022, the arrangement has not been finalised.

Overview of our 2022/23 audit strategy

Engagement risk assessment

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

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

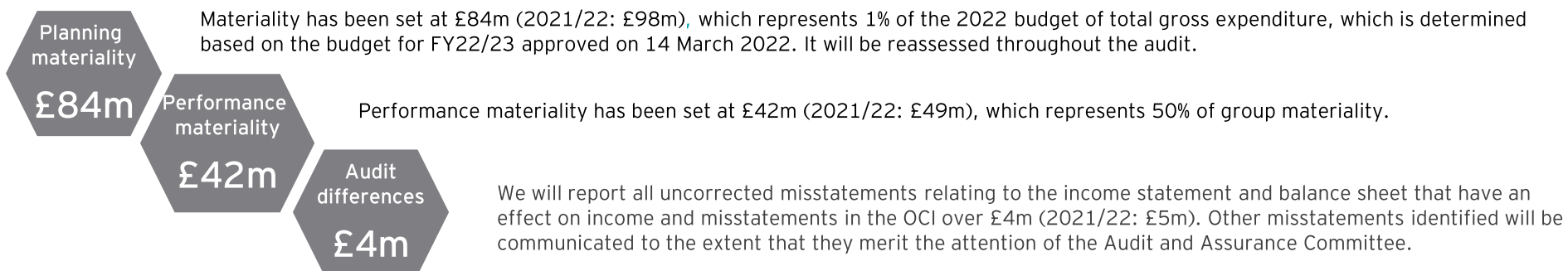
As such, we have performed a risk assessment to identify matters that contributed to the assessment. The main risk identified relates to uncertainty with regards to funding required by TfL and any consequential impact on capital funding and services. We have not found there to be any additional risks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

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

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We have calculated planning materiality using gross expenditure (being the total of current year operational and capital expenditure) as our basis, which is consistent with the prior year. We have noted a drop in planning materiality due to reduced gross expenditure for the 2022/23 financial year.

In addition to this we have reassessed the threshold used for performance materiality and retained it at 50% of planning materiality due to increased engagement risk and unadjusted audit differences identified in the 2021/22 financial year. This will impact the amount of testing performed.



Overview of our 2022/23 audit strategy

Audit scope

This Audit Plan covers the work that we plan to perform to provide you with:

- Our audit opinion on whether the financial statements of Transport for London give a true and fair view of the financial position as at 31 March 2023 and of the income and expenditure for the year then ended; and
- Our commentary on your arrangements to secure value for money in your use of resources for the relevant period. We include further details on VFM in Section 03.

We will also review and report to the National Audit Office (NAO), to the extent and in the form required by them, on TfL's Whole of Government Accounts return.

Our audit will also include the mandatory procedures that we are required to perform in accordance with applicable laws and auditing standards.

When planning the audit we take into account several key inputs:

- Strategic, operational and financial risks relevant to the financial statements;
- Developments in financial reporting and auditing standards;
- The quality of systems and processes;
- Changes in the business and regulatory environment; and,
- Management's views on all of the above.

By considering these inputs, our audit is focused on the areas that matter and our feedback is more likely to be relevant to Transport for London.

Taking the above into account, and as articulated in this audit plan, our professional responsibilities require us to independently assess the risks associated with providing an audit opinion and undertake appropriate procedures in response to that. Our Terms of Appointment with PSAA allow them to vary the fee dependent on "the auditors assessment of risk and the work needed to meet their professional responsibilities". PSAA are aware that the setting of scale fees has not kept pace with the changing requirements of external audit with increased focus on, for example, the valuations of land and buildings, the auditing of groups, the valuation of pension obligations, the introduction of new accounting standards such as IFRS 9 and 15 in recent years as well as the expansion of factors impacting the ISA 540 (revised) and the value for money conclusion. Therefore to the extent any of these or any other risks are relevant in the context of Transport for London audit, we will discuss these with management as to the impact on the scale fee.

Effects of climate-related matters on financial statements and Value for Money arrangements

Public interest in climate change is increasing. We are mindful that climate-related risks may have a long timeframe and therefore while risks exist, the impact on the current period financial statements may not be immediately material to an entity. It is nevertheless important to understand the relevant risks to make this evaluation. In addition, understanding climate-related risks may be relevant in the context of qualitative disclosures in the notes to the financial statements and value for money arrangements.

We make inquiries regarding climate-related risks on every audit as part of understanding the entity and its environment. As we re-evaluate our risk assessments throughout the audit, we continually consider the information that we have obtained to help us assess the level of inherent risk.

Overview of our 2022/23 audit strategy

Value for money conclusion

We include details in Section 03 but in summary:

- We are required to consider whether TfL has made 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources.
- Planning on value for money and the associated risk assessment is focused on gathering sufficient evidence to enable us to document our evaluation of TfL's arrangements, to enable us to draft a commentary under three reporting criteria (see below). This includes identifying and reporting on any significant weaknesses in those arrangements and making appropriate recommendations.
- We will provide a commentary on TfL's arrangements against three reporting criteria:
 - Financial sustainability - How TfL plans and manages its resources to ensure it can continue to deliver its services;
 - Governance - How TfL ensures that it makes informed decisions and properly manages its risks; and
 - Improving economy, efficiency and effectiveness - How TfL uses information about its costs and performance to improve the way it manages and delivers its services.
- The commentary on VFM arrangements will be included in the Auditor's Annual Report.

Timeline

See Section 07 - we have set out the phasing of our audit in order to meet the planned reporting timetable for a sign off at the end of July 2023.



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02 Audit risks



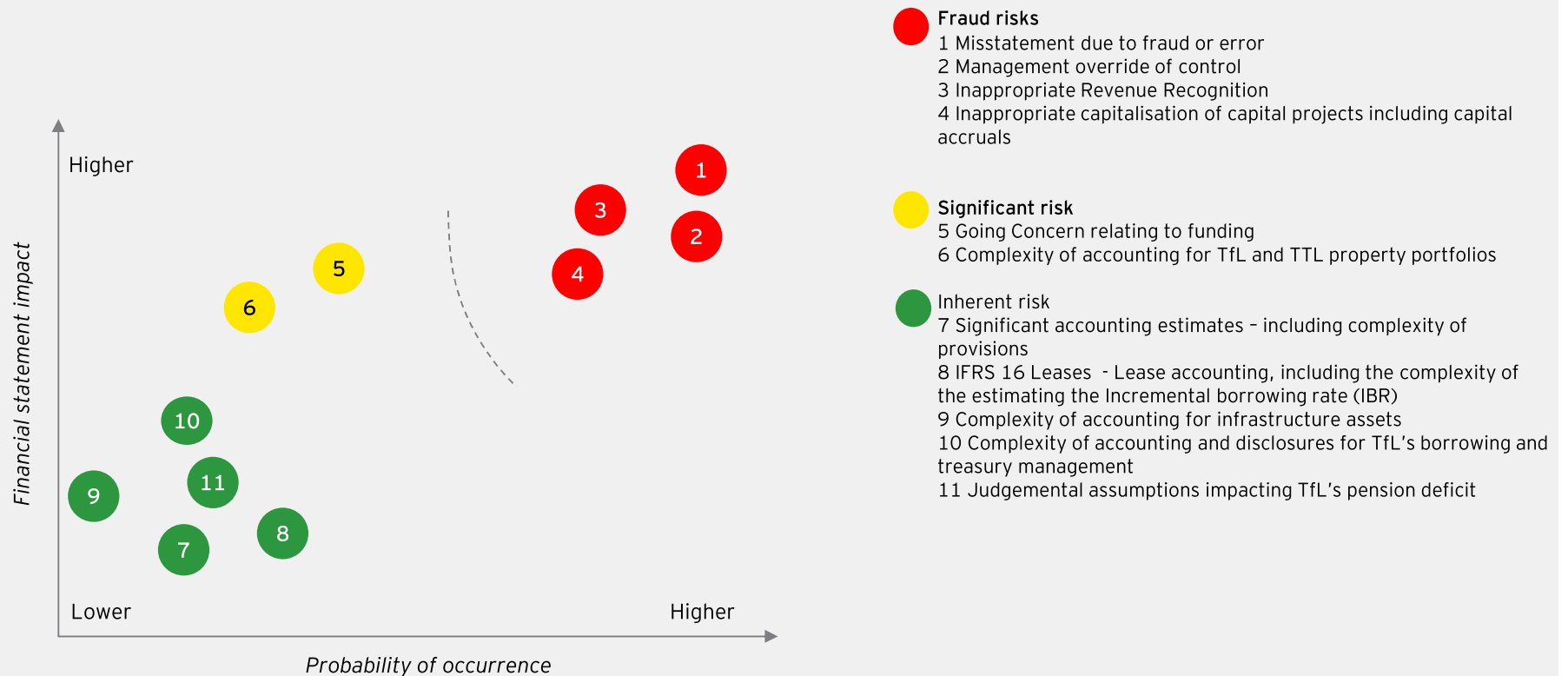


Audit risks

Risk assessment

Risk assessment

We have obtained an understanding of your strategy, reviewed your principal risks as identified in your 2021/22 Annual Report and Accounts and combined it with our understanding of the sector to identify key risks that impact our audit. The following 'dashboard' summarises the significant matters that are relevant for planning our year-end audit:





Audit risks

Our response to significant risks

We perform specific procedures over significant risks (including fraud risks denoted by*), which includes the identification and testing of the design and implementation of key controls designed to address the risks. We are required to specifically highlight these significant risks to 'those charged with governance' i.e., the Audit & Assurance Committee. We have set out the significant risks identified for the current year audit along with the rationale and expected audit approach. The risks identified below may change to reflect any significant findings or subsequent issues we identify during the audit.

Fraud risks: We are specifically required to consider the risk of material misstatement due to fraud either through fraudulent reporting of misappropriation of assets. We evaluate information obtained throughout the audit to determine if conditions indicate risks of material misstatement due to fraud. In assessing whether a condition represents a risk of material misstatement due to fraud or just a fraud risk factor, we consider the 'likelihood' of one or more misstatements, and their potential 'magnitude' if the condition occurred. When a risk of material misstatement due to fraud is identified this is assessed as a significant risk.

Significant risks: Auditing standards require us to consider whether any of the risks identified are 'significant' risks to our audit of the Corporation and Group. Significant risks are defined as those with a higher likelihood of occurrence and, if they were to occur, could result in a material misstatement of the financial statements.

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Misstatements due to fraud or error*

What is the risk?

The financial statements as a whole are not free of material misstatements whether caused by fraud or error.

As identified in ISA (UK) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. We identify and respond to this fraud risk on every audit engagement.

What will we do?

- ▶ Identifying fraud risks during the planning stages.
- ▶ Inquiry of management about risks of fraud and the controls put in place to address those risks.
- ▶ Understanding the oversight given by those charged with governance of management's processes over fraud.
- ▶ Consideration of the effectiveness of management's controls designed to address the risk of fraud.
- ▶ Determining an appropriate strategy to address those identified risks of fraud.
- ▶ Performing mandatory procedures regardless of specifically identified fraud risks, including:
 - ▶ testing of journal entries and other adjustments in the preparation of the financial statements;
 - ▶ assessing accounting estimates for evidence of management bias; and
 - ▶ evaluating the business rationale for significant unusual transactions.



Audit risks

Our response to significant risks (continued)

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

Management override of controls*

What is the risk?

Management is in a unique position to perpetrate fraud because of their ability to directly or indirectly manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. We identify and respond to this fraud risk on every engagement under ISA (UK & Ireland) 240.

If TfL's operating expenditure in any financial year within the funding settlement period exceed the net operating envelope amount set out by the funding settlement agreement and/or non-passenger revenue is lower, this will be for TfL to manage and no additional funding will be provided by the DfT.

There is a potential risk relating to recording, or instructing others to record, fictitious journal entries, particularly close to the end of an accounting period, to manipulate operating result in order to meet the quantum stipulated in the 'Operating Envelope'.

As the funding provided by the DfT is restricted to specific projects, there is a risk of altering the cost incurred relating to other cost to be included in cost incurred for Major projects that is eligible for funding.

What will we do?

For TfL, TTL groups and subsidiaries, we will:

- ▶ Robustly challenge management's assumptions on capitalising expenditure;
- ▶ Apply professional scepticism by questioning whether management's explanations are logical, reasonable and in line with relevant historic trends supported by sufficient appropriate evidence;
- ▶ Testing the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements;
- ▶ Test significant transactions that are outside the normal course of business or that appear unusual;
- ▶ Evaluating the business rationale for significant unusual transactions;
- ▶ Assessing accounting estimates for evidence of management bias;
- ▶ Test procurement transactions to identify any material override of controls; and
- ▶ Apply professional scepticism and judgement to determine whether the evidence provided is reliable for the purpose which it has been obtained.



Audit risks

Our response to significant risks (continued)

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

Inappropriate Revenue recognition, required by ISA (UK & Ireland) 240 (including expenditure as required by Practice Note 10)*

Financial statement impact

Misstatements that occur in relation to the risk of fraud in revenue recognition could affect the income accounts. These accounts had the following balances at P6

Fare revenue : £1,764m
Congestion charges : £462m
Commercial advertising : £64m
Rental revenue : £35m

What is the risk?

TfL needs to have robust controls in place to forecast and accurately recognise and report revenue in its financial statements.

Based on our previous experience, we have concluded that there is fraud risk in the recognition of fare income which comprises £1,764m (P06 Actuals YTD 2022/23) generated through various sources including cash and contactless payments, fares which are apportioned with the Train Operating Companies "TOC" and those fares that are recognised over the period of the travel card. The process of revenue recognition is complex and involves significant judgement with regards to the apportionment of revenue between TfL and TOCs.

The fraud risk only relates to the fares revenue stream. This is due to the complexity and judgement involved in the process of apportioning of the fares revenue recognised.

The funding settlement from the DfT provides a revenue true-up mechanism that compensates TfL for fluctuations in passenger demand. If passenger demand varies, the DfT will cover the shortfall against the budgeted revenue. The true-up mechanism provides incentive for management to manipulate the revenue amount in order to receive additional compensation from the DfT.

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



Audit risks

Our response to significant risks (continued)

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

Inappropriate Revenue recognition, required by ISA (UK & Ireland) 240 (including expenditure as required by Practice Note 10)*

Financial statement impact

Misstatements that occur in relation to the risk of fraud in revenue recognition could affect the income accounts. These accounts had the following balances at P6

Fare revenue : £1,764m
Congestion charges : £462m
Commercial advertising : £64m
Rental revenue : £35m

What will we do?

For Fares Revenue, we will:

- ▶ Gain an understanding of the revenue process for fares revenue;
- ▶ Perform controls testing over the effectiveness of the cash collection process and sales made at various sales outlets;
- ▶ Test to ensure that the Receipts in Advance "RIA" and Joint Facility Ticketing "JFT" Debtor balance is correctly stated;
- ▶ Test the appropriateness of assumptions used by management on the oyster write-back policy adopted and how the impact of uncertain economy situation has been considered;
- ▶ Recalculate the ageing for a sample of dormant oyster card balances to ensure accuracy;
- ▶ Test transactions separately where we are not able to place reliance on the controls in place or where procedures above are not be sufficient;
- ▶ Review the minutes of meetings held between TfL and TOCs during FY22/23 to understand whether there were any issues in regards to information communicated by TOCs and settlement between the parties
- ▶ Review the ISAE 3402 controls report and the agreed upon procedures report;
- ▶ Test the calculation behind any refund provision made as a result of uncertain economy situation and compare the provision amount to actual refund payments made post year end; and
- ▶ Assessing changes to underlying assumptions used for the recognition of revenue such as TOC apportionment and Oyster Card releases; and
- ▶ Review journal entries for unusual postings related to adjustments

The focus of the above fraud risk is related to fares revenue, we will also review journal entries for unusual postings related to manual adjustments to all revenue streams to identify any risk of manipulation of revenue in total terms.



Audit risks

Our response to significant risks (continued)

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

Inappropriate capitalisation of capital projects including capital accruals*

Financial statement impact

Misstatements that occur in relation to inappropriate capitalisation including capital accruals would affect the carrying value of assets under construction and capital accruals accounts. These accounts had the following balances in the 2022 financial statements:

Balance Sheet Account:

- Assets under construction: £18,786m; and
- Capital accruals: £556m

What is the risk?

Under the current funding agreement with the Department for Transport, TfL has a capital funding envelope and an agreed level of expected capital expenditure. TfL is expected to deliver 10 Major projects by 2023/24 as follows within the budget of £3.5bn:

- Piccadilly Line Upgrade Phase 1 - Trains
- Four Lines Modernisation
- Rail System Enhancements for Northern and Jubilee lines
- Northern Line Extension
- Silvertown Tunnel
- Barking Riverside Extension
- DLR Rolling Stock Replacement Programme
- Elephant & Castle Station Stage 1
- Bank Congestion Relief (and necessary associated works)
- The Elizabeth Line

There is a risk of misstating the capital expenditure in order to maximise capital funding receipts.

What will we do?

For TfL, TTL groups and subsidiaries we will:

- Review a sample of capital projects (including Crossrail), based on quantitative and qualitative thresholds;
- Understand key controls and governance surrounding capital project accounting and management;
- Test controls focused on the effectiveness of the approval process for expenditure and for capitalisation;
- Meet with management and project managers during the year and attend management's P11 and P13 accruals meetings;
- Evaluate management's judgements and assumptions used in determining the future benefits expected from the projects and ensuring they are appropriate and supportable;
- Consider pain/gain arrangements and related accounting treatment;
- Assess whether or not capitalisation of costs is appropriate;
- Consider whether, at any stage, assets need to be impaired or written off to reflect any aborted or higher risk projects;
- Perform detailed testing on a sample of expenditure incurred and capital accruals to source documentation;
- Assess whether management has reasonably estimated the cost to complete the capital projects;
- Review of capital projects to assess progress and potential impairment, in particular, we will continue to assess the impact of funding agreements on future capital expenditure to complete in progress projects;
- Review claims and contracts for existence of additional obligations or expenditure that is inappropriate to capitalise;
- Perform additional procedures in response to the continued impact of uncertain economy situation



Audit risks

Our response to significant risks (continued)

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

Going concern

What is the risk?

In FY22 we concluded that there was a material uncertainty relating to going concern arising as a result of:

- The requirement to meet conditions set out in the agreements; failure to do so may result in a 'dispute mechanism' that may reduce overall funding;
- The operation of the inflation review mechanism, which may result in funding below the rate of inflation incurred; and
- Risk of failing to deliver the full efficiency saving programme included in the budget (including the incremental £230m required by DfT).

At the time of performing the FY23 audit, the going concern period to be considered is of at least 12 months from the approval of the financial statements will result in a going concern period past 31 March 2024, the end of the current funding agreement. We will need to perform procedures on the period up to 31 March 2024 covered by the funding agreement and then the period from 1 April 2024 when no funding is in place. We will assess both periods for areas of uncertainty that might give rise to a material uncertainty by taking into considering key assumptions used in forecasts such as :

- Rising input costs and availability challenges e.g., energy prices, staff costs feeding wider inflation;
- Interest rate increases hitting businesses and households;
- Reductions in consumer confidence and spending power meaning that discretionary spend is uncertain;
- Frequent changes in government policy, including uncertainty over periods of support for businesses; and
- Availability of financing.



Audit risks

Our response to significant risks (continued)

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

Going concern (continued)

What will we do?

For TfL, TTL group and subsidiaries, we will:

- ▶ Understand management's assessment of funding requirements and commitments for the going concern period.
- ▶ Consider the historical accuracy of management's budgets and forecasting by comparing the last two years variances in actual outturn, to assess the risk of the budgets used in the funding discussions omitting material commitments.
- ▶ Validate performance to date on efficiency savings programmes, to determine the potential risk of non delivery of the savings assumed within the budget, as well as the additional amounts required by the funding settlement.
- ▶ Understand the nature of the conditions set out in the agreement with the DfT dated 30 August 2022, and validate performance against those conditions and the control mechanisms in place at TfL to monitor performance, to assess the risk of non compliance with conditions which could therefore result in a reduction in funding in the period to 31 March 2024.
- ▶ Challenge each material element of downside risk identified by management, including those related to inflation and cost savings and test to supporting evidence to assess the underlying assumptions and the appropriateness of TfL calculations
- ▶ Stress test the downside risk, using worst case parameters, considered completeness of downside risks and calculate a "worst case" downside risk- this will include using increased inflation rates, reduced cost savings, changes to passenger fares and other reductions to revenue
- ▶ Confirm the position re any assumed support from GLA in the going concern period, such as the availability and planned application of the Transport Reserve and funding facility to TfL.
- ▶ Obtain from GLA and test cashflows, including funding assumptions within the Mayor's budget, to assess the availability of the support outlined in the Mayoral Direction not yet received before the going concern period.



Audit risks

Our response to significant risks (continued)

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

Going concern (continued)

What will we do?

For TfL, TTL group and subsidiaries, we will:

- ▶ Consider the mitigations available to TfL, challenge the assumptions over access to further borrowing and other potential mitigations to determine the reasonableness of those options.
- ▶ For the period post 31 March 2024, we will challenge the budget and forecast in terms of understanding the ability of TfL to be financially sustainable without additional funding from the DfT.

Our response to significant risks (continued)

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

Complexity of accounting for TfL and TTL property portfolios

Financial statement impact

Misstatements that occur in relation to the complexity of accounting for TfL and TTL group's property portfolios would affect the net asset value. The accounts had the following balances in the 2022 financial statements:

Balance Sheet Account:

- Investment property: £1,713m
- Assets Held for Sales: £161m
- Office buildings £74m

What is the risk?

TfL has an extensive property portfolio, with a net book value of investment property and assets held for sale amounting to £1.7bn and £160.9m respectively as at 31 March 2022.

To determine fair value, management utilises the net income method and discounting of future cash flows to their present value. This uses various assumptions including the anticipated future rental income, maintenance costs and the appropriate discount rate; making reference to market evidence of transaction prices for similar properties. A deduction is made to reflect purchaser's acquisition costs. Values are therefore calculated under level 3 of the fair value hierarchy.

What will we do?

For TfL, TTL groups and subsidiaries, we will:

- Discuss with management and review evidence to gain an understanding of TfL and TTL group's property portfolios;
- Discuss and review valuation assumptions and methodology applied by external valuers along with the TfL property team;
- Perform substantive testing and corroborate explanations for property additions, disposals and accounting for lease contracts;
- Review the valuations report prepared by TfL's external valuers, agreeing the entries in the report back to the financial statements to confirm the accuracy of the entries;
- Assess the classification of TfL and TTL properties and any material increases or impairments that arise during 2022/23;
- Assess the work of TfL's property valuers. We will involve our EY property valuation team as appropriate to assist in our review of whether TfL's key assumptions are within an acceptable range based on comparative market data for rental yields;
- Review the accounting treatment of valuation movements for non-core assets and ensure it is appropriately disclosed;
- Consider whether the classification of assets between investment properties, property, plant and equipment and assets held for sale is appropriate and in accordance with IFRS; and
- Review and challenge judgements made by the external valuers in light of the uncertainties in the current economy.



Audit risks

Other areas of audit focus (continued)

We have identified other areas of the audit, that have not been classified as significant risks, but are still important when considering the risks of material misstatement to the financial statements and disclosures and therefore may be key audit matters we will include in our audit report.

What is the risk/area of focus?

Significant accounting estimates - including complexity of provisions

TfL, TTL and subsidiaries have complex capital contract and commercial arrangements. A large proportion of TfL's provisions come from its compensating and contractual and capital investment activities.

These provisions are subject to significant estimation and include uncertainty around negotiations.

What will we do?

We will:

- ▶ Critically assess and challenge management's assessment of judgements and estimates.
- ▶ Evaluate the accuracy and completeness of the estimation amount made by third party relating to insurances claims.
- ▶ Perform unrecorded liabilities testing to identify any omitted provisions.

IFRS 16 Leases - Lease accounting, including the complexity of the estimating the Incremental borrowing rate (IBR)

IFRS 16 was adopted for the first time in the 31 March 2020 financial statements. It requires entities to recognise a right of use asset and corresponding lease liability in its Statement of Financial Position. There are a number of judgements relating to accounting for IFRS16 assets and liabilities and an unadjusted audit difference was identified in the prior year audit which affect our risk assessment of the lease accounting in the current year. These matters will be re-assessed in the current year and any changes to contracts assessed for IFS16 accounting.

We will:

- ▶ Assess the appropriate ness of the interest rate to be used in the calculation of lease liabilities.
- ▶ Assess the length of the leases - In particular with respect to station and track access.
- ▶ Engage EY FAIT team to evaluate the accuracy of the IBR rate used.
- ▶ Re-assess differences identified in prior year.



Audit risks

Other areas of audit focus (continued)

We have identified other areas of the audit, that have not been classified as significant risks, but are still important when considering the risks of material misstatement to the financial statements and disclosures and therefore may be key audit matters we will include in our audit report.

What is the risk/area of focus?	What will we do?
<p>Complexity of accounting for infrastructure assets</p> <p>There is extensive capital spent on continuous improvement and upgrades made to the existing infrastructure assets on an annual basis.</p> <p>There is a risk of not identifying and removing existing cost relating to infrastructure assets which has been replaced by the new improvement and upgrades completed.</p>	<p>▶ For additions to infrastructure assets in the year, we will understand their nature and whether these are replacement of previous assets. Where this is the case we will test whether an appropriate amount has been removed from the fixed asset register in respect of the original expenditure.</p>
<p>Complexity of accounting and disclosures for TfL's borrowing and treasury management</p> <p>TfL holds a number of derivative balances including FX forwards and interest rate swaps. Whilst the recalculation of derivative fair values is relatively complex the type of derivatives held by TfL (FX and Interest rate swaps) are not the most complex investment vehicles. The balances held are also not highly material and therefore the risk has been designated as a higher inherent risk.</p>	<p>We will:</p> <ul style="list-style-type: none"> ▶ Continue an assessment of the borrowings held by TfL, with a particular focus on the conditions/covenants within these financing agreements to assess if TfL has been in compliance with these conditions set out in agreements; ▶ Engage with our EY FAAS team to perform an independent valuation of a sample of derivative instruments and reperform the measurement of hedge ineffectiveness.



Audit risks

Other areas of audit focus (continued)

We have identified other areas of the audit, that have not been classified as significant risks, but are still important when considering the risks of material misstatement to the financial statements and disclosures and therefore may be key audit matters we will include in our audit report.

What is the risk/area of focus?

Judgemental assumptions impacting TfL's pension deficit

The Local Authority Accounting Code of Practice and IAS19 require TfL to make extensive disclosures within its financial statements regarding its membership to the various scheme.

TfL's pension fund deficit is a material estimated balance and the Code requires that this liability be disclosed on the TfL's balance sheet. At 31 March 2022, TfL's deficit recognised as a liability in the balance sheet amounted to £3,201.5 million. The Group's balance sheet reflects the deficit from Public Sector Section of the TfL Pension Fund Scheme, Local Government Pension Fund Scheme, Crossrail section of the Railways Pension Scheme and the unfunded scheme provisions.

Accounting for this scheme involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on their behalf. ISAs (UK) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.

What will we do?

We will :

- ▶ Liaise with the auditors of TfL Pension Fund and London Pension Fund Authority to obtain assurances over the information supplied to the actuary in relation to Transport for London. We will be sending letters to the auditors and will obtain a copy of the audit findings reports to assess the impact to the schemes of TfL
- ▶ Assess the work of the Pension Fund's actuary (Barnett Waddingham and XPS Group) including the assumptions they have used by engaging EY Pension Consulting team to review and assess the assumptions used.
- ▶ Review and test the accounting entries and disclosures made within the TfL's financial statements in relation to IAS19; and
- ▶ Engage EY Pensions Consulting team to carry out roll forward calculations related to the accounting numbers for the fund, to reconcile the year-end fair value of the schemes asset and actuarial valuation of deficit benefit obligation figures with those from the previous year disclosures.



03 Value for Money Risks





Value for Money

Transport for London's responsibilities for value for money

TfL is required to maintain an effective system of internal control that supports the achievement of its policies, aims and objectives while safeguarding and securing value for money from the public funds and other resources at its disposal.

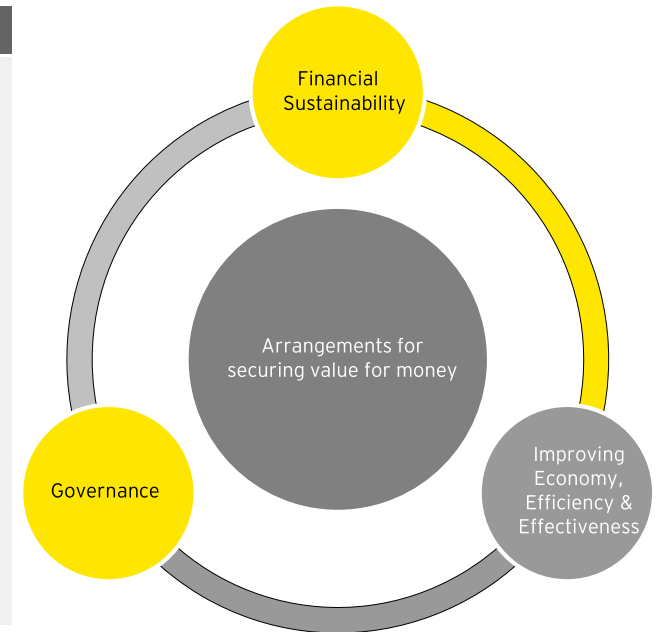
As part of the material published with the financial statements, TfL is required to bring together commentary on the governance framework and how this has operated during the period in a governance statement. In preparing the governance statement, TfL tailors the content to reflect its own individual circumstances, consistent with the requirements of the relevant accounting and reporting framework and having regard to any guidance issued in support of that framework. This includes a requirement to provide commentary on arrangements for securing value for money from the use of resources.

Auditor responsibilities

Under the NAO Code of Audit Practice we are required to consider whether TfL has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources. The Code requires the auditor to design their work to provide them with sufficient assurance to enable them to report to TfL a commentary against specified reporting criteria (see below) on the arrangements TfL has in place to secure value for money through economic, efficient and effective use of its resources for the relevant period.

The specified reporting criteria are:

- Financial sustainability - How TfL plans and manages its resources to ensure it can continue to deliver its services.
- Governance - How TfL ensures that it makes informed decisions and properly manages its risks.
- Improving economy, efficiency and effectiveness - How TfL uses information about its costs and performance to improve the way it manages and delivers its services.





Value for Money

Planning and identifying risks of significant weakness in VFM arrangements

The NAO's guidance notes requires us to carry out a risk assessment which gathers sufficient evidence to enable us to document our evaluation of Transport for London's arrangements, in order to enable us to draft a commentary under the three reporting criteria. This includes identifying and reporting on any significant weaknesses in those arrangements and making appropriate recommendations.

In considering TfL's arrangements, we are required to consider:

- TfL's governance statement;
- Evidence that TfL's arrangements were in place during the reporting period;
- Evidence obtained from our work on the accounts;
- The work of inspectorates and other bodies; and
- Any other evidence source that we regards as necessary to facilitate the performance of our statutory duties.

We then consider whether there is evidence to suggest that there are significant weaknesses in arrangements. The NAO's guidance is clear that the assessment of what constitutes a significant weakness and the amount of additional audit work required to adequately respond to the risk of a significant weakness in arrangements is a matter of professional judgement. However, the NAO states that a weakness may be said to be significant if it:

- Exposes - or could reasonably be expected to expose - TfL to significant financial loss or risk;
- Leads to - or could reasonably be expected to lead to - significant impact on the quality or effectiveness of service or on TfL's reputation;
- Leads to - or could reasonably be expected to lead to - unlawful actions; or
- Identifies a failure to take action to address a previously identified significant weakness, such as failure to implement or achieve planned progress on action/improvement plans.

We should also be informed by a consideration of:

- The magnitude of the issue in relation to the size of TfL;
- Financial consequences in comparison to, for example, levels of income or expenditure, levels of reserves (where applicable), or impact on budgets or cashflow forecasts;
- The impact of the weakness on TfL's reported performance;
- Whether the issue has been identified by TfL's own internal arrangements and what corrective action has been taken or planned;
- Whether any legal judgements have been made including judicial review;
- Whether there has been any intervention by a regulator or Secretary of State;
- Whether the weakness could be considered significant when assessed against the nature, visibility or sensitivity of the issue;
- The impact on delivery of services to local taxpayers; and
- The length of time TfL has had to respond to the issue.



Value for Money

Responding to identified risks of significant weakness

Where our planning work has identified a risk of significant weakness, the NAO's guidance requires us to consider what additional evidence is needed to determine whether there is a significant weakness in arrangements and undertake additional procedures as necessary, including where appropriate, challenge of management's assumptions. We are required to report our planned procedures to the Audit and Assurance Committee.

Reporting on VFM

Where we are not satisfied that TfL has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources the Code requires that we should refer to this by exception in the audit report on the financial statements.

In addition, the Code requires us to include the commentary on arrangements in the Auditor's Annual Report. The Code states that the commentary should be clear, readily understandable and highlight any issues we wish to draw to TfL's attention or the wider public. This should include details of any recommendations arising from the audit and follow-up of recommendations issued previously, along with our view as to whether they have been implemented satisfactorily.

Status of our 2022/23 VFM planning

We have yet to complete our detailed VFM planning. However, one area of focus will be on the arrangements that TfL has in place in relation to financial sustainability: how the body plans and manages its resources to ensure it can continue to deliver its services.

In 2021/22, TfL did not have arrangements in place to obtain value for money due to lack of clarity of long-term funding arrangements going forward, As such, we have identified as significant weakness with regards to how TfL plans and manages its resources to ensure it can continue service delivery. We recommended that the management agree a long term plan for future capital and service investment beyond 31 March 2024, as soon as practicable, in order to allow TfL to put in place arrangements to plan and manage resources to ensure value for money.

We will update the next Audit and Assurance Committee meeting on the outcome of our VFM planning and our planned response to any additional identified risks of significant weaknesses in arrangements.



04

Audit materiality

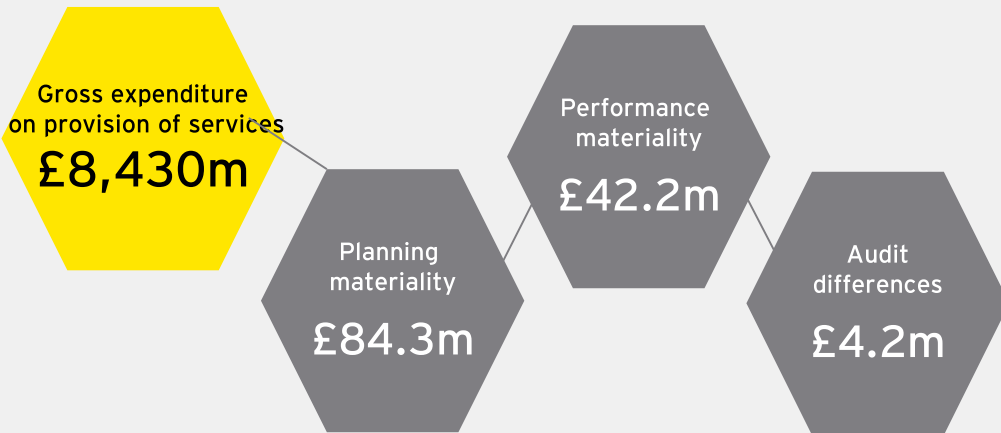


Materiality

Materiality

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

For planning purposes, materiality for 2022/23 has been set at £84.3m. This represents 1% of TfL's gross expenditure (current year operating and capital expenditure). This basis has been used as these are the key focus of the funding arrangements in place and therefore of most interest to the users of the financial statements. It will be reassessed throughout the audit process. We have provided supplemental information about audit materiality in Appendix C.



We request that the Audit and Assurance Committee confirm its understanding of, and agreement to, these materiality and reporting levels.

Key definitions

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

Performance materiality - the amount we use to determine the extent of our audit procedures. We have set performance materiality at £42.2m which represents 50% of planning materiality. We have considered previous year audit findings, and the historic trend of adjustments when considering the percentage to apply for TE purposes. Based on prior year audits as well as our work to date, there were number of total corrected and uncorrected audit differences. As a result we plan to apply 50% of PM.

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

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

Materiality

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

We also identify areas where misstatement at a lower level than our overall materiality level might influence the reader and develop an audit strategy specific to these areas, including:

- ▶ Remuneration disclosures: we will agree all disclosures back to source data.
- ▶ Related party transactions we will test the completeness of related party disclosures and the accuracy of all disclosures by checking back to supporting evidence.



05

Scope of our audit



Our Audit Process and Strategy

Objective and Scope of our Audit scoping

Under the Code of Audit Practice, our principal objectives are to undertake work to support the provision of our audit report to the audited body and to satisfy ourselves that the audited body has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources to the extent required by the relevant legislation and the requirements of the Code.

We issue an audit report that covers:

1. Financial statement audit

Our opinion on the financial statements:

- whether the financial statements give a true and fair view of the financial position of the audited body and its expenditure and income for the period in question; and
- whether the financial statements have been prepared properly in accordance with the relevant accounting and reporting framework as set out in legislation, applicable accounting standards or other direction.

Our opinion on other matters:

- whether other information published together with the audited financial statements is consistent with the financial statements; and
- where required, whether the part of the remuneration report to be audited has been properly prepared in accordance with the relevant accounting and reporting framework.

Other procedures required by the Code:

- Examine and report on the consistency of the Whole of Government Accounts schedules or returns with the body's audited financial statements for the relevant reporting period in line with the instructions issued by the NAO

2. Arrangements for securing economy, efficiency and effectiveness (value for money)

As outlined in Section 03, we are required to consider whether TfL has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources and report a commentary on those arrangements.

Scope of our audit

Our Audit Process and Strategy (continued)

Audit Process Overview

Our audit involves:

- ▶ Identifying and understanding the key processes and internal controls; and
- ▶ Substantive tests of detail of transactions and amounts.

Our initial assessment of the key processes across TfL has identified the following key processes where we will seek to rely on controls, both manual and IT:

- ▶ Fixed assets (Manual and IT)
- ▶ Revenue (Manual)
- ▶ Purchase and payable (IT)
- ▶ Payroll (Manual and IT)

We will use the findings set out in the independent assurance report (ISAE 3402) for the following service organisation:

- Contactless Payment Future Ticketing (“CPAY”)
- Pay As You Go (‘PAYG’)
- Rail Delivery Group Limited (RDG)

Analytics:

We will use our computer-based analytics tools to enable us to capture whole populations of your financial data, in particular journal entries. These tools:

- ▶ Help identify specific exceptions and anomalies which can then be subject to more traditional substantive audit tests; and
- ▶ Give greater likelihood of identifying errors than random sampling techniques.

We will report the findings from our process and analytics work, including any significant weaknesses or inefficiencies identified and recommendations for improvement, to management and the Audit and Assurance Committee.

Internal audit:

We will regularly meet with the Head of Internal Audit, and review internal audit plans and the results of their work. We will reflect the findings from these reports, together with reports from any other work completed in the year, in our detailed audit plan, where they raise issues that could have an impact on the financial statements.



06

Use of specialists



Use of specialists

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

Area	Specialists	Third party specialist
Climate Risk Disclosure	EY Climate Change and Sustainability Services Team	Not applicable
Derivative disclosure	EY FAAS Team	Not applicable
Pensions disclosure	EY Pension Team	XPS Group, Barnett Waddingham
Valuation of Investment Properties	EY Valuations Team	CBRE

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

We also consider the work performed by the specialist in light of our knowledge of TfL's business and processes and our assessment of audit risk in out the work; and assess whether the substance of the specialist's findings are properly reflected in the financial statements.

Developing the right Audit Culture

In July 2021, EY established a UK Audit Board (UKAB) with a majority of independent Audit Non-Executives (ANEs). The UKAB will support our focus on delivering high-quality audits by strengthening governance and oversight over the culture of the audit business. This focus is critical given that audit quality starts with having the right culture embedded in the business.



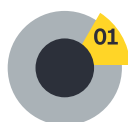
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Our audit culture is the cement that binds together the building blocks and foundation of our audit strategy. We have been thoughtful in articulating a culture that is right for us: one that recognises we are part of a wider, global firm and is clear about whose interests our audits serve.

There are three elements underpinning our culture:

1. Our people are focused on a **common purpose**. It is vital we foster and nurture the values, attitudes and behaviours that lead our people to do the right thing.
2. The essential attributes of our audit business are:
 - ▶ **Right resources** – We team with competent people, investing in audit technology, methodology and support
 - ▶ **Right first time** – Our teams execute and review their work, consulting where required to meet the required standard
 - ▶ **Right reward** – We align our reward and recognition to reinforce the right behaviours

3. The six pillars of **Sustainable Audit Quality** are implemented.



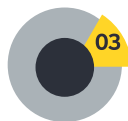
Tone at the top

The internal and external messages sent by EY leadership, including audit partners, set a clear tone at the top - they establish and encourage a commitment to audit quality



Exceptional talent

Specific initiatives support EY auditors in devoting time to perform quality work, including recruitment, retention, development and workload management



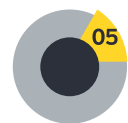
Accountability

The systems and processes in place help EY people take responsibility for carrying out high-quality work at all times, including their reward and recognition



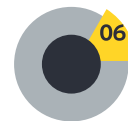
Audit technology and digital

The EY Digital Audit is evolving to set the standard for the digital-first way of approaching audit, combining leading-edge digital tools, stakeholder focus and a commitment to quality



Simplification and innovation

We are simplifying and standardising the approach used by EY auditors and embracing emerging technologies to improve the quality, consistency and efficiency of the audit



Enablement and quality support

How EY teams are internally supported to manage their responsibility to provide high audit quality

A critical part of this culture is that our people are **encouraged and empowered to challenge and exercise professional scepticism** across all our audits. However, we recognise that creating a culture requires more than just words from leaders. It has to be reflected in the lived experience of all our people each and every day enabling them to challenge themselves and the companies we audit.

Each year we complete an audit quality culture assessment to obtain feedback from our people on the values and behaviours they experience, and those they consider to be fundamental to our audit quality culture of the future. We action points that arise to ensure our culture continues to evolve appropriately.

2021 Audit Culture Survey result

A cultural health score of 78% (73%) was achieved for our UK Audit Business

We bring our culture alive by investing in three priority workstreams:

- Audit Culture with a focus on professional scepticism
- Adopting the digital audit
- Standardisation

This investment has led to a number of successful outputs covering training, tools, techniques and additional sources. Specific highlights include:

- Audit Purpose Barometer
- Active Scepticism Framework
- Increased access to external sector forecasts
- Forensic risk assessment pilots
- Refreshed Purpose Led Outcome Thinking training and support materials, including embedding in new hire and trainee courses
- Digital audit training for all ranks
- Increased hot file reviews and improved escalation processes
- New work programmes issued on auditing going concern, climate, impairment, expected credit losses, cashflow statements and conducting effective group oversight
- Development of bite size, available on demand, task specific tutorial videos

“A series of company collapses linked to unhealthy cultures.....have demonstrated why cultivating a healthy culture, underpinned by the right tone from the top, is fundamental to business success.”

Sir John Thompson
Chief Executive of the FRC



07 Audit timeline





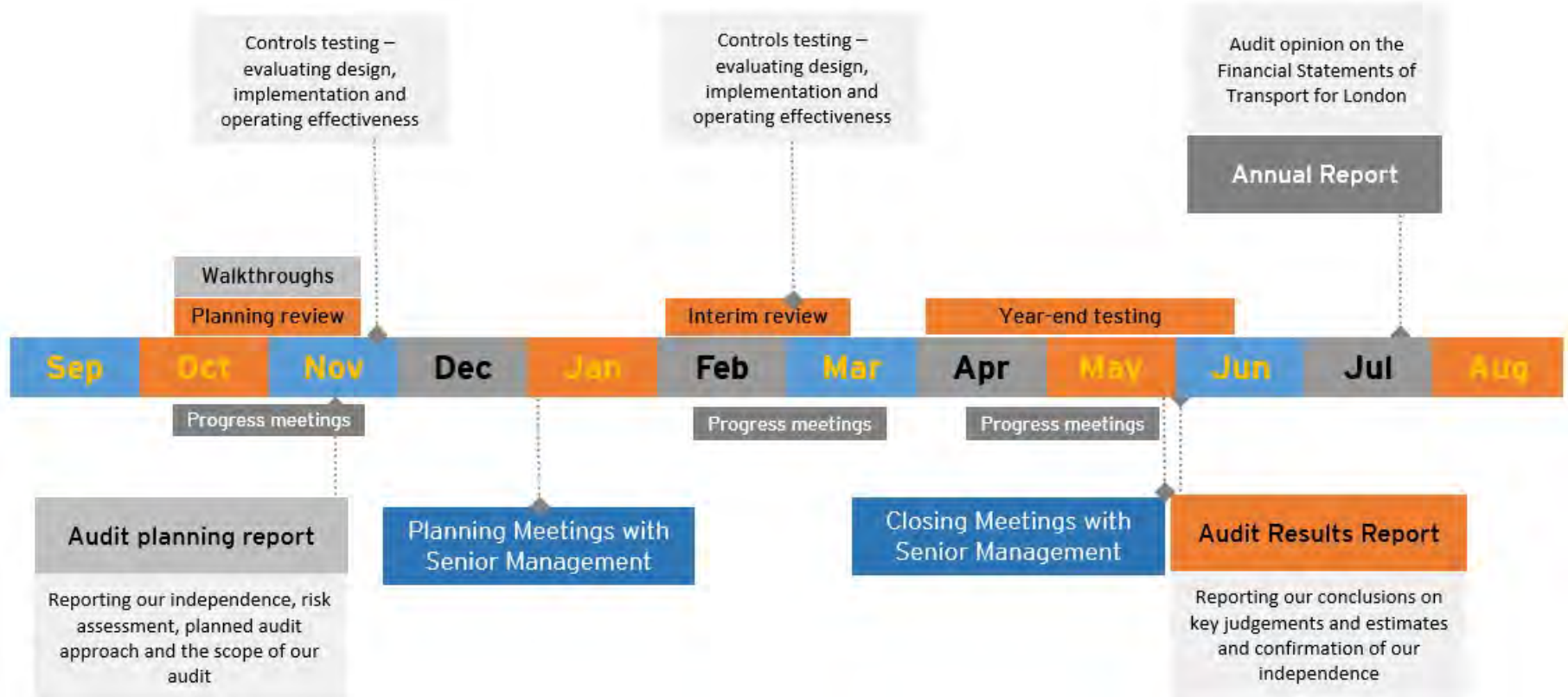
Audit timeline

Timetable of communication and deliverables

Timeline

Below is a timetable showing the key stages of the audit and the deliverables we have agreed to provide to you through the audit cycle in 2022/23.

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





08

Independence





Introduction

The FRC Ethical Standard and ISA (UK) 260 “Communication of audit matters with those charged with governance”, requires us to communicate with you on a timely basis on all significant facts and matters that bear upon our integrity, objectivity and independence. The Ethical Standard, as revised in December 2019, requires that we communicate formally both at the planning stage and at the conclusion of the audit, as well as during the course of the audit if appropriate. The aim of these communications is to ensure full and fair disclosure by us to those charged with your governance on matters in which you have an interest.

Required communications

Planning stage	Final stage
<ul style="list-style-type: none"> ▶ The principal threats, if any, to objectivity and independence identified by Ernst & Young (EY) including consideration of all relationships between you, your affiliates and directors and us; ▶ The safeguards adopted and the reasons why they are considered to be effective, including any Engagement Quality review; ▶ The overall assessment of threats and safeguards; ▶ Information about the general policies and process within EY to maintain objectivity and independence. 	<ul style="list-style-type: none"> ▶ In order for you to assess the integrity, objectivity and independence of the firm and each covered person, we are required to provide a written disclosure of relationships (including the provision of non-audit services) that may bear on our integrity, objectivity and independence. This is required to have regard to relationships with the entity, its directors and senior management, its affiliates, and its connected parties and the threats to integrity or objectivity, including those that could compromise independence that these create. We are also required to disclose any safeguards that we have put in place and why they address such threats, together with any other information necessary to enable our objectivity and independence to be assessed; ▶ Details of non-audit/additional services provided and the fees charged in relation thereto; ▶ Written confirmation that the firm and each covered person is independent and, if applicable, that any non-EY firms used in the group audit or external experts used have confirmed their independence to us; ▶ Details of any non-audit/additional services to a UK PIE audit client where there are differences of professional opinion concerning the engagement between the Ethics Partner and Engagement Partner and where the final conclusion differs from the professional opinion of the Ethics Partner ▶ Details of any inconsistencies between FRC Ethical Standard and your policy for the supply of non-audit services by EY and any apparent breach of that policy; ▶ Details of all breaches of the IESBA Code of Ethics, the FRC Ethical Standard and professional standards, and of any safeguards applied and actions taken by EY to address any threats to independence; and ▶ An opportunity to discuss auditor independence issues.

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

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

Non audit fees for the year to date amounted to £17,970, pre approval was obtained for the service and the fees are not material when comparing it to the audit fees.

Relationships, services and related threats and safeguards

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

Overall Assessment

Overall, we consider that the safeguards that have been adopted appropriately mitigate the principal threats identified and we therefore confirm that EY is independent and the objectivity and independence of Janet Dawson and Philip Young, your audit engagement partners and the audit engagement team have not been compromised.

Self interest threats

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

We believe that it is appropriate for us to undertake those permitted non-audit/additional services set out in Section 5.40 of the FRC Ethical Standard 2019 (FRC ES), and we will comply with the policies that you have approved.

None of the services are prohibited under the FRC's ES or the National Audit Office's Auditor Guidance Note 01 and the services have been approved in accordance with your policy on pre-approval. In addition, when the ratio of non-audit fees to audit fees exceeds 1:1, we are required to discuss this with our Ethics Partner, as set out by the FRC ES, and if necessary agree additional safeguards or not accept the non-audit engagement.

At the time of writing, the current ratio of non-audit fees to audit fees is approximately 1%. We have adopted the following safeguards as a result./No additional safeguards are required.

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

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

Self review threats

Self review threats arise when the results of a non-audit service performed by EY or others within the EY network are reflected in the amounts included or disclosed in the financial statements.

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

Relationships, services and related threats and safeguards

Management threats

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

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

Other threats

Other threats, such as advocacy, familiarity or intimidation, may arise. We will keep this area under review and update if there are any changes.

EY Transparency Report 2021

Ernst & Young (EY) has policies and procedures that instil professional values as part of firm culture and ensure that the highest standards of objectivity, independence and integrity are maintained. Details of the key policies and processes in place within EY for maintaining objectivity and independence can be found in our annual Transparency Report which the firm is required to publish by law. The most recent version of this Report is for the year end 30 June 2022: https://www.ey.com/en_uk/about-us/transparency-report



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Appendices





Appendix A

Fees

The duty to prescribe fees is a statutory function delegated to Public Sector Audit Appointments Ltd (PSAA) by the Secretary of State for Housing, Communities and Local Government.




This is defined as the fee required by auditors to meet statutory responsibilities under the Local Audit and Accountability Act 2014 in accordance with the requirements of the Code of Audit Practice and supporting guidance published by the National Audit Office, the financial reporting requirements set out in the Code of Practice on Local Authority Accounting published by CIPFA/LASAAC, and the professional standards applicable to auditors' work.

We write separately to you to set out the audit fees for TfL and Group and its subsidiaries.

Appendix B

Required communications with the Audit and Assurance Committee



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

		 Our Reporting to you
Required communications	 What is reported?	 When and where
Terms of engagement	Confirmation by the Audit and Assurance Committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Our responsibilities	Reminder of our responsibilities as set out in the engagement letter	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Planning and audit approach	Communication of the planned scope and timing of the audit, any limitations and the significant risks identified. When communicating key audit matters this includes the most significant risks of material misstatement (whether or not due to fraud) including those that have the greatest effect on the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team	Audit planning report in November 2022.
Significant findings from the audit	<ul style="list-style-type: none"> ▶ Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures ▶ Significant difficulties, if any, encountered during the audit ▶ Significant matters, if any, arising from the audit that were discussed with management ▶ Written representations that we are seeking ▶ Expected modifications to the audit report ▶ Other matters if any, significant to the oversight of the financial reporting process 	Audit results report and Auditor's Annual Report in July 2023.

Appendix B




Required communications with the Audit and Assurance Committee (continued)

Our Reporting to you

Required communications	 What is reported?	 When and where
Public Interest Entities	<p>For the audits of financial statements of public interest entities our written communications to the Audit and Assurance Committee include:</p> <ul style="list-style-type: none"> ▶ A declaration of independence ▶ The identity of each key audit partner ▶ The use of non-member firms or external specialists and confirmation of their independence ▶ The nature and frequency of communications ▶ A description of the scope and timing of the audit ▶ Which categories of the balance sheet have been tested substantively or controls based and explanations for significant changes to the prior year, including first year audits ▶ Materiality ▶ Any going concern issues identified ▶ Any significant deficiencies in internal control identified and whether they have been resolved by management ▶ Actual or suspected non-compliance with laws and regulations identified relevant to the Audit and Assurance Committee ▶ The valuation methods used and any changes to these including first year audits ▶ The scope of consolidation and exclusion criteria if any and whether in accordance with the reporting framework ▶ The identification of any non-EY component teams used in the group audit ▶ The completeness of documentation and explanations received ▶ Any significant difficulties encountered in the course of the audit ▶ Any significant matters discussed with management ▶ Any other matters considered significant 	Audit results report and Auditor’s Annual Report in July 2023.

Appendix B

Required communications with the Audit and Assurance Committee (continued)

			 Our Reporting to you
Required communications	 What is reported?	 When and where	
Going concern	<p>Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> ▶ Whether the events or conditions constitute a material uncertainty ▶ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements ▶ The adequacy of related disclosures in the financial statements 	Audit results report and Auditor's Annual Report in July 2023.	
Misstatements	<ul style="list-style-type: none"> ▶ Uncorrected misstatements and their effect on our audit opinion, unless prohibited by law or regulation ▶ The effect of uncorrected misstatements related to prior periods ▶ A request that any uncorrected misstatement be corrected ▶ Material misstatements corrected by management 	Audit results report and Auditor's Annual Report in July 2023.	
Subsequent events	<ul style="list-style-type: none"> ▶ Enquiries of the Audit and Assurance Committee where appropriate regarding whether any subsequent events have occurred that might affect the financial statements 	Audit results report and Auditor's Annual Report in July 2023.	
Fraud	<ul style="list-style-type: none"> ▶ Enquiries of the Audit and Assurance Committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity ▶ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist ▶ Unless all of those charged with governance are involved in managing the entity, any identified or suspected fraud involving: <ol style="list-style-type: none"> a. Management; b. Employees who have significant roles in internal control; or c. Others where the fraud results in a material misstatement in the financial statements ▶ The nature, timing and extent of audit procedures necessary to complete the audit when fraud involving management is suspected ▶ Any other matters related to fraud, relevant to Audit and Assurance Committee responsibility 	Audit results report and Auditor's Annual Report in July 2023.	




Appendix B

Required communications with the Audit and Assurance Committee (continued)

		Our Reporting to you
Required communications	What is reported?	When and where
Related parties	<ul style="list-style-type: none"> ▶ Significant matters arising during the audit in connection with the entity's related parties including, when applicable: ▶ Non-disclosure by management ▶ Inappropriate authorisation and approval of transactions ▶ Disagreement over disclosures ▶ Non-compliance with laws and regulations ▶ Difficulty in identifying the party that ultimately controls the entity 	Audit results report and Auditor's Annual Report in July 2023.
Independence	<p>Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, objectivity and independence</p> <p>Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as:</p> <ul style="list-style-type: none"> ▶ The principal threats ▶ Safeguards adopted and their effectiveness ▶ An overall assessment of threats and safeguards ▶ Information about the general policies and process within the firm to maintain objectivity and independence <p>Communication whenever significant judgements are made about threats to objectivity and independence and the appropriateness of safeguards put in place.</p> <p>For public interest entities and listed companies, communication of minimum requirements as detailed in the FRC Revised Ethical Standard 2019:</p> <ul style="list-style-type: none"> ▶ Relationships between EY, Transport for London and senior management, its affiliates and its connected parties ▶ Services provided by EY that may reasonably bear on the auditors' objectivity and independence ▶ Related safeguards ▶ Fees charged by EY analysed into appropriate categories such as statutory audit fees, tax advisory fees, other non-audit service fees 	Audit planning report in November 2022 and Audit results report in July 2023.




Appendix B

Required communications with the Audit and Assurance Committee (continued)

		 Our Reporting to you
Required communications	 What is reported?	 When and where
	<ul style="list-style-type: none"> ▶ A statement of compliance with the Ethical Standard, including any non-EY firms or external experts used in the audit ▶ Details of any inconsistencies between the Ethical Standard and Group's policy for the provision of non-audit services, and any apparent breach of that policy ▶ Details of any contingent fee arrangements for non-audit services ▶ Where EY has determined it is appropriate to apply more restrictive rules than permitted under the Ethical Standard ▶ The Audit and Assurance Committee should also be provided an opportunity to discuss matters affecting auditor independence 	
External confirmations	<ul style="list-style-type: none"> ▶ Management's refusal for us to request confirmations ▶ Inability to obtain relevant and reliable audit evidence from other procedures 	Audit results report in July 2023.
Consideration of laws and regulations	<ul style="list-style-type: none"> ▶ Subject to compliance with applicable regulations, matters involving identified or suspected non-compliance with laws and regulations, other than those which are clearly inconsequential and the implications thereof. Instances of suspected non-compliance may also include those that are brought to our attention that are expected to occur imminently or for which there is reason to believe that they may occur ▶ Enquiry of the Audit and Assurance Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the Audit and Assurance Committee may be aware of 	Audit results report in July 2023.
Internal controls	<ul style="list-style-type: none"> ▶ Significant deficiencies in internal controls identified during the audit 	Audit results report in July 2023.

Appendix B

Required communications with the Audit and Assurance Committee (continued)

		 Our Reporting to you
Required communications	 What is reported?	 When and where
Group audits	<ul style="list-style-type: none"> ▶ An overview of the type of work to be performed on the financial information of the components ▶ An overview of the nature of the group audit team's planned involvement in the work to be performed by the component auditors on the financial information of significant components ▶ Instances where the group audit team's evaluation of the work of a component auditor gave rise to a concern about the quality of that auditor's work ▶ Any limitations on the group audit, for example, where the group engagement team's access to information may have been restricted ▶ Fraud or suspected fraud involving group management, component management, employees who have significant roles in group-wide controls or others where the fraud resulted in a material misstatement of the group financial statements 	Audit planning report in November 2022 and Audit results report in July 2023.
Representations	Written representations we are requesting from management and/or those charged with governance	Audit results report in July 2023.
Material inconsistencies and misstatements	Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	Audit results report in July 2023.
Auditors report	<ul style="list-style-type: none"> ▶ Any circumstances identified that affect the form and content of our auditor's report 	Audit results report and Auditor's Annual Report in July 2023.
Fee Reporting	<ul style="list-style-type: none"> ▶ Breakdown of fee information when the audit plan is agreed ▶ Breakdown of fee information at the completion of the audit ▶ Any non-audit work 	Audit planning report in November 2022 and Audit results report, Auditor's Annual Report in July 2023.
Value for Money	<ul style="list-style-type: none"> ▶ Risks of significant weakness identified in planning work ▶ Commentary against specified reporting criteria on the VFM arrangements, including any exception report on significant weaknesses. 	Audit planning report in November 2022 and Audit results report, Auditor's Annual Report in July 2023.

Additional audit information

Objective of our audit

Our objective is to form an opinion on Transport for London's consolidated financial statements under International Standards on Auditing (UK) as prepared by you in accordance with with International Financial Reporting Standards as adopted by the EU, and as interpreted and adapted by the Code of Practice on Local Authority Accounting.

Our responsibilities in relation to the financial statement audit are set out in the formal terms of engagement between the PSAA's appointed auditors and audited bodies. We are responsible for forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of the Audit and Assurance Committee. The audit does not relieve management or the Audit and Assurance Committee of their responsibilities.

Other required procedures during the course of the audit

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

Our responsibilities required by auditing standards

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

Additional audit information (continued)

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

Procedures required by the Audit Code	<ul style="list-style-type: none"> ▶ Reviewing, and reporting on as appropriate, other information published with the financial statements, including the Annual Governance Statement. ▶ Examining and reporting on the consistency of consolidation schedules or returns with Transport for London’s audited financial statements for the relevant reporting period
Other procedures	<ul style="list-style-type: none"> ▶ We are required to discharge our statutory duties and responsibilities as established by the Local Audit and Accountability Act 2014 and Code of Audit Practice

We have included in Appendix B a list of matters that we are required to communicate to you under professional standards.

Purpose and evaluation of materiality

Page 70

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

Materiality determines the level of work performed on individual account balances and financial statement disclosures.

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

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ED None

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Audit and Assurance Committee

Date: 30 November 2022

Item: Annual Audit Letter

This paper will be considered in public

Summary

- 1.1 This paper informs the Committee of the status of the Annual Audit Letter issued by EY.

1 Recommendation

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

2 Background

- 2.1 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.
- 2.2 At the meeting of the Committee on 21 September 2022 a draft version of the letter was presented and a verbal update was provided on TfL as a going concern, which was not included in the letter.

3 Update

- 3.1 EY have issued an unqualified opinion on the TfL financial statements. Their opinion, as in 2020/21 and 2021/22, includes a paragraph on material uncertainty relating to the availability of funding to operate current planned operational services within available sources of funding. As described in more detail in an updated going concern note to the Accounting Policies section of the financial statements, this sets out that there continues to be significant uncertainty as to the level of longer-term future funding to be received from the Government.
- 3.2 EY's opinion on Value for Money is qualified as, without a longer-term funding agreement in place during the year. TfL was obliged to make short-term decisions, restricting its ability to make progress on and commit to key long-term priorities set by policy makers. This means that TfL was potentially not obtaining the best value for money due to a lack of clarity over long term funding. TfL has now secured a longer-term funding settlement with Government to address this issue.
- 3.3 In respect of a series of weaknesses in relation to procurement processes, corrective actions were implemented, but were not in place during the entirety

of the previous financial year. EY have now completed their work and are satisfied that the weaknesses reported have been addressed in 2021/22 and therefore they have not included a reference to this point in their audit opinion.

- 3.4 As at the date of the Audit Letter, EY have not yet undertaken 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 for 31 March 2021 or 31 March 2022 due to HM Treasury delays. These procedures for 31 March 2021 are ongoing and expected to be completed this calendar year.

List of appendices to this report:

Appendix 1: EY's Annual Audit Letter 2021/22

List of Background Papers:

None

Contact: Patrick Doig, Group Finance Director and Statutory Chief
Finance Officer

Email: Patrick.Doig@tfl.gov.uk

Transport for London Audit results report

Year ended 31 March 2022

16 September 2022

Appendix 1

Private and Confidential

16 September 2022

Transport for London
Palestra
197 Blackfriars Road
UK SW1H 0BD

Dear Members of the Audit and Assurance Committee,

2021/22 Audit results report

We are pleased to attach our audit results report. This report should be read in conjunction with our interim status report discussed with the Audit & Assurance Committee on 6 June 2022. In our interim status report, our procedures in respect of some of the areas of audit focus were incomplete. This report outlines the final conclusions in respect of testing in the areas of audit focus, with the exception of our considerations with respect to funding and going concern which are outlined in a separate paper.


The audit is designed to express an opinion on the 2022 financial statements and address current statutory and regulatory requirements. This report contains our findings related to the areas of audit emphasis, our views on TfL Group accounting policies and judgments and material internal control findings. Each year sees further enhancements to the level of audit challenge and the quality of evidence required to achieve the robust professional scepticism that society expects. We thank the management team for supporting this process.

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

We are also the auditors of TfL's subsidiaries, Transport Trading Limited Group (TTL Group) and Crossrail Limited and TTL Properties Group. TfL's subsidiaries are subject to the accounting requirements of the Companies Act 2006. We have undertaken our work in accordance with the requirements of UK auditing standards.

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

Yours faithfully



Janet Dawson

Partner
For and on behalf of Ernst & Young LLP

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01 Executive Summary

02 Audit Differences

03 Audit Report

04 Control Environment

05 Appendices



Public Sector Audit Appointments Ltd (PSAA) issued the "Statement of responsibilities of auditors and audited bodies". It is available from the PSAA website (<https://www.psa.co.uk/audit-quality/statement-of-responsibilities/>). The 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 and further guidance (updated April 2018)" issued by the PSAA sets 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 in legislation, and covers matters of practice and procedure which are of a recurring nature.

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



01

Executive Summary

Financial statements opinion

In our Audit Plan we identified a number of key areas of focus for our audit of the financial report of the TfL Group. There have been no changes to the key areas of focus identified in our June 2022 Audit and Assurance Committee paper.

As set out in our Audit Planning Report dated 1 December, we set materiality at 1% of gross expenditure. On receipt of the draft financial statements we updated the initial figures set based on budget to our final materiality of £98.4m. Performance materiality was set at 50% of planning materiality at £49.2m and we planned to report misstatements relating to the income statement and balance sheet that have an impact on income and misstatements on the OCI over 5% of planning materiality at £5m.

With regards to other areas of audit focus identified in our Audit and Assurance Committee paper, audit procedures were still in progress in June. This report outlines the final conclusions in respect of testing in the areas of audit focus, with the exception of our considerations with respect to funding and going concern, which are outlined in a separate paper. We have summarised our conclusions below:

Inappropriate Revenue recognition relating to the allocation of fares received based on time periods, services provided by other parties and refunds (Fraud risk)

We have completed the remaining procedures including the assessment of conclusions within KPMG's ISAE3402 report. We have concluded that the basis on which fares revenue is recognised is in accordance with the requirements of IFRS15 - Revenue from contracts with customers as applied by the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22. The judgements made related to fares revenue in the financial statements have been appropriately described. This matter has been reported as a Key Audit Matter in our opinion.

Capital projects (Significant risk)

We have received management's assessment of capital projects following receipt of the updated funding agreement. We have reviewed impairment assessments performed and concur with the assessments made by management. The appropriateness of capitalised expenditure has been reported as a as a Key Audit Matter in our opinion, however given the new funding agreement for capital expenditure, the consideration of impairment of assts in the course of construction is not a Key Audit Matter. We have concluded that we are satisfied that the capitalised costs in the year meet the criteria for capitalisation of IAS16 : Property, Plant and Equipment as applied by the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 and are appropriate.

Property valuation - Complexity of accounting for TfL and TTL property portfolios (Significant risk)

We have received the final valuation report and completed our outstanding procedures. We have concluded that property valuations were within an acceptable range and in compliance with IAS 40: Investment Property as applied by the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22. The disclosures set out in the notes to the financial statements are fundamental to users' understanding of this matter. We conclude that the balances and disclosures in the financial statements and notes appropriately reflect the risk factors identified and are in compliance with the requirements of IAS40 : Investment Property as applied by the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22. This matter has been reported as a Key Audit Matter in our opinion.

Management override of controls (Fraud risk)

We set out our procedures and conclusions in our June 2022 paper, there are no additional matters to report following completion of all of our procedures. This is not a separate Key Audit Matter, however the opinion includes narrative relating to procedures performed to address the risk of management override of controls.

Executive Summary

Financial statements opinion

Pension accounting (area of audit focus)

At the time of our June 2022 report, final reports had not been received from the pension schemes and actuaries in respect of year end balances. These have now all been received and reconciled to the financial statements accounting and disclosures. During this process a difference between the original pension scheme asset values and the final higher position included in the TfL Pension Fund accounts was identified of £14m - as this asset value is now confirmed, this represents an uncorrected error. In the prior year a similar item arose of £76.5m. This impacts TfL consolidated and entity financial statements. We expect that all errors will be corrected by management, however management has concluded that this item is not material and does not impact usable. We have recorded this as an uncorrected error on our summary of audit differences, which is attached to our letter of representation and ask that the Board consider this position and conclude on the uncorrected error and the reasons for not adjusting if that is the final position.

Infrastructure assets (other matter)

We note that there is a sector wide review of the adequacy of the accounting records relating to infrastructure assets within local authorities. In prior years, TfL had updated fixed asset management systems to separately identify and classify expenditure into appropriate asset types with appropriate asset lives, to allow tracking of any subsequent expenditure and the identification of whether a disposal should be recorded in the year of new expenditure of the previously capitalised amount. We did not identify any material matters to report during our current year testing on this matter.

Climate related risk (other matter)

We have completed the remaining procedures with regards to climate related risk. We have reviewed the associated narrative in the Annual report and have no matters to report. Our audit opinion includes reference to the scope of our work with respect to climate change.

Going concern - Key Audit Matter

Going concern risk

CIPFA's Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 states that an Authority's financial statements shall be prepared on a going concern basis. ISA 570, as applied by Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom, requires auditors to undertake sufficient and appropriate audit procedures to ensure appropriate disclosure within the financial statements of the risks faced by the financial authority and the key assumptions in determining that there is no material uncertainty.

We have assessed management's assessment of going concern and set out our work and conclusions in Appendix D.



Executive Summary

Value for money

We reported 2 areas of focus with respect to value for money in our June 2022 Audit and Assurance Committee paper.

Financial Sustainability

We reported that we identified a significant weakness as defined by AGN03 with regards to the arrangements in place to achieve financial sustainability of TfL, during the 20/21 year, as there was no long term funding arrangement in place. Without a long term funding agreement in place, TfL was making short term decisions based on the current funding arrangements. If long term funding arrangements were in place, management would have been able to make more robust decisions, negotiate better long-term deals with suppliers or contractors and identify synergies and cost saving opportunities. This means that TfL was potentially not obtaining the best value for money due to lack of clarity of long term funding agreements going forward. There is no change in this conclusion for the 21/22 year. The arrangements in place during the year of audit did not give certainty in respect of longer term capital funding and therefore the risk of sub-optimal decision making remained throughout 2021/22.

Improving economy, efficiency and effectiveness

At the time of issuing our June report, our work in relation to procurement and review of whether the improvement programme was implemented was still in progress. This work is now complete and we are satisfied that the weaknesses reported in the prior year have been addressed in 2021/22. We therefore have not included reference to this point in our audit opinion.

Audit differences

During our audit work, we identified certain judgemental misstatements which remain unadjusted items and are recorded in our summary of audit differences. The differences noted are set out in section two.

Whole of government accounts

We have not yet initiated our audit for Whole of Government (WGA) requirements. We will commence our work on the WGA following approval of the financial statements. Our audit work on WGA for 2020/21 is still outstanding due to HMT delays.

Other reporting issues

We have reviewed the information presented in the Annual Governance Statement for consistency with our knowledge of TfL. We have no matters to report as a result of this work.

We plan to complete the procedures required by the National Audit Office (NAO) on the Whole of Government Accounts after issuing our audit opinion and therefore will certify the completion of the audit at that point.

We have no other matters to report.

Audit Certificate

The audit certificate is issued to demonstrate that the full requirements of the National Audit Office's 2020 Code of Audit Practice have been discharged for the relevant audit year. We expect to issue the audit certificate once the work on Whole of Government Accounts is complete.

Executive Summary

Independence

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

We reported separately on our independence to the Audit & Assurance Committee on 6 June 2022. There has been no change to our independence since that date.

Control observations

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. We have not identified any significant deficiencies in the design of an internal control that might result in a material misstatement in your financial statements and which are unknown to you.

During the audit we have shared observations and improvement recommendations on routine matters which we do not consider material for the Audit & Assurance Committee. In respect of procurement, as reported we have seen actions implemented, some of which represent temporary manual controls to be replaced by system support in future years, which we will continue to monitor.

Other powers and duties

We have a duty under the Local Audit and Accountability Act 2014 to consider whether to report on any matter that comes to our attention in the course of the audit, either for TfL to consider it or to bring it to the attention of the public (i.e. "a report in the public interest"). We did not identify any issues which required us to issue a report in the public interest.

Other matters

As required by ISA (UK&I) 260 and other ISAs specifying communication requirements, we must tell you significant findings from the audit and other matters if they are significant to your oversight of TfL's financial reporting process. They include the following:

- Significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures;
- Any significant difficulties encountered during the audit;
- Any significant matters arising from the audit that were discussed with management;
- Written representations we have requested;
- Expected modifications to the audit report;
- Any other matters significant to overseeing the financial reporting process;
- Findings and issues around the opening balance on initial audits (if applicable);
- Related parties;
- External confirmations;
- Going concern;
- Consideration of laws and regulations; and
- Group audits

We have no other matters to report.



02

Summary of audit differences



Audit Differences

Summary of unadjusted differences

In addition we highlight the following misstatements to the financial statements and/or disclosures which were not corrected by management. We request that these uncorrected misstatements be corrected or a rationale as to why they are not corrected be considered and approved by the Audit & Assurance Committee and provided within the Letter of Representation:

Uncorrected misstatements 2022 (£million)	Effect on the current period:		Net assets (Decrease)/Increase				Impact on reserves
		Total comprehensive income Debit/(Credit)	Assets current Debit/ (Credit)	Assets non current Debit/ (Credit)	Liabilities current Debit/ (Credit)	Liabilities non-current Debit/ (Credit)	Impact on brought forward reserves
Errors:							
• Pension asset valuation differences		63				14	(77)
Factual Differences:							
▸ IFRS16 - rolling stock - rate used at each delivery date		(4)		50		(41)	(5)
▸ Amounts recoverable from insurers netted in provisions		0		10		(10)	
Impact of difference arising in prior year:							
▸ Difference in accounting for certain contract incentive payments*		2		47			(49)
Total effect of uncorrected misstatements (before tax)		61		107		(37)	(131)
Less: tax effect at current year marginal rate		0					
Cumulative effect of uncorrected misstatements before turnaround effect		61					
Turnaround effect of prior year uncorrected misstatements		2					
Cumulative effect of uncorrected misstatements, after turnaround effect		63					

There are no amounts that we identified that are individually or in aggregate material to the other comprehensive income reported in the year.

The impact on reserves brought forward is above our planning materiality which is based on in-year expenditure. However the value is less than 0.5% of reserves and so we have concluded that the impact is not material.

Further reclassification and disclosure misstatements which do not impact reported surplus are shown overleaf.



Audit Differences

Summary of unadjusted differences

Further to the differences reported on the prior page, below are reclassification and disclosure misstatements which do not impact reported surplus

Uncorrected misstatements 2022 (£million)	Effect on the current period:		Net assets (Decrease)/Increase				Impact on reserves
		Total comprehensive income Debit/(Credit)	Assets current Debit/ (Credit)	Assets non current Debit/ (Credit)	Liabilities current Debit/ (Credit)	Liabilities non-current Debit/ (Credit)	Impact on brought forward reserves
1. To reclassify grant receipts in advance as a separate line in the face of the financial statement from the creditors :							
Dr: Creditors - short term					40		
Cr: Grants received in advance - short term					(40)		
Dr: Creditors - long term						11	
Cr: Grants received in advance - long term						(11)	
2. Reclassification of rental income from investment property from cost of services line to financing and investment income							
Dr: Gross income - other segments		74					
Cr: Financing and investment income		(74)					
3. Reclassification of operating expenditure from investment property from the cost of services line to financing and investment expenses							
Dr: Financing and investment expenditure		40					
Cr: Gross expenditure - other segments		(40)					



Audit Differences

Summary of unadjusted differences

Disclosure misstatements:

1. The misstatement relates to the non-separation of infrastructure assets and office buildings. Infrastructure assets are a separate class of asset from office buildings as noted in paragraph 4.1.2.2 of the Code. Therefore, infrastructure should be separately identified from "office buildings" in notes 14 & 15.
2. Non-disclosure of items income, expenses and gains/losses by category of financial statement in the funding and risk management note. Paragraph 7.3.2.13 of the CIPFA Code requires additional disclosure of items of income, expense and gains/losses by category of financial instrument either on the face of the financial statements or in the notes.
3. The upward revaluation of the newly classified investment property is incorrectly accounted for in the investment property note. The upward revaluation should be accounted for in the property, plant and equipment note. This should also be credited to the group revaluation reserve line with IAS16.
4. The disclosure relating to the transfer of investment property to assets held for sale amounting to £6.8m is not in compliance paragraph 4.4.2.7 of the Code which says that investment property which subsequently meets the criteria to be classified as held for sale shall continue to be accounted for as investment property but may be reported separately as investment property held for sale.
5. The credit risk section of the funding and financial risk management is not in line CIPFA Code paragraph 7.3.3.13. Paragraph 7.3.3.13 requires changes in the loss allowance to be explained by way of a reconciliation from the opening to closing balance by class of financial instrument and type of credit loss.
6. The split of total assets in the schemes under the pensions note does not fully comply with the CIPFA Code paragraph 6.4.3.45. Paragraph 6.4.3.45 requires equity and debt instruments to be segregated by geography, industry or issuer type. The disclosure should also note whether the disaggregated plan assets are quoted or not.
7. The accounting treatment of the repayments of loans to subsidiaries is not in line with the Code. Capital loans when repaid are debited to cash and credited to the capital receipts reserve. The debt repaid is written off from debtors and debited to the capital adjustment account. Then, if an authority decides to, it can apply the capital receipt to the capital adjustment account.



03 Audit Report



Audit Report

Draft audit opinion

We have audited the financial statements for Transport for London under the Local Audit and Accountability Act 2014 (as amended) and prepared our draft audit report. We anticipate issuing an unqualified opinion on the financial statements. In our report, we draw the readers' attention to management's assessment of a material uncertainty in relation to TfL's ability to meet its liabilities as they fall due, without a reduction in planned service levels, between the date of approval of the accounts and 31 March 2024. This is due to uncertainties in the actual levels of funding the organisation may receive under the Long Term Funding Agreement dated 30 August 2022, with the Department for Transport. Our opinion is not modified in this respect.

Under our National Audit Office Code of Audit Practice 2020, we will report by exception that the lack of a long term funding agreement, during the 2021/22 year resulted in a weakness in arrangements to achieve value for money in the year to 31 March 2022.

Our audit report sets out the key audit matters, our response to the risk and our key observations reported to the Audit and Assurance Committee, as a result of our audit, in our 6 June 2022 and this report.



04

Assessment of Control Environment



Assessment of Control Environment

Financial controls

It is the responsibility of TfL to develop and implement systems of internal financial control and to put in place proper arrangements to monitor their adequacy and effectiveness in practice. Our responsibility as your auditor is to consider whether TfL has put adequate arrangements in place to satisfy itself that the systems of internal financial control are both adequate and effective in practice.

As part of our audit of the financial statements, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed. However, as we have adopted a fully substantive approach, we have not tested the operation of controls.

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.

We have not identified any significant deficiencies in the design or operation of an internal control that might result in a material misstatement in your financial statements of which you are not aware. During the audit we have shared observations and improvement recommendations on routine matters which we do not consider material for the Audit & Assurance Committee. In respect of procurement, as reported we have seen actions implemented, some of which represent temporary manual controls to be replaced by system support in future years, which we will continue to monitor.



05 Appendices



Appendix A

Audit approach update

We summarise below our approach to the audit of the balance sheet and any changes to this approach from the prior year audit.




Our audit procedures are designed to be responsive to our assessed risk of material misstatement at the relevant assertion level. Assertions relevant to the balance sheet include:

- ▶ Existence: An asset, liability and equity interest exists at a given date
- ▶ Rights and Obligations: An asset, liability and equity interest pertains to the entity at a given date
- ▶ Completeness: There are no unrecorded assets, liabilities, and equity interests, transactions or events, or undisclosed items
- ▶ Valuation: An asset, liability and equity interest is recorded at an appropriate amount and any resulting valuation or allocation adjustments are appropriately recorded
- ▶ Presentation and Disclosure: Assets, liabilities and equity interests are appropriately aggregated or disaggregated, and classified, described and disclosed in accordance with the applicable financial reporting framework. Disclosures are relevant and understandable in the context of the applicable financial reporting framework

There were no significant changes to our audit approach from the prior year. We carried out a fully substantive audit on all balances.

Appendix B

Summary of communications





Date 	Nature 	Summary 
13 October 2021	Meeting	The partner in charge of the engagement, along with other senior members of the audit team, met with the management team to discuss key audit risks and audit planning
1 December 2021	Report	The audit planning report, including confirmation of independence, was issued to TfL and presented to the Audit and Assurance Committee
6 June 2022	Report	The Audit Results Report as at 6 June 2022 was issues to TfL and presented to the Audit and Assurance Committee. The imterim findings relating to Value for Money arrangements was also presented.
June - September	Various meetings	The partner in charge of the engagement, along with other senior members of the audit team, met with the management team to discuss financial position, risks and significant transactions, progress on the funding arrangements agreement and going concern conclusions.

In addition to the above specific meetings and letters the audit team met with the management team multiple times throughout the audit to discuss audit findings.

Appendix C

Required communications with the Audit & Assurance Committee

There are certain communications that we must provide to the Audit Committees of UK entities. We have detailed these here together with a reference of when and where they were covered:

		 Our Reporting to you
Required communications	 What is reported?	  When and where
Terms of engagement	Confirmation by the audit & assurance committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.	Discussed within PSAA terms of appointment for TfL and our engagement letter for the subsidiary entities
Our responsibilities	Reminder of our responsibilities as set out in the engagement letter.	Discussed within Planning report presented to the Audit and Assurance Committee on 1 December 2021
Planning and audit approach	Communication of the planned scope and timing of the audit, any limitations and the significant risks identified. When communicating key audit matters this includes the most significant risks of material misstatement (whether or not due to fraud) including those that have the greatest effect on the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team.	Discussed within Planning report and updated in our report of 6 June 2022
Significant findings from the audit	<ul style="list-style-type: none"> ▶ Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures ▶ Significant difficulties, if any, encountered during the audit ▶ Significant matters, if any, arising from the audit that were discussed with management ▶ Written representations that we are seeking ▶ Expected modifications to the audit report ▶ Other matters if any, significant to the oversight of the financial reporting process 	Discussed within our report on 6 June 2022 and updated in this report

Appendix C

		Our Reporting to you
Required communications	What is reported?	When and where
Major Local Audits	<p>For the audits of financial statements of major local audits our written communications to the Audit and Accounts Committee include:</p> <ul style="list-style-type: none"> ▶ A declaration of independence ▶ The identity of each key audit partner ▶ The use of non-member firms or external specialists and confirmation of their independence ▶ The nature and frequency of communications ▶ A description of the scope and timing of the audit ▶ Which categories of the balance sheet have been tested substantively or controls based and explanations for significant changes to the prior year, including first year audits ▶ Materiality ▶ Any going concern issues identified ▶ Any significant deficiencies in internal control identified and whether they have been resolved by management ▶ Subject to compliance with regulations, any actual or suspected non-compliance with laws and regulations identified relevant to the Audit and Accounts Committee ▶ Subject to compliance with regulations, any suspicions that irregularities, including fraud with regard to the financial statements, may occur or have occurred, and the implications thereof ▶ The valuation methods used and any changes to these including first year audits ▶ The scope of consolidation and exclusion criteria if any and whether in accordance with the reporting framework ▶ The completeness of documentation and explanations received ▶ Any significant difficulties encountered in the course of the audit ▶ Any significant matters discussed with management ▶ Any other matters considered significant 	Discussed within our report on 6 June 2022 and updated in this report.
Subsequent events	<ul style="list-style-type: none"> ▶ Enquiry of the audit committee where appropriate regarding whether any subsequent events have occurred that might affect the financial statements. 	To be confirmed on 21 September 2022.

Appendix C




Our Reporting to you

Required communications	What is reported?	When and where
Going concern	<p>Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> ▶ Whether the events or conditions constitute a material uncertainty related to going concern ▶ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements ▶ The appropriateness of related disclosures in the financial statements 	Discussed within this report
Misstatements	<ul style="list-style-type: none"> ▶ Uncorrected misstatements and their effect on our audit opinion, unless prohibited by law or regulation ▶ The effect of uncorrected misstatements related to prior periods ▶ A request that any uncorrected misstatement be corrected ▶ Material misstatements corrected by management 	Discussed within our report on 6 June 2022 and updated in this report.
Fraud	<ul style="list-style-type: none"> ▶ Enquiries of the audit committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity ▶ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist ▶ Unless all of those charged with governance are involved in managing the entity, any identified or suspected fraud involving: <ol style="list-style-type: none"> a. Management; b. Employees who have significant roles in internal control; or c. Others where the fraud results in a material misstatement in the financial statements. ▶ The nature, timing and extent of audit procedures necessary to complete the audit when fraud involving management is suspected ▶ Any other matters related to fraud, relevant to Audit Committee responsibility. 	Discussed within our report on 6 June 2022 and updated in this report.
Related parties	<p>Significant matters arising during the audit in connection with the entity's related parties including, when applicable:</p> <ul style="list-style-type: none"> ▶ Non-disclosure by management ▶ Inappropriate authorisation and approval of transactions ▶ Disagreement over disclosures ▶ Non-compliance with laws and regulations ▶ Difficulty in identifying the party that ultimately controls the entity 	No issues identified during the course of our audit.

Appendix C

		Our Reporting to you
Required communications	What is reported?	When and where
Independence	<p>Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, objectivity and independence.</p> <p>Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as:</p> <ul style="list-style-type: none"> ▶ The principal threats ▶ Safeguards adopted and their effectiveness ▶ An overall assessment of threats and safeguards ▶ Information about the general policies and process within the firm to maintain objectivity and independence <p>Communications whenever significant judgements are made about threats to objectivity and independence and the appropriateness of safeguards put in place.</p> <p>For public interest entities and listed companies, communication of minimum requirements as detailed in the FRC Revised Ethical Standard 2019:</p> <ul style="list-style-type: none"> ▶ Relationships between EY, the company and senior management, its affiliates and its connected parties ▶ Services provided by EY that may reasonably bear on the auditors' objectivity and independence ▶ Related safeguards ▶ Fees charged by EY analysed into appropriate categories such as statutory audit fees, tax advisory fees, other non-audit service fees ▶ A statement of compliance with the Ethical Standard, including any non-EY firms or external experts used in the audit ▶ Details of any inconsistencies between the Ethical Standard and Group's policy for the provision of non-audit services, and any apparent breach of that policy ▶ Where EY has determined it is appropriate to apply more restrictive rules than permitted under the Ethical Standard ▶ The audit committee should also be provided an opportunity to discuss matters affecting auditor independence 	<p>These matters are included within this report and also included within the Planning Audit Report for the year ending 31 March 2022 and our separate independence report</p>

Appendix C

		Our Reporting to you
Required communications	 What is reported?	  When and where
External confirmations	<ul style="list-style-type: none"> ▶ Management's refusal for us to request confirmations ▶ Inability to obtain relevant and reliable audit evidence from other procedures. 	No issues identified during the course of our audit.
Consideration of laws and regulations	<ul style="list-style-type: none"> ▶ Subject to compliance with applicable regulations, matters involving identified or suspected non-compliance with laws and regulations, other than those which are clearly inconsequential and the implications thereof. Instances of suspected non-compliance may also include those that are brought to our attention that are expected to occur imminently or for which there is reason to believe that they may occur ▶ Enquiry of the audit committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the audit committee may be aware of 	<p>No issues identified during the course of our audit. Included in our audit opinion.</p> <p>To be confirmed on 21 September 2022.</p>

Appendix C

		Our Reporting to you
Required communications	What is reported?	When and where
Significant deficiencies in internal controls identified during the audit	<ul style="list-style-type: none"> ▶ Significant deficiencies in internal controls identified during the audit. 	No issues identified during the course of our audit.
Group Audits	<ul style="list-style-type: none"> ▶ An overview of the type of work to be performed on the financial information of the components ▶ An overview of the nature of the group audit team's planned involvement in the work to be performed by the component auditors on the financial information of significant components ▶ Instances where the group audit team's evaluation of the work of a component auditor gave rise to a concern about the quality of that auditor's work ▶ Any limitations on the group audit, for example, where the group engagement team's access to information may have been restricted ▶ Fraud or suspected fraud involving group management, component management, employees who have significant roles in group-wide controls or others where the fraud resulted in a material misstatement of the group financial statements. 	<p>Included within our Audit Planning Report on 1 December 2021.</p> <p>No issues identified during the course of our audit.</p>
Written representations we are requesting from management and/or those charged with governance	<ul style="list-style-type: none"> ▶ Written representations we are requesting from management and/or those charged with governance 	See under separate cover.
Material inconsistencies and/or misstatements	<ul style="list-style-type: none"> ▶ Material inconsistencies or misstatements of fact identified in other information which management has refused to revise 	Discussed within this report.
Auditors report	<ul style="list-style-type: none"> ▶ Key audit matters that we will include in our auditor's report ▶ Any circumstances identified that affect the form and content of our auditor's report 	Discussed within this report. Provided in draft under separate cover.

Appendix D

Going concern - Key Audit Matter

Going concern risk

CIPFA's Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 states that an Authority's financial statements shall be prepared on a going concern basis; the accounts should be prepared on the assumption that the functions of the Authority will continue in operational existence for the foreseeable future and can only be discontinued under statutory prescription.

However, ISA 570, as applied by Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom, still requires auditors to undertake sufficient and appropriate audit procedures to ensure appropriate disclosure within the financial statements of the risks faced by the financial authority and the key assumptions in determining that there is no material uncertainty.

To do this, the auditor must review management's assessment of the going concern basis applying IAS1 Presentation of Financial Statements.

We completed the following procedures:

- ▶ We understood management's assessment of funding requirements and commitments for the going concern period by reconciling 2022/23 and 2023/24 budget, and Q1 forecast back to supporting evidence and confirmation of funding provided to date by the Department for Transport ('DfT').
- ▶ We considered the historical accuracy of management's budgets and forecasting by comparing the last two years variances in actual outturn, to assess the risk of the budgets used in the funding discussions omitting material commitments.
- ▶ We validated performance to date on efficiency savings programmes, to determine the potential risk of non delivery of the savings assumed within the budget ('central case forecast'), as well as the additional amounts required by the funding settlement.
- ▶ We validated the performance against conditions set out in Extraordinary Funding and Financing funding agreements with the DfT, which have been in place following the impact of the COVID-19 pandemic and the control mechanisms in place at TfL to monitor performance, to assess the risk of non compliance with conditions which could therefore result in a reduction in funding in the going concern period to 31 March 2024.
- ▶ We understood the nature of the conditions set out in the agreement with the DfT dated 30 August 2022. In particular, we understood the terms and availability of funding related to inflation, cost savings, the dispute mechanism and the utilisation of funding for the planned operating services or capital purposes.
- ▶ We challenged each material element of downside risk identified by management, including those related to inflation and cost savings and tested to supporting evidence to assess the underlying assumptions and the appropriateness of TfL calculations.
- ▶ We stress tested the downside risk, using worst case parameters, considered completeness of downside risks and calculated a "worst case" downside risk- this included using increased inflation rates, reduced cost savings, changes to passenger fares and other reductions to revenue.
- ▶ We obtained confirmation from GLA on the availability and planned application of the Transport Reserve and funding facility to TfL during the GC period.

Appendix D

Going concern - Key Audit Matter

We completed the following procedures (continued):

- ▶ We obtained the Mayoral Direction setting out the executive decision, making available the funding facility from GLA.
- ▶ We obtained from GLA and tested cashflows, including funding assumptions within the Mayor's budget to assess the availability of the support outlined in the Mayoral Direction.
- ▶ We considered the mitigations available to TFL, challenged the assumptions over access to further borrowing and other potential mitigations to determine the reasonableness of those options.
- ▶ We assessed the adequacy of the disclosures of the material uncertainty relating to the ability to deliver current planned operational services within available sources of funding in the financial statements.

Conclusions

We concluded that there is a material uncertainty relating to the ability to deliver current planned operational services within available sources of funding.

As set out in management's description within note d) of Accounting Policies, the funding agreement reached on 30 August 2022, together with funding and facilities confirmed by the Greater London Authority, provides the necessary funding to operate agreed levels of services and to meet the commitments of all capital projects currently recorded in assets in the course of construction at 31 March 2022. However, as set out in note d) of Accounting Policies, there is a material uncertainty which may cast significant doubt on TFL's ability to continue to operate the current planned operational services within available sources of funding. This is caused by the combination of the risks and uncertainties of the following:

- the 'dispute mechanism' within the funding settlement agreement dated 30 August 2022, with the Department for Transport ('funding settlement');
- the inflation review mechanism within the funding settlement agreement; and
- the ability to delivery cost savings in addition to those already assumed in TFL's budget ('central case forecast').

Our opinion is not modified in respect of this matter.

Our responsibilities and the responsibilities of management with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's ability to continue as a going concern.



Appendix E

Management representation letter

See under separate cover

EY | Assurance | Tax | Transactions | Advisory

About EY

EY is a global leader in assurance, tax, transaction and advisory services. The insights and quality services we deliver help build trust and confidence in the capital markets and in economies the world over. We develop outstanding leaders who team to deliver on our promises to all of our stakeholders. In so doing, we play a critical role in building a better working world for our people, for our clients and for our communities.

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ED None

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Audit and Assurance Committee



Date: 30 November 2022

Item: EY Report on Non-Audit Fees for the Period 1 April - 30 November 2022

This paper will be considered in public

1 Summary

1.1 The Committee is being asked to note the update on fees billed by EY for non-audit services.

2 Recommendation

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

3 Background

3.1 Under TfL's policy on external audit services, EY is required to report to the Audit and Assurance Committee twice yearly on fees billed for non-audit services. EY's letter is attached for the Committee's review.

List of appendices to this report:

Appendix 1: Letter from EY

List of Background Papers:

None

Contact: Patrick Doig, Group Finance Director and Statutory Chief Finance Officer

Email: PatrickDoig@TfL.gov.uk

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Company Secretariat
Transport for London
5 Endeavour Square
Stratford
London
E20 1JN

15 November 2022

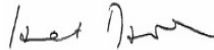
Direct line: 020 7951 2195
Email: jdawson1@uk.ey.com

Dear Sirs

Audit fees - Period ending 31 October 2022

Under Transport for London's policy on external audit services we are required to provide to the Audit and Assurance Committee, a report on fees for all services, we reported the non-audit services incurred in the 6 months to 31 March 2022 to a previous committee meeting. Appendix 1 to this letter includes a summary of our non-audit fees during the period 1 April 2022 to 31 October 2022.

Yours faithfully



Janet Dawson
Partner
For and on behalf of Ernst & Young LLP

Appendix 1
Summary of fees

	TfL Corporation 2022/23	Comments
Agreed upon procedures	£17,970	Procedures performed for London Bus Services Limited on the costs claimed under FCH JU Grant Agreement financed under the Seventh Research Framework Programme

Audit and Assurance Committee

Date: 30 November 2022

Item: Risk and Assurance Quarter 2 Report 2022/23

This paper will be considered in public

1 Summary

- 1.1 The purpose of this report is to inform the Committee of the work completed by the Risk and Assurance Directorate during Quarter 2 of 2022/23 (26 June 2022 to 17 September 2022) (Q2), 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 supplementary information that is exempt from publication by virtue of paragraphs 3 and 7 of Schedule 12A of the Local Government Act 1972 in that it contains information relating to the 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. Any discussion of that exempt information must take place after the press and public have been excluded from this meeting.
- 1.3 This report also provides an update on assurance activity and the Integrated Assurance and Audit Schedule for TTL Properties Limited (TTLP) which from Quarter 3 of 2022/23 (Q3) will have its own paper on the Committee's agenda.

2 Recommendation

- 2.1 **The Committee is asked to note the report and the exempt supplementary information on Part 2 of the agenda and approve the updated Audit Plan set out in Appendix 1.**

3 Director Update

- 3.1 This is the second quarterly report for financial year 2022/23 to the Committee highlighting the activities of five of the six teams making up the Risk and Assurance Directorate, namely: Enterprise Risk; Internal Audit; Quality, Safety and Security Assurance (QSSA); Project Assurance (PA); and Counter-fraud and Corruption (CFC). Detailed Elizabeth line assurance work is covered elsewhere on the agenda.
- 3.2 The Audit Plan has been updated to reflect the new list of Enterprise Risks and all assurance work presented to Panels and Committees will be mapped against these risks from Q3. The Committee is asked to approve the updated Audit Plan as set out in Appendix 1.

- 3.3 The planning for the 2023/24 QSSA second line audit programme will be structured around the TfL management system, providing a more structured, intelligence driven approach with fewer subjective requests. This will also provide a clearer picture of what key controls are assured and any gaps in assurance.
- 3.4 An Integrated Assurance Framework for TTLP based on the three lines of defence model is now in place. The first Integrated Assurance and Audit Schedule was submitted and approved by the Land and Property Committee on 18 October 2022 (see Appendix 11). Independent Investment Programme Advisory Group (IIPAG) recruitment for the TTLP sub-group has been completed and the three new members have now started and have been briefed on the key issues and how their work fits into the Integrated Assurance Framework. An initial Enterprise Risk workshop was completed and details of outputs are set out in the paper on Part 2 of the agenda.
- 3.5 In PA reviews during Q2, availability of staff resources continues to be the primary risk to project delivery. The PA team continues to focus on reviewing the strength of business cases and their ability to demonstrate good value for money, and the build-up of Estimated Final Costs and their robustness.
- 3.6 Members of the CFC team met with British Transport Police senior officers and representatives from the Train Operating Companies in response to ongoing challenges with reporting and progressing cases of financial crime. The meeting helped all parties to understand the issues, and the group agreed to a number of actions which, once implemented, will ensure reported cases are progressed in line with agreed new processes. The group will meet again on 29 November 2022.

4 Enterprise Risk Management

- 4.1 The following Level 0 (L0) Enterprise Risks reviews were facilitated by the team in Q2:
 - (a) Environment including climate adaptation (ER3); and
 - (b) Changes in customer demand (ER9).
- 4.2 The Executive Committee has agreed a new 12-month rolling schedule of reviews for the new L0 risks. The papers for these risks will also be discussed at the relevant Panels and Committees during the next 12 months.
- 4.3 The work to update the risk appetite process is ongoing and proposals will be presented to TfL's Executive Committee and this Committee when completed.
- 4.4 Following the changes to L0 risks, we are now conducting an extensive review of Level 1 risks to ensure they are aligned with the Vision and Values roadmaps in line with the new Enterprise Risk Framework. Work has also started to consolidate thematic risks which were previously identified across several business areas as this will help cross-functional working.
- 4.5 A list of the L0 risks is included in Appendix 2.

5 Audit and Assurance

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

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

5.2 Figure 1 below indicates the assurance activity for Q2 by team/group mapped against the Enterprise Risks (if a risk is not listed this means that no work has been completed against it during the year so far).

Figure 1 – Assurance activity mapped to Enterprise Risk



Internal Audit

5.3 Internal Audit provide third line assurance through independent, objective and evidence-based audits. A full list of audit reports issued in Q2 is at Appendix 3, audits in progress at Appendix 4 and work planned to start in Q3 at Appendix 5. The Internal Audit Q2 summary is included as Appendix 6. Appendices 3 to 5 exclude Elizabeth line audits, details of which are included in the Elizabeth Line Programme Assurance Q2 Report elsewhere on the agenda.

5.4 The Internal Audit Q2 summary, included as Appendix 6, includes highlights from work completed during the quarter. It also provides an overview of the delivery of the Audit Plan, a summary of the reports issued, conclusions and information on overdue audit actions.

- 5.5 Ten audit reviews were completed in Q2. Five audit reports and five memos were issued (details are set out in Appendix 3). The business has accepted the findings for all audits and is working to close them out in agreed timescales. Of the five audit reports issued, one was rated as 'Adequately Controlled' and four rated as 'Requires Improvement'.
- 5.6 The 'Requires Improvement' audits included two in the Technology and Data area. Specifically on Data Loss Prevention and Review of Datacentres. The remaining two included one in the Delivery of Key Projects and Programmes covering Benefits Realisation and one in Financial Sustainability covering the Group portfolio tracking process.
- 5.7 The 2021/22 year end carry-over of 13 audits has been reduced to one, and this has now gone through internal review and the draft report is in preparation.
- 5.8 There were no changes to the Audit Plan during Q2.

Management Actions

- 5.9 The team monitors the completion of all Internal Audit 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. Appendix 6 provides additional information relating to action management trends over the last six rolling periods as well as information on overdue actions at the end of Q2. There were 42 actions closed in Q2. Progress towards closing out actions is discussed with stakeholders regularly and there are valid reasons for those that are overdue. The team are actively working with the business to close any actions that are over 100 days overdue. The Director of Risk and Assurance also discusses overdue actions with Chief Officers in her quarterly meetings with them.

Mayoral Directions

- 5.10 The Mayor is permitted to issue to TfL general directions as to the manner in which TfL is to exercise its functions, or specific directions as to the exercise of its functions (or not to exercise a power specified in the direction). Directions are also often made in relation to the implementation of matters in respect of which the Mayor delegates statutory powers to TfL.
- 5.11 The Mayor makes Mayoral Directions through Mayoral Decisions, which are published on the [GLA's Decisions Database](#). A summary of current Mayoral Directions to TfL is maintained on the [How we are governed](#) page on our website. Mayoral Directions to TfL are reported to the relevant Board Committees for discussion as soon as possible after they are received by TfL or published. Mayoral Directions are also reported to this Committee so it can consider if the annual audit plan has appropriate audit resource to provide assurance on TfL's work in implementing Mayoral Directions.

5.12 There were no new Mayoral Directions during Q2.

Quality, Safety and Security Assurance

5.13 The QSSA team carries out second line of defence audits, primarily in relation to health and safety and engineering management system compliance, and compliance with Payment Card Industry Data Security Standards (part of the security assurance work). Audit reports issued by the team follow a similar system of audit conclusions and priority ratings for issues as the Internal Audit team.

5.14 A summary of work carried out by QSSA in Q2 is included as Appendix 7.

5.15 A total of 29 QSSA audits were completed in Q2, this is a substantial improvement on the Quart 1 of 2022/23 (Q1) performance of 10 audits completed. At the halfway point of the year, the team are on track to meet the end of year target. All audits issued have an agreed programme actions that are tracked to completion.

5.16 Three audits were concluded as 'Poorly Controlled':

(a) London Underground (LU) Pumps Competence Management: Key elements of the Pumps competence management system were not in place; it was therefore not possible to assure that those maintaining the assets are deemed competent to do so.

(b) LU Civils Competence Management: Non-conformances identified in the previous audit remain in relation to the document and quality control processes. A key contributor to this is the continued absence of Internal Verification activities and a key Competency Assurance and Quality Manager role being vacant.

(c) LU Off Track Drainage Management: The location of all assets could not be verified and some surveys or inspections were not completed as required.

5.17 Three audits were concluded as 'Requires Improvement' and all had agreed recommendations and action plans in place:

(d) LU Fire Safety Compliance: This audit was requested to measure progress against an improvement plan. Significant progress has been made to improve the governance of fire safety; however further process improvements are required to ensure their effectiveness.

(e) London Overground Alstom Depot Competence Management: Gaps had been identified in the effective control and review of risks, and the assurance of training and competence of staff involved in the movement of rail vehicles within the depot. It could not be assured that actions raised from previous local investigations and audits had been completed due to the robustness of the tracking by local management.

(f) LU Power Competence Management: Some requirements of R0623 A6 'LU Competence Management System', and PR0200 A2 'Power & Electrical – Competence and Licensing', have not been satisfied. This affects compliance with Office of Rail and Road guidance on competence management systems.

- 5.18 A common issue was identified in these and other competence audits where the quality or absence of a 'risk-based training needs analysis' (RBTNA) weakened the competence management system and assurance or verification arrangements. This was raised with the Skills and Development team who will provide the resource and methodology to work collaboratively with the technical specialist maintenance teams to ensure the RBTNA are correctly recorded and inform assurance activities.
- 5.19 Fourteen audits were concluded as 'Adequately Controlled' or 'Well Controlled'. Nine Integrated system audits were undertaken and not rated (as they cover a broad range of subjects and risks which makes conclusions misleading). One audit, 'LU updating of track training materials', was cancelled in Q2. The sponsor agreed that the known issue was the absence of a process and it was therefore not possible to measure compliance.
- 5.20 In Q1 and Q2 the QSSA team have been working on an improved approach to audit planning for 2023/24 with key stakeholder colleagues in TfL. The new approach will structure QSSA assurance planning and reporting around the management system content for Engineering, Maintenance, Safety, Health and Environment (SHE) and Security teams. Using this approach there will be a direct link between assurance activity, TfL's key risk controls and key legal requirements.
- 5.21 The method used has been to identify all applicable procedures in the Engineering and SHE management systems and mapping these out on spreadsheets, split by discipline. The results of previous audits have been logged against the applicable procedure and location using colour coding to indicate the conclusion. The end result shows both trends in conclusion and also where assurance activity has (or has not) been deployed. As audits are completed additional assurance conclusions will be added to provide a more comprehensive picture. This should facilitate more intelligence driven audit planning meetings and also provide better data to inform risk ratings and where further work may be required.
- 5.22 Planning work in this way provides a more proactive approach, ensuring the full range of subjects and requirements in the management system are considered and reducing the reactive influence of known problems or recent issues. Similarly, by reporting assurance against the management system it will show common trends and themes across different teams and highlight any subject areas that are not currently being assured. A fundamental requirement is that this model has the ability to incorporate risk and performance data from stakeholders and also reflect where assurance is provided by other teams or systems to ensure efficiency of resource.
- 5.23 In Q2 there was a small increase of two per cent in the number of extensions granted and the number of actions closed on time compared with Q1 although the six month trend is a decreasing number of extensions granted. While there has been a modest reduction in the total number of overdue actions from 56 to 45, the number of actions that are more than 100 days overdue has reduced from 28 to 22. This has been helped by active monitoring by the Chief Operating Officer's office.

Project Assurance

- 5.24 The PA 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 assurance from IIPAG. However, IIPAG's agreed work-bank is determined by the project's risk profile, which includes some projects less than £50m, and not all programmes are reviewed. The IIPAG Quarterly Report is included elsewhere on the agenda. Reports from PA reviews are considered alongside the Authority request at the programme governing group or operating business group depending on the size of the project.
- 5.25 The team also conducts reviews of the programmes to inform annual requests for authority at the Programmes and Investment Committee.
- 5.26 PA reviews do not carry an overall conclusion in the same way as audit reports, however, issues raised may be designated as critical issues. The team follows up on all recommendations to ensure they have been addressed and reports on those that are overdue to the Programmes and Investment Committee.
- 5.27 Five programme reviews were undertaken during Q2, with IIPAG involved in all five. In the same timeframe seven project assurance reviews were undertaken, with IIPAG involved in four of these. These reviews gave rise to 42 recommendations being made by PA including six critical issues being raised. IIPAG made 23 recommendations including two critical issues. The critical issues raised related to funding availability, lack of clear justification for proceeding with works, robustness of estimates, and the impact to operations of a deteriorating asset base.
- 5.28 A summary of the work completed by PA in Q2 is included as Appendix 8.

Customer Feedback

- 5.29 QSSA issued 21 customer feedback questionnaires in Q2, nine of which were returned (42.9 per cent) with an average score of 100 per cent satisfied, the other 12 responses have been chased. Internal Audit issued three questionnaires of which none were returned. A summary of all customer feedback forms is included as Appendix 9.

6 Counter-fraud and Corruption

- 6.1 The CFC 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.
- 6.2 A summary of the team's activities during Q2, including information on significant closed fraud investigations, is included as Appendix 10.
- 6.3 Of the six cases closed in Q2, one case was referred to line management for internal disciplinary procedures, three further cases were referred to law enforcement, one of which resulted in the conviction of a customer for submitting fraudulent service delay refunds (reported in Q1 papers). Two other cases were closed and resulted in no further action.

- 6.4 The team continues to raise awareness of fraud and corruption across TfL through targeted sessions, presentations and other communications. In August, members of the team also prepared a series of social media 'fraud awareness and reporting' messages for LinkedIn, Twitter and Facebook. The messages were released on the same day, across the platforms, by the TfL Social Media team and were designed to remind members of the public about our 'zero tolerance approach' towards fraud and corruption, and encourage the reporting of suspicions of fraud through the various existing mechanisms.
- 6.5 Details of significant new and ongoing fraud investigations during Q2 are included in the paper on Part 2 of the agenda.

7 TTL Properties Limited

- 7.1 Assurance activities have commenced for TTLP. The Integrated Assurance Framework is based on a Three Lines of Defence model comprising:
- (a) Line 1 – Management functions of TTLP and key interfaces;
 - (b) Line 2 – Project and Programme Assurance and QSSA;
 - (c) Line 3 – TfL Internal Audit and a sub-group of IIPAG (IIPAG-TTLP).
- 7.2 Briefings have taken place with the TTLP senior leadership team to identify key issues. Priorities for Line 2 and 3 assurance in the next two quarters are set out in Appendix 11.
- 7.3 IIPAG-TTLP will focus on the key areas identified as part of the Integrated Assurance and Audit Schedule and support continuous assurance.
- 7.4 For Q3, assurance on TTLP will be reported in a separate paper on the Committee's agenda so more detailed information can be provided.

8 Resources

- 8.1 At the end of Q2 the Directorate was carrying 10 vacancies: four in Internal Audit, one in PA, two in QSSA, two in CFC and one in Business Support.
- 8.2 In line with the TfL position on only critical recruitment going ahead at this time, we have been reviewing impacts and submitting requests to start recruitment on a case by case basis as necessary. As such we are now in the process of actively recruiting five of these roles (two in Internal Audit, one in QSSA and two in CFC) with other approvals being sought in Q3.
- 8.3 A permanent appointment has been made to the Head of Project Assurance role and a new QSSA auditor started.
- 8.4 Where suitable we also use secondments to develop our staff. Currently we have six people on secondments of which two are within Risk and Assurance and four are outside the Directorate.
- 8.5 Approval has also been give for three apprentice roles: two in Internal Audit and one in Enterprise Risk.

9 Control Environment Trend Indicators

9.1 The Q2 indicators are included as Appendix 12.

List of appendices to this report:

Appendix 1: Internal Audit Plan – September 2022 to March 2023 (Phase 2) mapped against new L0 Enterprise Risks

Appendix 2: L0 Risks

Appendix 3: Internal Audit reports issued in Q2 2022/23

Appendix 4: Work in Progress at the end of Q2 2022/23

Appendix 5: Work planned to start in Q3 2022/23

Appendix 6: Internal Audit Q2 summary

Appendix 7: Quality, Safety and Security Assurance Audit Q2 summary

Appendix 8: Project Assurance Q2 summary

Appendix 9: Customer Feedback Q2 summary

Appendix 10: Counter-Fraud and Corruption Q2 summary

Appendix 11: TTLP Integrated Assurance and Audit Schedule

Appendix 12: Control Environment Trend Indicators

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

List of Background Papers:

None

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Internal Audit Plan – September 2022 to March 2023 (Phase 2) mapped against new Level 0 Enterprise Risks

Appendix 1

Enterprise Risk 1	Inability to deliver safety objectives and obligations		Overall Control Rating TBC
Quality, Security and Safety Assurance will deliver a portfolio of engagements at the second line relating to safety assurance in addition to the Safety, Health and Environment and Engineering assurance teams.			
Enterprise Risk 2	Attraction, retention, wellbeing and health of our employees		Overall Control Rating TBC
Audit Title	Rationale and Outline Audit Scope		Chief Officer/ Directorate/ client
Diversity and Inclusion Strategy (Business led)	Why now?	As a public body TfL needs to respond positively to the Public Sector Equality Duty (PSED). This part of the Equality Act 2010 requires public bodies and organisations that carry out public functions to consider everyone’s needs when doing so. This covers all activities that TfL is required to carry out as well as those it is allowed to carry out. Equality Impact Assessments (EqIAs) are a tool to ensure that the PSED duties have been met. Failure to comply may result in legal action or the need to revisit decisions leading to unnecessary cost and reputational damage.	Alex Williams Interim Chief Customer and Strategy Officer
	Audit Objective	To provide assurance on the adequacy and effectiveness of key controls in the implementation of EqIAs within TfL.	
Enterprise Risk 3	Environment including climate adaptation		Overall Control Rating TBC
Audit Title	Rationale and Outline Audit Scope		Chief Officer/ Directorate/client
Climate Adaptation Risk Assessments (Risk driven)	Why now?	This is the final audit in the series of Climate Adaptation audits. This is a high-risk area which if not addressed now may lead to assets being degraded/inoperable. This audit will support the aims of the Green Roadmap in preparing for climate change and lessening its impacts as well as embedding environmental considerations in all decision making.	Lilli Matson Chief Safety, Health and Environment Officer

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	Audit objective	To review the plan and scope for climate risk assessments, thresholds, and measures, including the impact of reduced options on safety, service and financial sustainability.	
Enterprise Risk 4	Significant security incident		Overall Control Rating TBC
Audit Title	Rationale and Outline Audit Scope		Chief Officer/ Directorate/client
Third Parties with OneLondon Access (Risk driven)	Why now?	This is an area that has not been audited before, covering cyber security risks relating to data breaches and ransomware that may cause economic loss, regulatory issues and damage to reputation. In addition, issues have been noted whereby access removal of accounts pertaining to third parties are not always conformed with.	Shashi Verma Chief Technology Officer
	Audit Objective	To provide assurance on the adequacy and effectiveness of the joiners, movers and leavers controls to third parties.	
Deletion of SAP data (Risk driven)	Why now?	Under General Data Protection Regulation (GDPR), data controllers and processors are obliged to return or delete all personal data after the end of services, or on expiry of a contract or agreement, unless it is necessary to retain the data by law. GDPR breaches result on average in fines £1-5m. System Applications and Products (SAP) is managed by Technology and Data (T&D), but its data is managed and owned by parties other than T&D. There is a potential exposure to GDPR.	Richard Bevins Head of Information Governance and Data Protection Officer
	Audit Objective	To determine the extent of compliance of SAP record keeping in line with GDPR requirements.	
Safety and Security of Controls Rooms and Stations (Risk driven)	Why now?	In recent years, Customer Service Assistants on the London Underground (LU) network have seen an increase in abuse against them. In addition, there have been examples of members of the public trying to force entry into control rooms located on stations. There is a much-heightened risk of a major security incident if they were to gain entry.	Nick Dent Director of Customer Operations - LU
	Audit Objective	To provide assurance on the adequacy and effectiveness of the arrangements for the physical security of control rooms and any other restricted areas.	
Quality, Security and Safety Assurance will deliver a portfolio of compliance and consultancy			

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engagements at the second line relating to the Payment Card Industry Data Security Standard.			
Enterprise Risk 5	Procurement including supply chain		Overall Control Rating TBC
Audit Title	Rationale and Outline Audit Scope		Chief Officer/ Directorate/client
Management of Critical (key) suppliers by P&C (Risk driven)	Why now?	TfL has effective processes in place to identify and appropriately manage supply chain disruption which could result in an increase in TfL's costs, delays to project delivery and interruptions to the operating business.	Rachel McLean Chief Finance Officer / Procurement & Commercial
	Audit Objectives	To provide assurance on the development of the key supplier management process to improve the security of suppliers.	
Enterprise Risk 6	Deterioration of operational performance		Overall Control Rating TBC
Audit Title	Rationale and Outline Audit Scope		Chief Officer/ Directorate/client
Impact of Extreme Weather (Risk driven)	Why now?	The past 12 months have tested TfL's ability to respond to adverse weather. Recent examples include flooding and extreme heat. Evidence suggests these extreme weather events are becoming more regular and will continue to impact our assets and the service we provide. It is vital we are adequately prepared to deal with these now, and in the future.	Vacant Director of Network Management & Resilience
	Audit objective	To provide assurance on the adequacy and effectiveness of controls in place to deal with the impact of extreme weather.	
Elizabeth line Transition from a Capital Programme to BAU (Risk driven)	Why now?	Since the opening of the central section, TfL's Rail for London directorate has been accountable for the running of the railway. While elements of the Elizabeth line are still being run as a capital programme, it has started transitioning into a business as usual (BAU) operation within TfL, with a managed demobilisation of Crossrail Limited. This transition includes support functions across TfL. There is a risk the transition to BAU may not be effectively managed, adversely impacting service levels and stakeholder confidence.	Howard Smith Director, Elizabeth line
	Audit Objective	To provide assurance on the effectiveness of the Elizabeth line's transition from a capital programme to a BAU operation.	
Engineering Resource Model - interaction	Why now?	The first single TfL Engineering Directorate was created in September 2018 and brought together 1,400 engineers from 22 disparate departments. This	Isabel Coman

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between delivery lead and business (Risk driven)		was a significant change in how engineering resource was delivered within TfL and was intended to maximise the use of TfL's Engineering resource to work in a more cohesive, efficient and innovative way. Engineering would work more like a consultancy or professional services organisation. This would require the business areas who require this resource to plan and request the required skills, experience and knowledge to deliver their projects. In 2021, Internal Audit reviewed the process within Engineering to agree the type and amount of resource needed between delivery leads and capability leads. Engineering delivery leads work directly with the business to understand and define the demand for resource. Delivery leads discuss resource demand requests with the capability leads who allocate and provide the personnel. This audit will look at the interaction with the business and the delivery leads within Engineering to agree resourcing requirements needed.	Director TfL Engineering Asset Strategy
	Audit Objective	To assess the adequacy of the processes and controls in place for planning and communication between Engineering delivery leads and the business.	
Enterprise Risk 7	Financial resilience		Overall Control Rating TBC
Audit Title	Rationale and Outline Audit Scope		Chief Officer/ Directorate/client
LTM Financial Controls (Core work)	Why now?	There are core areas of the business which are audited on a cyclical basis. These tend to be key financial, people and procurement controls. We last audited this area two years ago when it was rated as 'Requires Improvement'.	Sam Mullins Director and CEO London Transport Museum
	Audit objective	To determine the adequacy and effectiveness of the London Transport Museum's (LTM) key financial controls.	
Arts Council England (ACE) - funded projects: MEND DCMS grant (Core work)	Why now?	As per the LTM's Audit and Risk Committee, availability of corporate funding significantly impacts budget. Certification of grants from the ACE are a priority for LTM.	Sam Mullins Director and CEO London Transport Museum
	Audit objective	To certify costs in respect of funding for the Museum Estate and Development Fund (MEND) Department for Digital, Culture, Media and Sport (DCMS) grant.	

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Accounting and Cash Management processes TTL Properties Limited (TTLP) (Risk driven)	Why now?	Important to have assurance that accounting and cash management process are effective, and any control weaknesses identified and strengthened quickly near start-up of the TTLP business.	Alex Williams Interim Chief Customer and Strategy Officer/ TTLP
	Audit objective	To provide assurance the accounting and cash management processes for TTLP are adequate and effective.	
Accounts Payable (Core work)	Why now?	There are core areas of the business which are audited on a cyclical basis. These tend to be key financial, people and procurement controls. The last time this area was audited it was rated as 'Requires Improvement'.	Maureen Jackson Director of Business Services
	Audit objective	To provide assurance on the adequacy and effectiveness of the accounts payable process.	
Accounts Receivable (Core work)	Why now?	There are core areas of the business which are audited on a cyclical basis. These tend to be key financial, people and procurement controls. The last time this area was audited it was rated as 'Requires Improvement'.	Maureen Jackson Director of Business Services
	Audit Objective	To provide assurance on the adequacy and effectiveness of the accounts receivable process.	
LU Payroll (Core work)	Why now?	This is one of several cyclical payroll related audits. LU accounts for the majority of TfL employees, and with such a critical eye on TfL finances, it is imperative adequate controls are in place to manage employee payments over and above salaries.	Rajiv Sachdeva Interim Finance Director, TfL Operations
	Audit Objective	To provide assurance on the adequacy and effectiveness of payroll controls in LU for overtime, allowances, higher duty pay and expenses.	
Enterprise Risk 8	Delivery of TfL key investment programmes and projects		Overall Control Rating TBC
<p>Project Assurance will deliver a portfolio of assurance reviews at the second line of defence, in addition to work undertaken by Safety, Health and Environment and Project Management Office teams.</p> <p>The Independent Investment Programme Advisory Group will deliver a portfolio of assurance reviews at the third line of defence.</p>			
Enterprise Risk 10	Governance and controls suitability		Overall Control Rating TBC
Audit Title	Rationale and Outline Audit Scope		Chief Officer/ Directorate/client

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Information Management and Transfer – Hardcopy Documents (Risk driven)	Why now?	As Crossrail staff continue to leave the organisation, there is an increased risk that information will not be transitioned across to TfL in a timely manner. This is the second of a two-part review (the first part looked at electronic data and was reported in Q1 2022/23 as 'Requires Improvement').	Richard Bevins Head of Information Governance and Data Protection Officer
	Audit objective	To provide assurance on the adequacy and effectiveness of controls transferring hardcopy documents from Crossrail to TfL.	
Compliance with new Pensions Code of Practice (Business led)	Why now?	A consultation on the new code of practice was launched by the Pensions Regulator between March and May 2021. This change will combine the previous 15 codes of practice into a single code. Although the code has not yet been introduced the business would like to ensure that we are compliant ahead of the introduction of the new code.	Stephen Field Director of Compensation & Benefits
	Audit objective	To provide assurance on the adequacy and effectiveness over key controls for management of the TfL Pension Fund in line with the new code of practice.	

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Level 0 Risks

Appendix 2

Risk No.	Risk	Owner	Panel and Committee
ER1	Inability to deliver safety objectives and obligations	Chief Safety, Health and Environment Officer	Safety, Sustainability and Human Resources Panel
ER2	Attraction, retention, wellbeing and health of our employees	Chief People Officer	Safety, Sustainability and Human Resources Panel
ER3	Environment including climate adaptation	Chief Safety, Health and Environment Officer	Safety, Sustainability and Human Resources Panel
ER4	Significant security incident	Chief Operating Officer	Audit and Assurance Committee
ER5	Procurement including supply chain	Chief Finance Officer	Finance Committee
ER6	Deterioration of operational performance	Chief Operating Officer	Customer Service and Operational Performance Panel
ER7	Financial Resilience	Chief Finance Officer	Finance Committee
ER8	Delivery of key investment programmes and projects	Chief Capital Officer	Programmes and Investment Committee
ER9	Changes in customer demand	Chief Customer and Strategy Officer	Finance Committee
ER10	Governance and control suitability	General Counsel	Audit and Assurance Committee

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Internal audit reports issued in Q2 2022/23

Appendix 3

- There were six reports, excluding the Elizabeth line, issued during the quarter

Enterprise risk	Chief Officer responsibility	Ref	Audit title	Summary of Finding	Conclusion
ER8 Delivery of key projects and programmes	Chief Customer and Strategy Officer	2I 036	Benefits Realisation	Three high and three medium issues were identified. The issues rated high are: 1) TfL has not identified and communicated a systematic process for benefits oversight and monitoring at the highest level; 2) The role of the business area in supporting preservation of benefits during delivery and transition of benefits after project close is not clear; and. 3) There is no policy on which business area should own and manage a benefits realisation budget, or a SAP code to track this.	Requires Improvement
ER10 Inability to support new ways of working	Chief Customer and Strategy Officer	2I 039	Hub Disposal Strategy	We looked at the early stages of the implementation of the Hub Disposal Strategy – part of the TfL Estates Office Estate Strategy. This included evaluation of the strategy, governance and commercial arrangements. We found that the approach taken and controls in place confirmed that the early stages were being well managed.	Memo
ER4 Major security incident	Chief Customer and Strategy Officer	2I 014	Data Loss Prevention (DLP)	A project to introduce data classification and labelling for a control environment designed to prevent data leakage is currently on hold. There is no overall end point data leakage prevention solution in place. There is a wide range of different data management systems with no clear consolidation timeline and no overall USB ports lockdown control is enabled.	Requires Improvement

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Enterprise risk	Chief Officer responsibility	Ref	Audit title	Summary of Finding	Conclusion
ER4 Major security incident	Chief Customer and Strategy Officer	22 023	Review of Datacentres	<p>The most significant weakness related to the physical condition of two TfL owned and managed telecom rooms, through which the two data centres connect to the TfL network. Although the two rooms were being wound down as part of a wider project to upgrade the TfL network, there was a significant risk to the ongoing availability of the Circuit Switched Data room.</p> <p>Further opportunities to improve the design and/or effectiveness of internal controls were found in relation to data centre risk management, some of the data centre physical and environmental controls and in relation to data centre service provider contracts, assurance and service review meetings. Therefore, the control environment in relation to data centres is assessed as Requires Improvement.</p>	Requires Improvement
ER7 Financial sustainability	Chief People Officer	22 013	Group Saving Portfolio tracking process	<p>We found there is a robust process and control framework in place to support the tracker process, and Divisions are updating the single tracker which is used to produce the dashboard reported to the Change Steering Group. However, opportunities exist to strengthen controls and bridge gaps in the process. These relate to improving the audit trail supporting savings, updating and evidencing adherence with the governance framework, making the tracker secure and reporting easier to increase useability and reduce staff input time.</p>	Requires Improvement

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Enterprise risk	Chief Officer responsibility	Ref	Audit title	Summary of Finding	Conclusion
<p>ERI Failure to prevent SHE incident or meet commitment</p>	<p>Chief Safety Health and Environment Officer</p>	<p>22 001</p>	<p>Digital Assurance - Procurement of Digital Monitoring and Assurance System</p>	<p>The procurement for work package 2 of the new Safety, Health and Environment (SHE) management system was effectively managed through engagement with stakeholders, the development of requirements and the Request for Proposal process. Suitable and robust processes were in place that ensured that TfL guidance, including PR0172 – Procurement and Contracting Guidance, was followed. An issue was raised by Internal Audit around the need for formal terms of reference to be issued for the Technology and Data Working Group as the project moves into the implementation phase. There was effective communication during the bidding process and meetings were held prior to contract award to confirm that all functional and non-functional requirements of the system could be met. At the conclusion of the evaluation, a decision was taken to award the contract to Safety Culture and the contact was signed on 19 May 2022.</p>	<p>Memo</p>

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Work in progress at the end of Q2 2022/23

Appendix 4

- There were 10 audits in progress at the end of the quarter

Enterprise risk	Chief Officer area	Ref	Audit title	Objective	Status
ER7 Financial sustainability	Chief Finance Officer	22 021	Use of Consultants and Professional Services	To provide assurance that the controls in place to manage the use of consultants and professional services are robust and effective.	Draft report issued
ER10 Inability to support new ways of working	Chief Customers and Strategy Officer	21 019	IT Disaster Recovery and Operational Resilience	To provide assurance over TfL's ability to withstand and recover from disruptive IT events.	Draft report issued
ER7 Financial sustainability	Chief Customer and Strategy Officer	21 057	Effectiveness of the due diligence process for new tenants	To provide assurance on the adequacy and effectiveness of TTL Properties Limited's due diligence process for new retail tenants including financial vetting.	In progress
ER2 Attraction, retention and wellbeing of our employees	Chief Customer and Strategy Officer	22 006	Staff and Contractor Vetting in T&D	To provide assurance on the adequacy and effectiveness of vetting controls for Technology and Data (T&D) staff and contractors with elevated privileges. These are users granted the ability to do more than standard users of IT systems. An example is the rights given to system administrators.	Draft report issued
ER7 Financial sustainability	Chief Finance Officer	22 025	Assets Under Construction Accounting Process	To provide assurance on the adequacy and effectiveness of the Assets Under construction accounting process.	Draft report issued
ER13 Governance and controls suitability	Chief People Officer	22 016	Executive Recruitment	To provide assurance on the adequacy and effectiveness of controls in place for executive recruitment.	In progress

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Enterprise risk	Chief Officer area	Ref	Audit title	Objective	Status
ER3 Major service disruption	Chief Safety Health and Environment Officer	22 002	Climate Adaptation - Data Management	To review the adequacy and effectiveness over key controls for identifying and improving data and systems to support adaptation activities.	In reporting
ER3 Major service disruption	Chief Safety Health and Environment Officer	22 003	Climate Adaptation - Reporting	To review the key controls over collaborating, communicating and reporting on adaptation across TfL and with external stakeholders and experts.	In reporting
ER1 Failure to prevent SHE incident or meet commitment	Chief Safety Health and Environment Officer	22 026	Implementation of the Digital Safety Health and Environment System	To provide assurance on the adequacy and effectiveness of the controls in place for contract award and implementation of the digital Safety, Health and Environment monitoring and assurance system.	In progress
ER13 Governance and controls suitability	General Counsel	22 017	Taxi and Private Hiring (TPH) Controls for the Licensing Process (Private Hire Driver Assessment)	To provide assurance on the effectiveness of the private hire driver assessment process that forms part of licensing for applications made since 1 October 2021 as well as for existing licensees that need to undertake the English Language speaking and listening test as well as the Safety, Equality and Regulatory Understanding test.	In reporting

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Work planned to start in Q3 2022/23

Appendix 5

- There are 12 audits planned to start during the next quarter

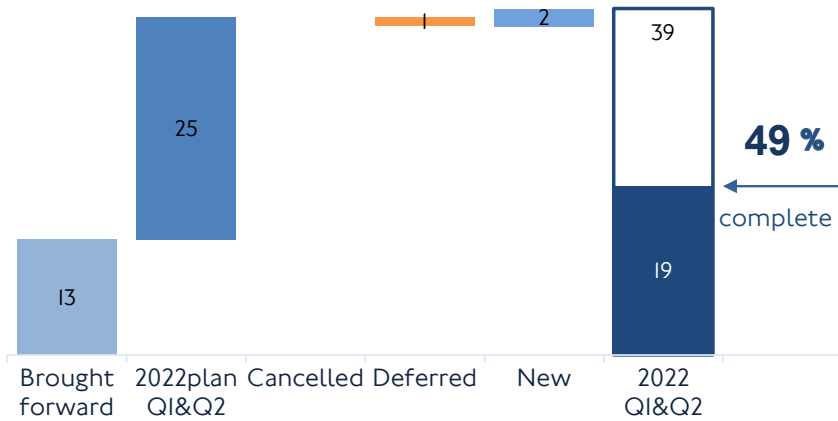
Enterprise risk	Chief Officer area	Ref	Audit title	Objective
ER7 Financial sustainability	Chief Capital Officer	22 022	Management of Single Sourcing Requests (SSRs) below £100,000	To provide assurance on the adequacy and effectiveness of the process for approving SSRs for low value (less than £100,000). Ensure that the process complies with the procurement policy and procedures.
ER3 Major service disruption	Chief Capital Officer	22 030	Engineering Resource Model - interaction between delivery lead and business	To assess the adequacy of the processes and controls in place for planning and communication between delivery leads and the business.
ER2 Attraction, retention and wellbeing of our employees	Chief Customer and Strategy Officer	22 029	Diversity and Inclusion Strategy	To provide assurance on the effectiveness and adequacy over key controls in the implementation of Equality Impact Assessments in TfL.
ER4 Major security incident	Chief Customer and Strategy Officer	22 032	Third Parties with OneLondon Access	To provide assurance on the adequacy and effectiveness of the joiners, movers and leavers controls to third parties.
ER7 Financial sustainability	Chief Customer and Strategy Officer	22 037	Accounting and Cash Management processes TTLP	To provide assurance that the accounting and cash management processes for TTL Properties Limited (TTLP) are adequate.
ER7 Financial sustainability	Chief Finance Officer	22 007	Benefits Realisation for the 'Fit for the Future – Stations' Programme	To provide assurance that benefits from transformational activities have been realised.
ER7 Financial sustainability	Chief Finance Officer	22 024	Property Transfer accounting	To provide assurance on adequacy and effectiveness of the Property transfer accounting process (between Finance and TTLP).

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Enterprise risk	Chief Officer area	Ref	Audit title	Objective
ER5 Supply chain disruption	Chief Finance Officer	22 034	Management of Critical (key) suppliers by Procurement & Commercial	To provide assurance on the development of the key supplier management process to maintain delivery of critical goods and services.
ER7 Financial sustainability	Chief Finance Officer	22 038	Accounts Payable	To provide assurance on the adequacy and effectiveness of the accounts payable process.
ER13 Governance and controls suitability	Chief Operating Officer	22 010	Integration of Woolwich Ferry	To provide assurance on the adequacy and effectiveness of controls on the Woolwich Ferry integration.
ER7 Financial sustainability	Chief Operating Officer	22 011	Invoicing of Third Parties at Victoria Coach Station	To provide assurance over the adequacy and effectiveness of controls of third party invoice approvals.
ER4 Major security incident	Chief Operating Officer	22 031	Safety and Security of Control Rooms and Stations	To provide assurance on the adequacy and effectiveness of the physical security of stations, as well as any control rooms that are on site

Appendix 6: Internal Audit Q2 Summary

Audit plan for Q1&Q2 2022/23 in Q2



At the end of Quarter 2 (Q2) we have reduced the number of carry over audits to one. The draft report for this remaining audit was issued in Quarter 3. We have delivered 49 per cent of the plan with a number of reports delivered shortly after the end of Q2. Part 2 of the plan has been agreed and allocated. Our profiling of future delivery means we are confident that we will reach our 85 per cent delivery target by year end.

The number of actions closed on time remains low, this includes those where the date has been extended once. We are actively managing the close out of recommendations and have closed out those reported here as being over 100 days during Q3. We have halved our overdue actions from 52 in Quarter 1 to 26 in Q2. The overall number of actions close in Q2 was 42.

Whilst we stress to the business that dates for completing actions need to be realistic the number of extensions remains stubbornly high. We need to ensure that the business understands that only one extension will be granted and realistic implementation dates need to be agreed.

Reports



Action Management

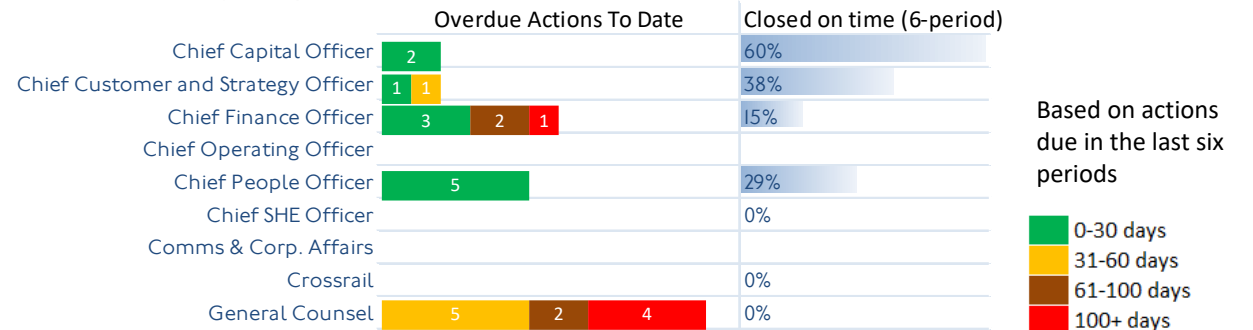
Open Audit Actions - Overall Tfl Performance (6-Period trend)



Audit ratings by Directorate - last four quarters

	Poorly Controlled	Requires Improvement	Adequately Controlled	Well Controlled	Memo/ Consultancy
Chief Capital Officer		2	1		
Chief Customer and Strategy Officer		5	2		4
Chief Finance Officer		3	1		3
Chief Operating Officer			1		3
Chief People Officer		1	1		
Chief SHE Officer					3
Comms & Corp. Affairs			1		
Crossrail		2			3
General Counsel		1			1
Pan Tfl		1			
Total	0.0%	38.5%	17.9%	0.0%	43.6%

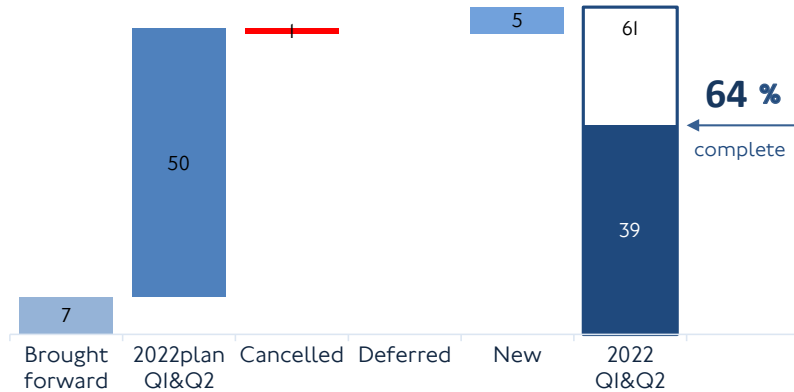
By Directorate



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Appendix 7: Quality, Safety and Security Assurance Audit Q2 Summary

Six monthly Audit plan, as of Q2 2022/23



Key Highlights

There were 29 audits were issued in Quarter 2 (Q2), a substantial recovery of the Quarter 1 (Q1) data and we are on track for the year end target.

Action closure has remained consistent across Q1 and Q2 at 40 and 41 per cent, although the six month trend is down due to the large number of action closed in Quarter 4 of 2021/22 (89 actions, 64 per cent).

The number of overdue and significantly overdue actions is reducing. The number of 100+ days overdue actions has decreased from 25 to 22. 29 actions have been closed since the end of Q2, 11 of these were over 100 days overdue.

Audit ratings by Chief Officer - last four quarters

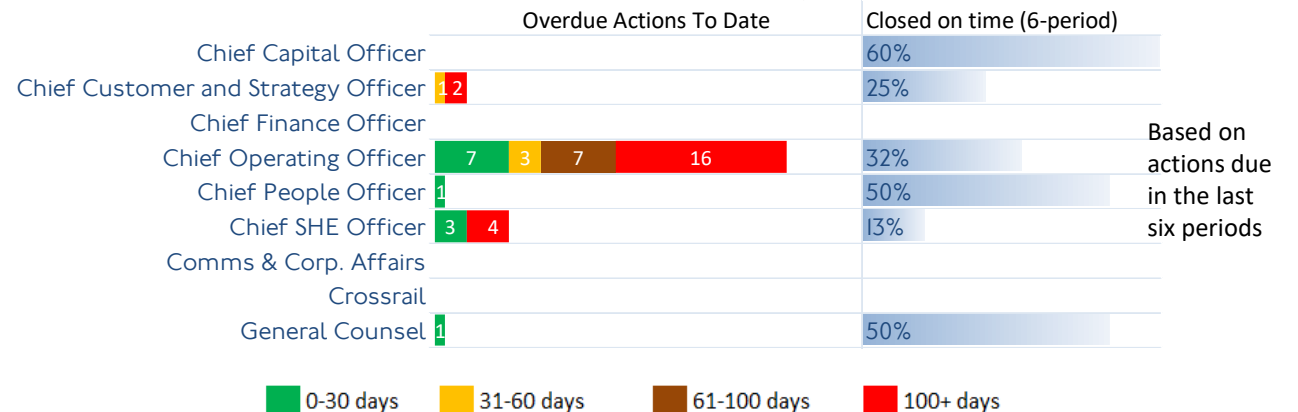
	Poorly Controlled	Requires Improvement	Adequately Controlled	Well Controlled	Not Rated
Chief Capital Officer		1	2		
Chief Customer and Strategy Officer			14	1	1
Chief Operating Officer	4	13	25	5	30
Pan Tfl					1
Total	4.1%	14.4%	42.3%	6.2%	33.0%

Action Management (Status as of 24/10/2022)

Open Audit Actions - Overall Tfl Performance (6-Period trend)

Measure	No.	%	6-period rolling trend	Status
No. Actions Closed on time	25	41%		45 Overdue
No. Actions Extended	10	17%		113 Out Of Open

Audit Rating By Enterprise Risk – last four quarters



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Project Assurance Q2 Summary

Appendix 8

Reviews Undertaken to Support Submissions to Programmes and Investment Committee

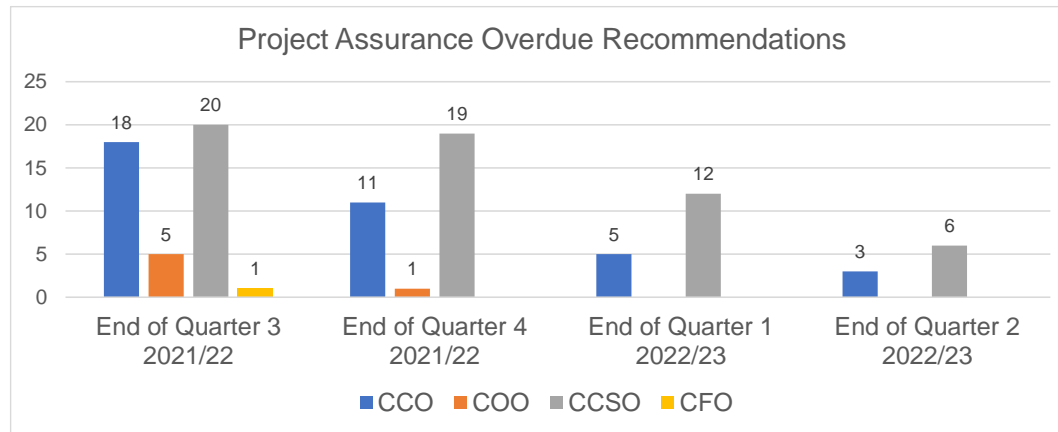
	Recommendation (Critical Issues)	Commentary
DLR Rolling Stock Replacement	6 (0)	Manufacturing of the new rolling stock is progressing ahead of schedule, with the testing stage commenced. Depot works are behind schedule, but procurements are progressing to contract award stage including temporary fit out shed. Programme has been impacted by increases in inflation.
Piccadilly Line Upgrade	7 (0)	Delivery of the trains is progressing to schedule, but the infrastructure to support the trains has been subject to delay. The team is re-baselining the schedule and undertaking a quantified schedule risk analysis to feed into a deep dive exercise in early 2023. The team has confidence in maintaining the completion dates and estimated final costs.
London Underground (LU) Train Systems	8 (0)	New sub-programme bringing together Fleet, Track and Signalling. There is a credible case for bringing these sub-programmes together, however this is largely a governance change with asset and delivery organisational structures remaining unchanged. Main benefit is in financial management with more limited synergies elsewhere. Sub-programme level governance needs to be fully documented.
LU Track and Drainage	7 (3)	The 2022/23 workbank delivery is well planned and on schedule. Prolonged reduced investment is impacting the network with the deteriorating asset base leading to some operational restrictions. A lack of resources is a risk, notably track inspection resources.
LU Fleet	5 (0)	There has been some positive progress in addressing previous assurance recommendations (e.g. capture of workshops delivery capacity now in place, to support integrated planning and delivery). The development of a

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Recommendation (Critical Issues)	Commentary
	staff retention strategy and plan is still outstanding. Business cases updates for heavy maintenance projects and Central Line Improvement Programme (CLIP) are progressing slowly, mainly due to resource availability. Notably the CLIP business case update is a key enabler to define strategic decision points and to assess the programme's delivery performance.

Open and Overdue Recommendations

The following graph shows the number of overdue Project Assurance recommendations at the end of each of the last four quarters. The data shows the business area that the recommendations relate to; CCO being Chief Capital Officer, COO Chief Operating Officer, CCSO Chief Customer and Strategy Officer and CFO Chief Finance Officer.

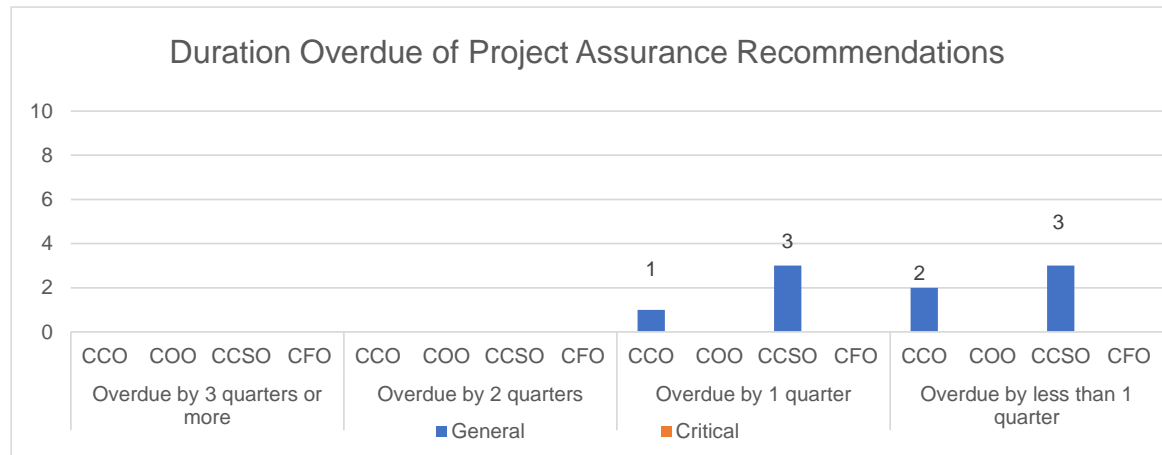


At the end of Quarter 2 there were 65 open recommendations, with nine of these overdue against their completion date. This is a reduction from 17 overdue at the end of the previous quarter. The overdue recommendations are regularly

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reported to and discussed at the portfolio boards and investment review meetings to ensure that there is awareness and scrutiny at senior level. There are no overdue critical issues.

The following graph shows the length of time that the overdue Project Assurance recommendations have been overdue by. The information shows critical issues and general recommendations and the Chief Officer area that the recommendation relates to.



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Customer Feedback Form Summary in Q2 2022/23

Appendix 9

Internal Audit has issued three questionnaires, none returned

Quality, Safety and Security Assurance has issued 21 questionnaires, nine returned (42.9%), average score of 100%

Quality, Safety and Security Assurance	Average Score	Satisfied	Dissatisfied	Not applicable
Accuracy of the findings	100.0%	9	0	0
Communication with us during the audit	100.0%	8	0	1
Effectiveness of the management actions	100.0%	9	0	0
Our professional manner	100.0%	8	0	1
Our receptiveness to your concerns	100.0%	9	0	0
Our understanding of your area	100.0%	8	0	1
Scheduling of the audit	100.0%	9	0	0
Time taken to receive the final report	100.0%	9	0	0
Total	100.0%	69	0	3

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Appendix 10: Counter-fraud and Corruption Q2 Summary

Fraud investigation

During Q2, four new cases were opened (2021/22 Q2: four new cases) and six cases were closed. The four new cases included an attempted payment diversion fraud perpetrated by an email compromise through an existing TfL supplier, and an allegation that a TfL employee is running an undisclosed business whilst on long-term sick leave. Six financial investigations were conducted involving eight subjects and 11 bank accounts. Two Suspicious Activity Report checks were undertaken.

Fraud prevention

- Members of the CFC team attended the fourth UK Rail Industry fraud forum, consisting of fraud specialists and representatives from across the rail industry and train operating companies (TOC's). The group discussed a range of topics including the setting up of a 'UK Rail Counter-fraud Executive Committee' consisting of senior counter-fraud specialists from across the industry. The Committee will lead on pushing for action to prevent and reduce fraud across the industry and engaging with the Department for Transport.

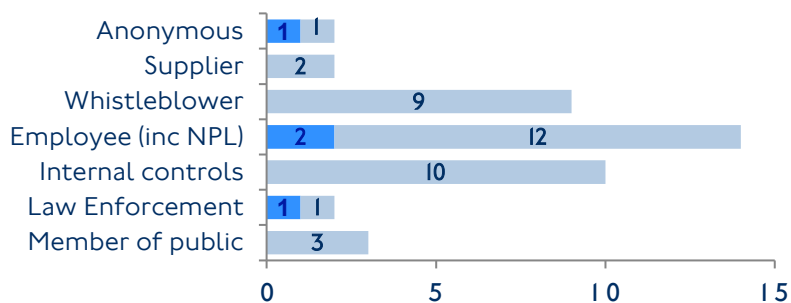
Cases by Chief Office

Investigations	B/F	New	Closed	C/F
Operations	25	2	3	24
Customer & Strategy	8	0	3	5
People	1	0	0	1
General Counsel	4	1	0	5
Capital	0	0	0	0
Finance	0	1	0	1
Total	38	4	6	36

Cases by type New and Brought Forward



Cases by source New and Brought Forward



Significant closed cases

Case 22-906 Allegation of cheque fraud

An employee at the London Transport Museum (LTM) reported that an unknown individual had attempted to obtain a refund on a cheque paid to the LTM for a function at the museum. In a series of emails to the LTM, the individual claimed that his business had sent a cheque for £83,260 in error, rather than the £9.6k required to pay for the function and requested an immediate refund. The cheque for £83,260 subsequently bounced and the attempted fraud was identified. No refund was made. A Counter-fraud & Corruption team investigation identified that the banking information and a company name, printed on the fraudulent cheque, did not relate to a valid account or customer. The case was reported to Action Fraud, who declined to disseminate the information to Law Enforcement. TfL did not suffer any loss from the attempted fraud and the case is now closed.

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Transport for London Audit and Assurance Committee

TTL Properties Limited (TTLP) Integrated Assurance and Audit Schedule

Appendix 11

Priority	Topic	Evidence of Need	Type	Who	When	Objectives
1	Property transfer accounting	New financial processes and controls have been implemented	Targeted	Internal Audit (IA)	Q2 2022/23	To assess the maturity and understand financial reporting requirements.
2	Resourcing	<ol style="list-style-type: none"> 1. Reported staff shortages across multiple teams at all levels and reliance on secondments/ non-permanent labour. 2. People Plan still in development. 3. Internal audit review of the Financial Sustainability Plan recommended a resource review and establishment of Programme Management Office. 	Targeted	Project Assurance (PA)/ Independent Investment Programme Advisory Group (IIPAG)	Q3 2022/23	<ol style="list-style-type: none"> 1. To understand how resourcing risks are identified and managed and to assess the impact on the delivery plan. 2. To consider whether there is an understanding of the skills required and whether the right skills currently exist. 3. To understand challenges in filling vacancies and make recommendations to help improve recruitment and retention.

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Priority	Topic	Evidence of Need	Type	Who	When	Objectives
3	Retail	<ol style="list-style-type: none"> 1. Considerable uplift in retail income assumed in Business Plan. 2 2. Resource shortages impacting ability to deliver new retail opportunities. 3. Responsibilities split across a number of teams and roles and responsibilities/handover points may be unclear. 4. Wider economic factors are likely to impact viability of existing tenants resulting in more unoccupied units/rising levels of debt. 	Targeted	IIPAG	Q3 2022/23	<ol style="list-style-type: none"> 1. To assess the likelihood that the retail strategy can deliver the required uplift in income. 2. To identify challenges in securing additional retail income and make recommendations which will improve delivery confidence.
4	First line assurance /project controls / information and data management	<ol style="list-style-type: none"> 1. No evidence of effective first line assurance or effective project controls or reporting. 2. Minimum reporting requirements are not understood and there are no consistent data sources/data storage arrangements. 3. Roles and responsibilities are not always clear, particularly where there is an interface with the operational business. 4. IIPAG review of August 2020 recommended first line assurance improvements, assurance training, standard reporting on joint venture (JV) projects and creation of management dashboards. 	Continuous	PA	Q3 2022/23	<ol style="list-style-type: none"> 1. To assess the effectiveness of existing first line assurance/project controls/project reporting. 2. To consider potential risks resulting from existing arrangements and the suitability of any improvement plans. 3. To consider requirements for data management and storage.

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Priority	Topic	Evidence of Need	Type	Who	When	Objectives
5	Lillie Bridge vacant possession – vacant possession of site for development	<ol style="list-style-type: none"> 1. High value/complex project with significant operational interfaces and a large number of stakeholders. 2. Governance arrangements developing but not yet finalised. 3. Opportunities to deliver operational efficiencies have been identified but funding for anything above the basic vacant possession scope is unclear. 	Targeted	PA/IIPAG	Q3 2022/23	<ol style="list-style-type: none"> 1. To establish whether requirements are clear and reflect the needs of the development and the operational business. 2. To consider whether the proposed governance structure and delivery model is appropriate.
6	Risk management (projects)	<ol style="list-style-type: none"> 1. Lack of specialist risk managers to support project teams. 2. Risk reporting/escalation routes are unclear. 	Continuous	PA	Q3 2022/23	<ol style="list-style-type: none"> 1. To assess the effectiveness of existing risk management process and the suitability of any proposed changes.
7	Procurement and Commercial	<ol style="list-style-type: none"> 1. Traditionally used existing TfL frameworks but new specialist frameworks are being considered. 2. Resourcing issues have impacted on procurement and contract/supplier management activities. 3. IIPAG report from August 2020 recommended commercial team involvement in the development of project execution strategies. 	Targeted	PA/IIPAG	Q3 2022/23	<ol style="list-style-type: none"> 1. To assess the appropriateness of proposed commercial strategy and any interim arrangements. 2. To consider any risks to the successful implementation of new frameworks and commercial strategy and make recommendations to minimise any risk.

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Priority	Topic	Evidence of Need	Type	Who	When	Objectives
8	Health and Safety	<ol style="list-style-type: none"> 1. Currently no Head of Health and Safety within TTLP although intention is to have one. 2. TfL Safety Health and Environment provide support for TTLP. 3. Work ongoing to improve tenant compliance and compliance monitoring. 	Continuous	PA/Quality, Safety, Security Assurance	Q3 2022/23	<ol style="list-style-type: none"> 1. To consider whether the emerging strategy is appropriate. 2. To assess whether the balance of responsibilities between TfL and JV partners is appropriate. 3. Assess the appropriateness of processes and actions taken to achieve tenant compliance.
9	Project management	<ol style="list-style-type: none"> 1. Significant resourcing issues. 2. IIPAG review of August 2020 identified the need to develop project management strategies, practices and processes, the development of project management tools and process and the recruitment of experienced staff. 	Continuous	PA	Q4 2022/23	<ol style="list-style-type: none"> 1. To establish where gaps exist in existing project management processes. 2. To assess the effectiveness of proposals and challenges to successful implementation.
10	Accounting and Cash Management processes	<ol style="list-style-type: none"> 1. Considerable work to be done to set up the new financial structure but work is not complete. 2. Leadership and resourcing concerns. 	Targeted	IA	Q4 22/23	<ol style="list-style-type: none"> 1. To assess financial readiness maturity. 2. To gain an understanding of financial reporting including cash flow and financial commitments.
11	Property disposal	<ol style="list-style-type: none"> 1. Significant source of income. 2. Resource shortages are impacting on this activity - particularly where operational assets need to be moved. 3. Operational interface can be complex. 	Targeted	IIPAG/PA	Q4 22/23	<ol style="list-style-type: none"> 1. To identify challenges to successful disposal of assets and make recommendations to improve business confidence. 2. To understand internal stakeholder management process.

Transport for London Audit and Assurance Committee

Priority	Topic	Evidence of Need	Type	Who	When	Objectives
12	Pipeline development and delivery strategy	1. Development pipeline has not been seen.	Targeted	PA/IIPAG	Q4 22/23	<ol style="list-style-type: none"> 1. To consider the appropriateness of pipeline development and delivery strategy. 2. To understand the prioritisation and appraisal process.

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Transport for London Audit and Assurance Committee

Control Environment Indicators

Appendix 12

Audit indicators – rolling average (4 Quarters)

	Q1 21/22	Q2 21/22	Q3 21/22	Q4 21/22	Q1 22/23	Q2 22/23	Q3 22/23	Q4 22/23	Trend
Poorly Controlled	2.5%	2.1%	2.4%	2.3%	0.0%	0.0%			
Requires Improvement or Poorly Controlled	50.0%	43.8%	36.6%	37.2%	31.7%	36.6%			

Technology

	Q1 21/22	Q2 21/22	Q3 21/22	Q4 21/22	Q1 22/23	Q2 22/23	Q3 22/23	Q4 22/23	Trend
Internal system availability	99.87%	99.81%	99.60%	99.96%	99.87%	99.97%			

Information Governance

	Q1 21/22	Q2 21/22	Q3 21/22	Q4 21/22	Q1 22/23	Q2 22/23	Q3 22/23	Q4 22/23	Trend
Number FOI requests	539	659	736	698	682	737			
On time FOI responses	100.0%	100.0%	99.9%	99.9%	100.0%	100.0%			

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Audit and Assurance Committee



Date: 30 November 2022

Item: Independent Investment Programme Advisory Group
Quarterly Report

This paper will be considered in public

1 Summary

- 1.1 This paper presents the Independent Investment Programme Advisory Group (IIPAG) Quarterly Report for November 2022. It describes the work undertaken since the last report presented to the Committee in September 2022.
- 1.2 A paper is included on Part 2 of the agenda which contains exempt supplemental information that is exempt from publication 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 Independent Investment Programme Advisory Group's Quarterly Report and the management response set out below and the exempt supplementary information on Part 2 of the agenda.**

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 IIPAG's Quarterly Report for November 2022 is included as Appendix 1 to this paper.
- 3.3 Figure 1 sets out the status of the IIPAG recommendations at the end of each of the last three quarters. None of the IIPAG recommendations currently overdue relate to critical issues.

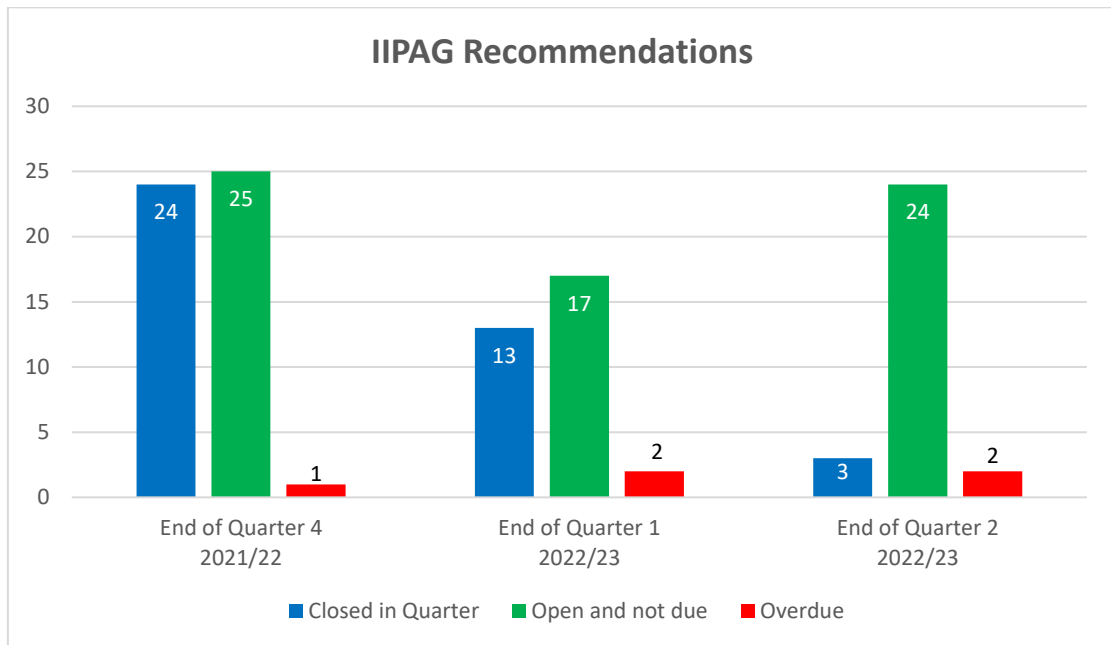


Figure 1: Status of IIPAG Recommendations

- 3.4 From the assurance reviews undertaken during Quarter 2 of 2022/23 (26 June to 17 September 2022) IIPAG made 23 recommendations, including two critical recommendations. All these recommendations were agreed with the respective project teams.

4 Management Response to IIPAG Quarterly Report

Resource Shortages

- 4.1 In their quarterly report, attached as Appendix 1, IIPAG recommend that a review of resource shortages is undertaken. This recommendation is accepted and will be addressed through inclusion in a workstream which is being overseen by the Chief Capital Officer.
- 4.2 With the recent confirmation of funding levels for the Capital Programme it is now possible to develop a clear view over the extent of resource need. Regular meetings are in place with senior leaders to challenge, review and find solutions to resource gaps (e.g. fortnightly in Delivery, bi-weekly in Engineering). Project priorities are always discussed, and we will advise at these meetings of the recommendation to directly compare this data.

List of appendices to this report:

Appendix 1: Independent Investment Programme Advisory Group - Quarterly Report October 2022.

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

List of Background Papers:

None

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Independent Investment Programme Advisory Group – Quarterly Report October 2022

1. Introduction

- 1.1. This report to the Committee describes IIPAG's activities since September 2022. We have made a new strategic recommendation, concerning a review of resource allocation.

2. IIPAG Activity

- 2.1. We undertook the following programme and project reviews in preparation for the Programmes and Investment Committee (PIC) meeting in October:
- Elephant and Castle Station
 - Train Systems
 - LU Track and Drainage
 - LU Fleet
 - Piccadilly Line Upgrade (PLU)
 - Docklands Light Railway (DLR) Rolling Stock Programme
- 2.2. In early November 2022 we will undertake a number of further reviews for the December meeting of PIC, including:
- LU Enhancements
 - Silvertown Tunnel
 - Tram Replacement Programme
- 2.3. We have also undertaken reviews for projects which are being considered through Executive governance, including Blackwall Tunnel refurbishment and Hina, the new reader. The accompanying paper from Project Assurance (PA) describes management progress in implementing IIPAG's recommendations from sub-programme and project reviews.

3. Systemic Issues

- 3.1. We have set out in previous IIPAG reports the common themes that emerge from sub-programme and project reviews, but currently there is a particular issue which has come up as an area of risk – resources.
- 3.2. Shortage of resources has been flagged as a key concern in previous reports by IIPAG and PA. TfL is seeking to improve attraction and retention as far as possible, within the constraints it is subject to, and has taken steps to help address key shortages, for example through a recently let framework contract for Project Management Consultancy services, and a similar arrangement for engineering resources which is in train. However, we have observed continuing significant

shortages on some programmes and projects which are among TfL's top priorities, and this leads us to question whether the allocation of scarce resources within TfL matches TfL priorities as well as it might. We have recommended a review of resource shortages, by discipline, across the capital programme and a comparison of this picture with investment priorities.

4. Progress with Cross-cutting Work

- 4.1. We are currently undertaking our regular review of TfL Benchmarking, and we are completing our report on the First and Second Lines of Defence. We are also in the process of agreeing terms of reference for an update review of the Procurement and Commercial Improvement Programme.

5. IIPAG Recruitment

- 5.1. With the Chair of the Audit and Assurance Committee we have successfully completed the interviews for IIPAG members, resulting in the appointment of three additional members for the main IIPAG group, and three members for the new TTL Properties Limited (TTLP) IIPAG sub group.

Alison Munro, Chair, IIPAG
October 2022

Audit and Assurance Committee

Date: 30 November 2022

Item: Elizabeth Line Programme Assurance Quarter 2 Report
2022/23

This paper will be considered in public

1 Summary

- 1.1 This paper provides an overview of programme assurance activity in relation to the Elizabeth line during Quarter 2 of 2022/23 (26 June 2022 to 17 September 2022) (Q2).

2 Recommendation

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

3 Background

- 3.1 The Elizabeth Line Integrated Assurance Framework (IAF) is based on a Three Lines of Defence (3LoD) model comprising:
- (a) Line 1 – Management functions of Crossrail, Rail for London (Infrastructure) Limited and key interfaces;
 - (b) Line 2 – Project and Programme Assurance Elizabeth Line (PPA-EL); and
 - (c) Line 3 – TfL Internal Audit and a sub-group of the Independent Investment Programme Advisory Group (IIPAG-EL).
- 3.2 This paper reports specifically on Line 2 (PPA-EL), Line 3 (Internal Audit) and Line 3 (IIPAG-EL) assurance progress.
- 3.3 The teams meet periodically with a panel of advisers to ensure that assurance is carried out by the right team, at the right time and to avoid duplication and minimise overlap of effort.

4 Line of Defence 2 (LoD2) Assurance

- 4.1 The train fleet and overall system continue to perform well in the Central Operating Section (COS). Additional train and signalling software upgrades and other interventions (including for Platform Screen Doors) are providing further operational reliability improvements.
- 4.2 The reliability of the Network Rail (NR) infrastructure on the Great Western Main Line (GWML) has been of concern ahead of the introduction of Stage 5b minus service, however NR set out a series of interventions aimed at delivering

improvements for Stage 5b minus and beyond through to Stage 5c in May 2023. These improvements are monitored and reported on a weekly basis and good progress is being made.

- 4.3 Work has continued on a continuous assurance basis with formal reporting via the LoD2 Periodic Assurance Review (PAR) Reports. Of particular focus has been the overall system and fleet reliability and availability, the quality of the service response to issues arising during service operation as well as the status of continued works and people and team readiness across all aspects of the Operation and Maintenance teams, in preparation for Stage 5b minus and Stage 5c.
- 4.4 Since the last meeting of the Committee, LoD2 PAR Reports have provided input to the periodic Integrated Assurance Report to the Elizabeth Line Delivery Group.
- 4.5 Regarding cost to complete, although potential new cost pressures are being prudently recognised in the Anticipated Final Crossrail Direct Cost (AFCDC) as they arise, the programme continues to maintain provision and contingency budgets. Actions are ongoing across all areas to identify opportunities to reduce the AFCDC and minimise funding requirements.
- 4.6 The programme for the remaining works to successfully deliver the whole end to end railway has been baselined and is being used to monitor progress.
- 4.7 Deterministic dates are being held and are as follows:
 - (a) Stage 5c is May 2023 (24 trains per hour (tph) full end-to-end service), dictated by the national railway timetable changes. The key drivers continue to be confidence in achieving the required fleet availability and whole systems reliability to support the enhanced intensity of service. The maintenance of the programme is being led by the Elizabeth line Operations team, with support from Crossrail Limited for those elements of work it is responsible for.
- 4.8 The project has continued to make significant progress since the last report, key progress highlights include:
 - (a) the successful opening of Bond Street station to passengers on 24 October 2022;
 - (b) commencement of the physical works at Westbourne Park (civils, fencing and signage) to facilitate later introduction of auto reverse functionality;
 - (c) achievement of the target for fleet availability required for Stage 5b minus as well as the continued strong reliability performance in the COS since the commencement of live operational service;
 - (d) improvements in team working and embedding of lessons learnt across the Operations teams, leading to strong service recovery and incident handling;
 - (e) continued engagement, planning and the implementation of improvement initiatives with NR on the GWML to prepare for the integration of railways for Stage 5b minus; and

(f) software upgrades to signalling, fleet and infrastructure (Platform Screen Doors) software enhancing performance further.

- 4.9 The maintenance programme has been reviewed and significant improvements implemented to support the enhanced utilisation of resources and the introduction of automation, thereby delivering a more efficient maintenance service. Experience during operational service in the COS is helping to shape the improvements required in terms of response and fix times and root cause analysis to support a 22/24 tph service.
- 4.10 Both fleet and system performance reliability and availability have continued to improve, and achieved the desired performance targets required for Stage 5b minus.
- 4.11 Following our risk based continuous assurance approach, concerns and recommendations are identified throughout each reporting period. Management responses for those items have been provided during Periods 5 and 6 of 2022/23 (24 July to 17 September 2022) (P5 and P6).

5 Line of Defence 3 (LOD3 -TfL Internal Audit) Assurance

- 5.1 This section covers the Internal Audit activities that were agreed in the Integrated Audit and Assurance schedule.
- 5.2 In P5 and P6 we issued four reports and one audit was in progress.

Audit Delivery

- 5.3 Summary information of the reports issued in P5 and P6 is set out below.
- 5.4 Two audits of the Crossrail Complaints Commissioner's Accounts were undertaken for 2021/22 and four months of 2022/23 to provide assurance that figures in the accounts are accurate. On the basis of the work carried out, it was confirmed that the accounts of the Crossrail Complaints Commissioner, in all material aspects, accurately reflect the receipts and payments during the financial periods ended 31 March 2022 and 31 July 2022.
- 5.5 The cost verification audit of Equans (formerly Engie) provided assurance on the adequacy and effectiveness of cost verification controls over payments. We found certain controls were adequately designed and operating effectively. For example, costs were verified for the Canary Wharf contract site through checking a large sample of invoices and staff payments. However, other controls such as competitive quotations, cost benchmarking, or the checking of goods receipt notes were not consistently applied.
- 5.6 The Crossrail Act Obligations Audit was rated as 'Adequately Controlled'. One medium priority issue and one low priority issue were raised. The medium priority issue relates to the need to review resources dedicated to validating and confirming third party agreements and obligation discharge ahead of programme close out. In addition, formal assessment of any long-term monitoring beyond this has yet to take place or be agreed. Audits in progress at the end of Q2 are

included as Appendix 1, and work planned to start in Quarter 3 and Quarter 4 of 2022/23 (18 September 2022 to 31 March 2023) are included as Appendix 2.

Management Actions

- 5.7 The team monitors the implementation of all Internal Audit management actions and confirms whether they have been adequately addressed before closing them. There are no overdue actions at the end of Q2.

Changes to the Audit Plan

- 5.8 TfL Internal Audit regularly review and update the audit elements of the Integrated Audit and Assurance Audit Plan throughout the year, in liaison with management, to reflect changing business priorities. No changes to the plan have been made to date.

6 Line of Defence 3 (LoD3 - IIPAG-EL) Assurance

- 6.1 The terms of reference of the IIPAG-EL sub-group require the group to provide a 'look ahead' of its proposed areas of interest and work. The areas of interest highlighted as part of the revised Integrated Audit and Assurance Schedule in February 2022 continue to apply. We also support the 'continuous assurance' process established by LoD2. This schedule is maintained and reviewed within the Elizabeth Line Programme Assurance Group which is co-ordinated by LoD2.
- 6.2 The focus by LoD3 over the reporting period has been on the preparations for the enhanced service level of Stage 5b minus, and the Stage 5c full 24 tph service.
- 6.3 In general, the overall assurance framework for Elizabeth line has continued to operate effectively.

List of Appendices:

Appendix 1: Line 3 (TfL Internal Audit) Work in progress at the end of Q2 2022/23
Appendix 2: Line 3 (TfL Internal Audit) Work due to start in Q3/Q4 2022/23

List of Background Papers:

None

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Email: lorraine.humphrey@tube.tfl.gov.uk

Audit and Assurance Committee

Work in progress at the end of Q2 2022/23

Appendix 1

- There is one audit in progress at the end of the quarter

Enterprise risk	Directorate	Ref	Audit title	Objective	Current Status
ER6 Deterioration of Operational Performance	Rail for London (Infrastructure) Limited	22 027	Obsolescence of Critical Operational Systems	To provide assurance that adequate controls are in place to prevent critical operational systems becoming obsolete.	In Progress

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Audit and Assurance Committee

Work planned to start in Q3/Q4 2022/23

Appendix 2

- There are two audits planned to start in Q3/Q4

Enterprise risk	Directorate	Ref	Audit title	Objective
ER10 Governance and Controls Suitability	Information Governance	22 042	Information Management and Transfer – Hardcopy Documents	To provide assurance on the adequacy and effectiveness of transferring hardcopy data from Crossrail to TfL.
ER6 Deterioration of Operational Performance	Rail for London (Infrastructure) Limited	22 044	Elizabeth Line Transition from Capital Programme to BAU	To provide assurance on the effectiveness of the Elizabeth line's transition from a capital programme to a business-as-usual operation.

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Audit and Assurance Committee



Date: 30 November 2022

Item: Annual Tax Compliance Update

This paper will be considered in public

1 Summary

- 1.1 This paper presents to the Committee the key policies and documents that form TfL's Tax Governance Framework and to detail the steps being taken to ensure TfL is compliant with all relevant tax legislation.

2 Recommendation

The Committee is asked to note the paper.

3 Background

- 3.1 Over recent years there has been an increased focus from HM Revenue and Customs (HMRC) to ensure that tax compliance and governance issues are properly considered and understood at the highest levels within organisations. This has included making directors personally responsible for the tax affairs of the companies they manage.
- 3.2 Due to this increased focus, it is considered appropriate that the Audit and Assurance Committee is provided with an annual tax update focusing on tax governance. It is intended that this annual update will occur each December to coincide with the annual Senior Accounting Officer sign off (see section 6).
- 3.3 The Head of Financial Accounting and Tax and the Tax Department hold biannual update meetings with the statutory Chief Finance Officer to review significant activities and provide an opportunity to discuss all tax risks and concerns.
- 3.4 The Anti-Tax Evasion and Senior Accounting Officer policies, the Anti-Tax Evasion Statement and the TfL Annual Tax Strategy (the Policies) have all been formally reviewed by the Tax Department in October 2022, but no changes to the Policies as originally drafted have been considered necessary. The Policies are appended to this paper.
- 3.5 TfL has a low risk appetite in relation to tax matters and when evaluating tax planning the organisation's reputation and corporate and social responsibilities are always considered. TfL seeks to be transparent about its approach to tax which has led to HMRC awarding TfL a 'low risk' tax rating.

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

4 TfL Tax Update 2022

- 4.1 On 23 September 2022, the then Chancellor Kwasi Kwarteng delivered a Ministerial Statement called 'The Growth Plan', widely reported as the 'Mini-Budget', which set out a number of economic policies and tax cuts designed to boost UK economic growth.
- 4.2 On 17 October 2022 Chancellor Jeremy Hunt brought forward a number of measures from the planned Medium-Term Fiscal Plan, which had been scheduled for 31 October 2022. The 'Emergency Statement' reversed the majority of 'Mini-Budget' tax cuts announced by the previous Chancellor.
- 4.3 On 26 October 2022 the Government confirmed that the Medium-Term Fiscal Plan would be incorporated into a full Autumn Statement (i.e. Budget) on 17 November 2022.
- 4.4 The TfL Financial Accounting and Tax Department issued a short analysis of the key tax announcements together with an assessment of the likely impact on TfL on 23 September 2022 for the Mini-Budget, 18 October 2022 for the Emergency Statement and 18 November 2022 for the Autumn Statement. The analysis was sent to colleagues across Business Services, Finance and Procurement and Commercial, via Yammer, with follow-up of specific issues with different TfL business areas. A copy of the tax analysis which followed the latest Autumn Statement has been provided at Appendix 1.
- 4.5 In summary, we do not see any material change to TfL's tax position, either in terms of broad quantum of payment of different taxes, nor in TfL's ability to continue to meet ongoing tax compliance obligations with HMRC in an accurate and timely manner.
- 4.6 The TfL Financial Accounting and Tax Department will continue to keep abreast of all legislative, HMRC policy and case-law developments across the full range of taxes that may impact TfL and communicate these changes to different TfL business areas as appropriate.

5 Anti-Tax Evasion Policy and Statement

- 5.1 The Criminal Finances Act 2017 created a new corporate criminal offence of failure to prevent either domestic or foreign tax evasion.
- 5.2 This legislation makes it a criminal offence for a body corporate or partnership to fail to prevent the facilitation of tax evasion by one of its associates (employee, contractor or any other person providing services on their behalf).

5.3 Prosecution under the legislation could lead to:

- (a) an unlimited fine;
- (b) public record of the conviction; and
- (c) significant reputational damage and adverse publicity.

5.4 A defence exists in the legislation for having 'reasonable prevention procedures' in place. The following steps have been taken to ensure TfL is able to demonstrate reasonable prevention procedures are in place:

- (a) a six-monthly risk assessment is undertaken by the Tax Department in conjunction with Risk and Assurance. This risk assessment considers key areas of risk where tax evasion could be facilitated and ensures that sufficient controls are in place to mitigate the risk. The risks captured on the latest assessment (October 2022) are currently held on TfL's Enterprise Risk Assessment Matrix and have been assessed as low or very low risk.
- (b) the Criminal Finances Act 2017 is included in the wider Fraud Awareness ezone training course.
- (c) the Anti-tax evasion policy at Appendix 2 is held on the TMS Management System and is linked to both Fraud team and Group Tax SharePoint sites. While not a strict requirement of the legislation it further demonstrates TfL's commitment to having a zero tolerance approach to all forms of tax evasion. Everyone working for, or on behalf of, TfL or any subsidiary company must comply with this policy; and
- (d) the Anti-tax Evasion Statement at Appendix 3 has been published on [TfL's website](#).

6 Tax Strategy

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

6.2 The tax strategy must include the following details:

- (a) the organisation's approach to risk management and governance of its UK tax;
- (b) the organisation's attitude towards tax planning;
- (c) the level of risk the organisation is willing to accept in relation to UK tax; and
- (d) the organisation's approach to dealing with HMRC.

6.3 TfL's Tax Strategy is included at Appendix 4. This is reviewed annually by the Tax Department and the statutory Chief Finance Officer and is updated each March in accordance with the legislation and is published on [TfL's website](#).

7 Senior Accounting Officer

7.1 The Finance Act 2009 introduced the Senior Accounting Officer (SAO) legislation for large companies. This legislation applies to UK incorporated companies, as defined by the Companies Act 2006, which means that Transport Trading Limited and all corporate subsidiaries must comply with the legislation; the Corporation is exempt.

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

7.3 The SAO is required to ensure that appropriate accounting arrangements are in place to enable tax liabilities to be calculated accurately. These arrangements must be monitored on an ongoing basis. The SAO must also provide an annual certificate to HMRC which confirms that appropriate accounting arrangements were in place throughout the financial year or provide an explanation as to why such a declaration cannot be made.

7.4 The certificate for the Transport Trading Limited group must be submitted to HMRC by 31 December each year. Failure to do so will result in a £5,000 penalty which is levied on the SAO personally.

7.5 Details of the TfL SAO sign off procedure are included in the SAO Policy at Appendix 5. The SAO certificate for the accounting period ended 31 March 2022 will be submitted before 31 December 2022.

List of appendices to this report:

Appendix 1: TfL Tax Analysis of the Chancellor's Autumn Statement

Appendix 2: Anti-Tax Evasion Policy

Appendix 3: Anti-Tax Evasion Statement

Appendix 4: TfL Tax Strategy

Appendix 5: Senior Accounting Officer Policy

List of Background Papers:

None

Contact: Patrick Doig, Group Finance Director and Statutory Chief Finance Officer

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Chancellor's Autumn Statement 17 November 2022

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Please see below a summary of the main tax announcements set out in the Chancellor's Autumn Statement that may impact TfL. We will be discussing these developments with the relevant business areas but if you have any queries or require any further information please let us know.

National Insurance Contributions (NIC)

The earnings threshold at which employers start paying NIC for their employees has been frozen at £9,100 until April 2028.

TfL tax comment: *The freezing of this threshold means that any salary increases over the period to April 2028 will lead to higher levels of employer's NIC being due.*

Corporation Tax

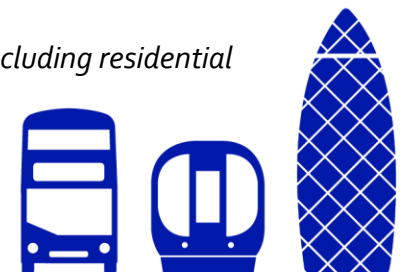
As previously announced, the main rate of corporation tax is still set to rise to 25% from April 2023. Other corporation tax announcements include setting the Annual Investment Allowance at a level of £1m permanently and some reforms of the Research & Development tax relief scheme.

TfL tax comment: *Group Tax consider this rate increase will continue to have limited impact on TfL as the group is not expected to be tax paying for the next few years. The increase in deferred tax liabilities held on the balance sheet for accounting purposes, was reflected in the accounts for the period ended 31 March 2022, based on the substantively enacted tax rate at that date. The other corporation tax announcements will not impact TfL.*

SDLT

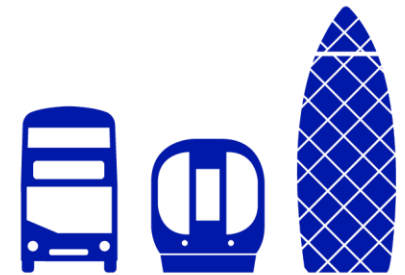
The previous Chancellor announced that with effect from 23 September the threshold from which Stamp Duty Land Tax (SDLT) must be paid on the purchase of residential properties will be doubled from £125,000 to £250,000, as well as further reliefs for first-time buyers. The current Chancellor has now confirmed that while these reduced rates remain in place for now, they represent a temporary SDLT reduction and will only remain in place until 31 March 2025.

TfL tax comment: *These measures still represent a welcome, albeit now time-limited, boost to the housing market at all levels, including residential property development, which in turn should benefit TTLP.*



VAT

No major changes announced.



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Policy

P010 A1

Anti-Tax Evasion Policy

Policy statement

1 Background

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

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

2 Anti-tax evasion value statement

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

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

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

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

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

3 Who must comply with this policy?

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



4 Who is responsible for this policy?

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

5 Definitions

For the purposes of this policy:

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

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

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

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

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

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

6 Corporate responsibilities

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



7 What team members and associates must not do

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

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

8 Prevention through vigilance

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

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

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

9 How to raise a concern

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

You are responsible for properly following TfL's policies and procedures. These ensure that all taxes are properly paid. If you are ever asked by anyone either inside or outside our organisation to go outside our standard procedures, this must be reported without delay, as someone may be attempting to evade tax. Please refer to TfL's [Challenging wrongdoing](#) page for details on how you can report any queries or concerns.



A.S. King

Date: 10.12.2020

Signed by:



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

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

Anti-tax evasion value statement

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

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

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

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

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

What is the facilitation of tax evasion?

For the purposes of this statement:

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

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

Foreign Tax Evasion means evading tax in a foreign country, provided that the conduct is an offence in that country and would be a criminal offence if committed in

the UK. As with **tax evasion**, the element of fraud means there must be deliberate action, or omission with dishonest intent.

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

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

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

Transport for London

Tax Strategy

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

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

Background

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

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

Our approach to tax risk management and governance

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

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

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

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

Attitude to tax planning and tax risk

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

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

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

Relationships with tax authorities

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

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

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

Patrick Doig
Statutory Chief Finance Officer
Transport for London

Published on 11 March 2022 to comply with Finance Act 2016 Schedule 19.

Policy

P012 A2

Senior Accounting Officer Policy

Contents

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1 Purpose

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

2 Scope

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

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

3 Senior Accounting Officer Policy

3.1 Background

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

3.2 SAO Legislation

3.2.1 Who is the SAO

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

3.2.2 Responsibilities of the SAO

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

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

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

3.2.3 Appropriate Accounting Arrangements

Tax accounting arrangements are:

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

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

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

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

3.2.4 Reasonable steps

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

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

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

3.2.5 Penalties

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

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

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



3.3 TfL approach

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

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

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

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

4 Person accountable for this document

Name	Job title
Chris Tann	Head of Tax and Financial Accounting

5 Abbreviations

Term	Definition
SAO	Senior Accounting Officer
HMRC	HM Revenue & Customs

6 Document history

Issue no.	Date	Changes	Author
A1	November 2021	New document as per CR-15335.	Emily Clark
A2	November 2022	Change of name of the person accountable. Change No. CR-16787.	



Audit and Assurance Committee



Date: 30 November 2022

Item: Legal Compliance Report (1 April 2022 – 30 September 2022)

This paper will be considered in public

1 Summary

- 1.1 This paper summarises the information provided by each TfL Directorate for the Legal Compliance Report for the period 1 April 2022 to 30 September 2022.

2 Recommendation

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

3 Background

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

4 Scope of the Report

- 4.1 The Directorates were asked to identify where they are aware of any alleged breaches of law between 1 April 2022 and 30 September 2022. The questionnaire sought responses concerning the following:
- (a) prosecutions against TfL;
 - (b) formal warnings or notices from the Health and Safety Executive (HSE), the Office of Rail and Road (ORR), the London Fire Commissioner, the Environment Agency, the Information Commissioner or the other Government agencies;
 - (c) investigations by an Ombudsman;
 - (d) alleged legal breaches notified by local authorities or other bodies;
 - (e) judicial reviews;
 - (f) involvement in inquests;
 - (g) commercial/contract claims in excess of £100,000;
 - (h) personal injury claims;
 - (i) proceedings in relation to discrimination on the grounds of race, sex, disability, age, religion or belief, sexual orientation, equal pay or breach of contract;

- (j) wrongful or unfair dismissal;
 - (k) actions to recover unpaid debt in excess of £5,000;
 - (l) breaches of procurement rules and/or the Competition Act;
 - (m) other material breaches of the law;
 - (n) any other material compliance issues; and
 - (o) any initiatives introduced by Directorates to address compliance issues.
- 4.2 Each period will include any ongoing matters carried over from the previous reporting period where applicable.
- 4.3 In accordance with TfL's commitment to transparency, the Legal Compliance Report is included in the public paper.

5 Commentary on Legal Compliance Issues

Prosecutions

- 5.1 On 24 March 2022, we were notified that TfL would be prosecuted by the ORR for an offence under section 3 of the Health and Safety at Work, etc Act 1974 (1974 Act) in relation to the tram derailment on 9 November 2016 at Sandilands junction in Croydon in which seven people tragically lost their lives. Tram Operations Limited (TOL), the operator, is also being prosecuted under section 3. Both TfL and TOL have pleaded guilty. The driver will be prosecuted for an offence under section 7 of the 1974 Act and has pleaded not guilty. The trial has been listed to start on 15 May 2023 for 4-5 weeks. The sentencing hearing for TfL and TOL will take place following the conclusion of the driver's trial.

Formal Warnings or Notices from the Health and Safety Executive or Office of Rail and Road

- 5.2 We previously reported the ORR investigation into the death of a member of the public who fell into the gap between the platform and the train at Waterloo station on the Bakerloo line on 26 May 2020. The ORR confirmed it had closed the Improvement Notice on 22 December 2020. The Rail Accident Investigation Branch (RAIB) published its report on 21 September 2021 which included three recommendations which London Underground responded to. The British Transport Police has completed its investigation. The inquest took place from 20-27 September 2022 and concluded that the death was accidental. A decision from the ORR is awaited as to whether any prosecution should be brought in relation to the incident.

Formal Warnings or Notices from the London Fire Commissioner

- 5.3 Four Fire Deficiency Notices were received by London Underground from the London Fire Commissioner during the period in respect of emergency/fire compliance plans, signage, storage, smoke detectors, evacuation procedures and fire risk assessments and training. All matters have been addressed.

Formal Warnings or Notices from the Environment Agency

- 5.4 No formal warnings or notices were reported for this report.

Formal Warnings or Notices from the Information Commissioner

- 5.5 The Information Commissioner's Office (ICO) investigates alleged instances of non-compliance with the UK General Data Protection Regulation (UK GDPR), the Data Protection Act (DPA) 2018 and the Privacy and Electronic Communications (EC Directive) Regulations 2003 (the PECR) (together, data protection legislation), the Freedom of Information Act 2000 (the FOIA) and the Environmental Information Regulations 2004 (the EIRs).
- 5.6 No formal action was taken by the ICO in the reporting period in connection with TfL's compliance with data protection legislation.
- 5.7 A requirement of the UK GDPR is for all data breaches posing a risk to individuals' rights and freedoms to be reported to the ICO within 72 hours, and for affected data subjects to be informed of the breach if it represents a high risk to their rights and freedoms.
- 5.8 We reported two data breaches during the period to the ICO. The first data breach involved personal data relating to job applications being sent in error to two TfL employees. The second breach was caused by an error during the migration of data to a new lost property database, which led to some people who had reported lost items being sent third parties' personal information. The ICO concluded that they did not need to formally record either breach and took no further action.
- 5.9 There were no open complaints relating to TfL's compliance with data protection legislation at the end of the last reporting period.
- 5.10 There were eight new complaints to the ICO in the reporting period about TfL's compliance with data protection legislation. Three complaints related to responses to subject access requests and TfL provided further responses direct to the complainant. One complaint related to a missing document from an employee file and the ICO asked TfL to review the complaint but did not require further information. One complaint related to the handling of an employee disciplinary investigation. The ICO identified failings in relation to the accuracy of disclosures made in the course of the investigation. The ICO noted that TfL had already responded to the complainant on these points and did not require further action. One complaint related to the handling of a customer refund by a contractor and no further action was required. One complaint related to disclosure of personal data to an external legal firm and no further action was required. The final complaint related to a passenger's personal data being made public during the issue of a penalty fare notice. The ICO advised TfL to respond to follow up concerns raised by the passenger after TfL's initial response to the ICO.
- 5.11 The FOIA and the EIRs give a general right of access to information held by public authorities. Public authorities are generally required to respond to requests for information within 20 working days and provide the requested information unless an exemption applies. Any person who has made a request to a public authority for the disclosure of information under the FOIA or the EIRs can

complain to the ICO. Unless the complaint is resolved informally, the ICO records the outcome in a published Decision Notice. Appeals against the ICO's decisions are heard by the First-Tier Tribunal (information Rights).

- 5.12 In this reporting period, 1,254 requests were made to TfL under the FOIA and EIRs which had reached their statutory deadline, with all of them replied to on time.
- 5.13 There were no open ICO complaints at the end of the last reporting period.
- 5.14 Two complaints were received by the ICO in the reporting period. Both concerned the non-disclosure of requested information. The first complaint was resolved informally, with the ICO concluding it was frivolous and the second resulted in a Decision Notice in TfL's favour.
- 5.15 There were no open ICO complaints at the end of the reporting period.

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

- 5.16 A warning notice from the Office of Communications (Ofcom) was received on 22 July 2022 relating to the need for London Underground to have a licence from Ofcom for the One Person Operator CCTV system. An application for the licence has been submitted and the outcome is awaited. In addition, checks are being made as to whether other licences are required across the network.

Investigation by an Ombudsman

- 5.17 There were three outstanding investigations from the last report and one new investigation in the reporting period.
- 5.18 Of the three outstanding investigations, two related to the application of the Ultra Low Emission Zone scheme and one related to taxi/private hire application processes. In respect of the first, the Local Government Ombudsman found that there was no fault by TfL in processing the application. In the second, TfL allowed a late application after a delay in responding to the complainant caused them to be out of time. TfL also paid compensation for the delays caused to the complainant. In the third investigation TfL offered an apology and made a payment as compensation to the complainant for the manner in which the application was dealt with.
- 5.19 The new investigation relates to a complaint about TfL's handling of Penalty Charge Notices. TfL refunded the Penalty Charge Notice fees and issued a payment to the complainant for inconvenience suffered.

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

- 5.20 There were three outstanding enforcement notices from the last report and three new enforcement notices during the reporting period.
- 5.21 The first outstanding enforcement notice (received on 25 February 2014) was from the London Borough of Haringey relating to an unauthorised front extension to units at 231-243 High Road and 249a High Road Tottenham, London. The tenant failed to remove the extension by 31 July 2014 as required by the notice.

The tenant lodged an appeal with the Planning Inspectorate and the enforcement notice remains stayed pending proposals for the frontages of the properties and all the adjacent properties. In January 2019, a Compulsory Purchase Order was approved to enable a borough led regeneration scheme. On 5 August 2021 the developer announced it is no longer progressing with the development. TfL plans to relocate the tenant's business to a nearby site in spring 2023. This will allow TfL control of the subject area and progress the redevelopment plans, ensuring all necessary planning requirements are fulfilled in the process. The stay on proceedings will remain in place until then.

- 5.22 The second outstanding enforcement notice (received on 6 December 2019) was from the London Borough of Camden relating to a number of alleged breaches of planning permission at 366/366A Kilburn High Road, London. TfL continues to liaise with the tenant and the London Borough of Camden on this matter.
- 5.23 A third outstanding enforcement notice (received on 1 April 2022) was issued by the City of Westminster for enforcement action in relation to the poor condition of the shopfront at 218-220 Baker Street, London. All the works to the shopfront have been completed.
- 5.24 The first new enforcement notice (received on 1 March 2022) was issued by the London Borough of Tower Hamlets in relation to the removal of a coffee kiosk near the entrance to Bethnal Green Tube station which posed a health and safety risk. The kiosk was relocated.
- 5.25 The second new enforcement notice (received on 24 August 2022) was issued by the City of Westminster for illegal signage at a property. The signage has now been removed.
- 5.26 The third new enforcement notice (received on 16 September 2022) was issued by the London Borough of Tower Hamlets for an illegal house in multiple occupation at 108A Whitechapel Road, London. TfL has asked London Borough of Tower Hamlets to liaise directly with the leaseholder and the outcome is awaited.

Decisions Subject to a Judicial Review

- 5.27 There were two outstanding judicial reviews from the previous reporting period. There were no new judicial reviews reported during the current reporting period.
- 5.28 The first judicial review relates to an application issued on 13 August 2020 by the taxi groups United Trade Action Group (UTAG) and the Licensed Taxi Drivers' Association Limited (LTDA) against TfL and the Mayor in relation to TfL's interim London Streetspace Guidance issued to boroughs, the Streetspace Plan and a scheme implemented on the A10/Bishopsgate. On 20 January 2021, the High Court allowed the claims and quashed the Streetspace Plan, TfL's interim Borough Guidance and the A10 Bishopsgate Order. TfL appealed to the Court of Appeal which allowed the appeal on all grounds at a hearing on 15-16 June 2021. The court set aside the grant of judicial review in respect of the Plan, Guidance and A10 Order, and set aside the High Court's orders quashing them. The court made a full costs order in favour of TfL and the Mayor and ordered UTAG and the LTDA to pay £50,000 on account. The court refused permission to appeal. On 19 August 2021, UTAG and the LTDA made an application to the Supreme Court

seeking permission to appeal which was refused on 27 June 2022. UTAG and the LTDA were ordered to pay TfL's costs.

- 5.29 The second judicial review relates to a claim issued on 6 November 2020 by UTAG against TfL's decision in August 2020 to grant a London private hire vehicle (PHV) operator's licence to Transopco UK Ltd (trading as "FREE NOW"). The claim alleges that FREE NOW enables PHV drivers to ply for hire in London using the App which is unlawful and that FREE NOW's drivers are committing a separate offence of accepting bookings without a PHV operator's licence. Judgment was given on 6 December 2021 and the Court dismissed UTAG's claim that PHVs made available via the FREE NOW app were plying for hire but gave leave to appeal to the Court of Appeal. UTAG lodged its appeal in relation to plying for hire to the Court of Appeal on 21 December 2021 and sought permission to appeal to recover their costs in relation to the claim. TfL responded on 4 January 2022.
- 5.30 The appeal was heard by the Court of Appeal on 6 and 7 July 2022 and the Court found that PHVs made available via the FREE NOW app were not exhibited and the drivers were not soliciting custom, and therefore dismissed the appeal. The Court of Appeal also dismissed UTAG's application for permission to appeal costs. UTAG sought permission to appeal to the Supreme Court which was refused and UTAG was ordered to pay TfL and FREE NOW's costs.
- 5.31 UTAG has sought permission to appeal directly from the Supreme Court on 18 August 2022. The Supreme Court's determination on permission to appeal is awaited.

Inquests

- 5.32 This section reports on those inquests in which TfL is either a witness, has been asked to provide information to the Coroner or is, or may be, an interested person.
- 5.33 There were seven inquests outstanding from the last reporting period and one new inquest reported during this period. Of the seven outstanding inquests, three were concluded, two were a narrative conclusion and one a verdict of suicide. The outcome of the four outstanding inquests and the one new inquest are awaited.

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

- 5.34 We previously reported that on 9 September 2016 the TfL Trustee Company Limited, TfL's pension trustee subsidiary, issued proceedings against HMRC for overpaid VAT on fund management services. A stay of the proceedings has been agreed, pending the outcome of two test cases. One of the test cases is being appealed and TfL will review its position once that has been determined.
- 5.35 Legal proceedings were issued on 23 March 2021 against the London Borough of Hackney in relation to the lease arrangements for Kingsland Viaduct regarding future rent payments due to the London Borough of Haringey for the remaining term of the lease. A hearing took place in the High Court on 18 – 21 October 2022 and a decision is awaited.

Personal Injury Claims

- 5.36 TfL has been the subject of 238 claims for personal injury that were closed during the reporting period, of which 20 claims were employers' liability claims by staff and 218 claims were for public liability by customers/members of the public.
- 5.37 Of the 218 claims for public liability, 170 were closed without payment and 48 were settled.
- 5.38 Of the 20 claims for employers' liability, five were closed without payment and 15 were settled.

Employment Tribunal Proceedings

- 5.39 TfL continues to take a proactive and robust approach to managing Employment Tribunal (ET) cases, coupled with a training programme for managers on the latest developments in the law and best practice to avoid employment disputes as far as possible.
- 5.40 There were 120 ET claims reported during the period, of which 92 were carried forward from the previous report and 28 were reported for the first time.
- 5.41 Of the 120 ET claims, 36 are for unfair dismissal, five are for constructive unfair dismissal, 33 are for disability discrimination, two are for trade union detriment, one is for trade union rights, 14 are for sex discrimination, 16 are for race discrimination, one is for victimisation, one is for religious discrimination, one is for breach of contract, two are for unlawful deductions from wages, two are for unpaid holiday pay, three are for discrimination on the grounds of pregnancy/maternity leave, one is for unpaid notice pay, and two are for health and safety detriment.
- 5.42 Of the 120 ET claims during the period, 88 cases are ongoing and 32 were concluded during the period. Of the 32 ET cases concluded, six were won, 10 were settled, one was lost, one was partially lost, three were struck out, one was dismissed and 10 were withdrawn.

Civil Debt in Excess of £5,000

- 5.43 No civil debt claims in excess of £5,000 were reported for this period.

Other Material Compliance Issues

- 5.44 We previously reported an outstanding claim for unpaid invoices brought by a claimant who provided traffic surveys to TfL. The payments were suspended following an internal investigation and there is also a police investigation. Following a court order that the claimant pay security for TfL's costs, on 27 May 2022 the claimant discontinued its claim ending proceedings with no payment to be made by TfL.

- 5.45 On 4 October 2021 Insulate Britain staged a protest around Blackwall Tunnel and Hanger Lane in London on the TfL Road Network (TLRN) resulting in obstruction of the highway and significant road traffic disruption. In response to a further protest on the TLRN at Old Street (A501) on 8 October 2021, an application was made to the High Court for an interim injunction preventing further protests designed to obstruct the highway by any persons including Insulate Britain and 112 named defendants. The injunction was granted and covers the A501 (including the area of protests in Old Street) and 13 other key locations on the TLRN, where any disruption in the movement of traffic is a danger. Further protests took place on 27 October 2021 on A40 Gypsy Corner and 4 November 2021 on Bridge Street in Westminster which impacted other roads in the area including the TLRN. Following this, an application for a further interim injunction was applied for and granted on 4 November 2021 covering additional key safety locations and A roads including six bridges on the TLRN.
- 5.46 A hearing took place on 7 December 2021 to allow Insulate Britain to respond to the injunction. An order was agreed to continue the injunctions. At a hearing on 11 October 2022 the High Court granted TfL's further application to extend the existing injunctions until the trial date which is awaited.
- 5.47 Since the end of the reporting period, on 17 October 2022 TfL made an application seeking an interim injunction against a group known as Just Stop Oil (acting in coalition with Insulate Britain) who have been staging protests in London including on a number of roads on the TLRN, resulting in obstruction of the highway and significant road traffic disruption. On 18 October 2022, the injunction was granted in respect of named roads on the TLRN to prevent further protests designed to obstruct the highway by any persons including Just Stop Oil and 60 named members. A further application was made by TfL to extend the interim injunction to add six additional roads on the TLRN and to add 121 named defendants. That application was granted on 31 October 2022 and the injunction was also extended to remain in force until 28 February 2023 or until any other order is made.

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

- 5.48 Court proceedings were issued against TfL and Greater London Authority (GLA) on 26 May 2022 in relation to alleged breaches of (i) the Public Contract Regulations 2015; and (ii) an alleged 'tender contract' relating to the tender for Major Ceremonial Events. Following the GLA's decision to re-run the procurement process, the claimant discontinued its claim.

Other Known Breaches

- 5.49 No other known breaches were reported.

Management of Compliance Issues

- 5.50 TfL's legal and compliance risks are managed as part of TfL's overarching Enterprise Risk Management Framework. A range of operational and assurance processes are in place to mitigate these risks at all levels in the organisation.
- 5.51 These safeguards are supported by the provision of advice on, and training in, relevant legal and corporate governance issues, which are tailored to the needs of TfL's business units and adjusted where possible to take account of increased home working as a consequence of the coronavirus pandemic.
- 5.52 The legal and compliance framework is the subject of continuous review and improvement. Initiatives to address compliance across TfL have included:
- (a) ongoing work to update contractual and commercial templates and forms to ensure they align with legal requirements;
 - (b) promoting ongoing compliance with information governance legislation (including the FOIA, EIRs, DPA 2018 and UK GDPR) and associated statutory Codes of Practice, including transparency and the proactive publication of information;
 - (c) ongoing use of Data Protection Impact Assessments, to review proposed new or changed uses of personal data;
 - (d) the promotion through the TfL Management System of Information Governance policies, instructions and guidance;
 - (e) ongoing bespoke training to the business on a range of employment issues including employment law updates, reasonable adjustments requirements, disability discrimination and effective case management and providing guidance and best practice learned from ET cases;
 - (f) training on a wide range of legal issues including disability discrimination law, employment law update, contract modifications, procurement law and regulations, intellectual property rights, contract management, planning process, legal privilege and public inquiries;
 - (g) continued support with the use of TfL's e-tendering system to assist users to comply with the procurement regulations, and to observe the principles of transparency, equal and fair treatment of suppliers;
 - (h) continued production of instructions, guidance and templates in the TfL Commercial Toolkit to support compliance with regulations and governance;
 - (i) ongoing work to identify and address areas of weakness in TfL's processes, helping to implement corrective actions where appropriate; and
 - (j) the ongoing issue of the Commercial Law Bulletin to the Commercial teams to support the dissemination of important messages relating to regulatory and legal issues.

6 Conclusions

- 6.1 The Legal Compliance Report for the period 1 April 2022 to 30 September 2022 sets out the legal and compliance matters of which TfL senior management is aware. There are no material breaches of law which would affect TfL's continued operations.
- 6.2 Reported matters continue to be broadly in line with previous reports.

List of appendices to this report:

None

List of Background Papers:

None

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Audit and Assurance Committee

Date: 30 November 2022

Item: Finance Control Environment Trend Indicators

This paper will be considered in public

1 Summary

1.1 This paper updates the Committee on the Financial Control Environment Trend Indicators.

2 Recommendation

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

3 Background

3.1 This paper reports on the Quarter 2 Financial Control Indicators, that informs the Committee as to the control environment across Finance, Business Services and Procurement services, details of which are set out in the dashboard at Appendix 1.

List of appendices to this report:

Appendix 1: Financial Indicators Dashboard

List of Background Papers:

None

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Finance Officer

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**TfL Audit and Assurance
Committee
Performance Metrics
Quarter 2, 2022/23**

**30 November 2022
Appendix I**



Forecasting accuracy

Q2, 2022/23

It is important to track forecast variance as a mechanism for monitoring and managing forecast quality. It also focusses management attention on underlying performance, allowing them to make timely decisions and interventions based on a realistic understanding of performance and gap to targets.

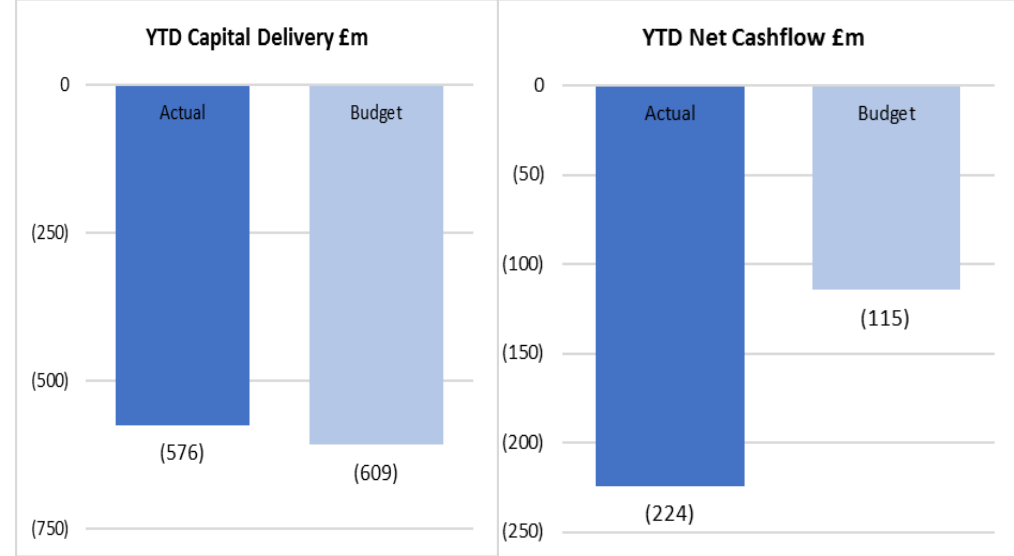
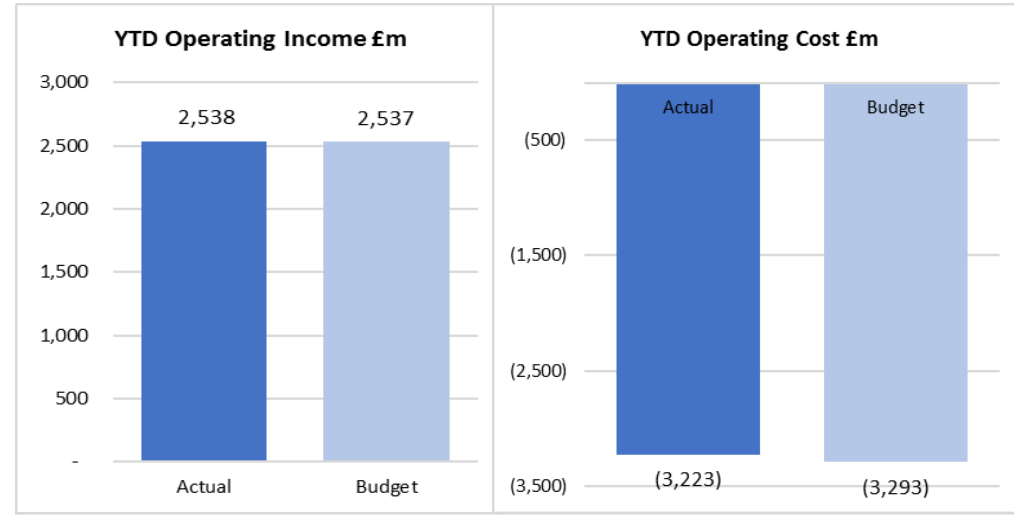
By continuing to track these measures management can rigorously evaluate the financial impact of planning decisions, offering the opportunity to change direction if decisions have not had the desired result or if new opportunities present themselves.

Given our variances are all circa 2% we conclude that this control is operating effectively.

Quarterly Forecasting Accuracy*				
£m	Q3 2022	Q4 2022	Q1 2023	Q2 2023
Operating Income	1,169	1,480	1,264	1,274
Variance to reported Budget	(70)	(194)	5	(4)
Operating Cost	(1,481)	(2,016)	(1,633)	(1,590)
Variance to reported Budget	80	(321)	18	52
Capital Delivery**	(288)	(522)	(293)	(283)
Variance to reported Budget	71	(49)	4	29
Net Cashflow	(115)	(321)	(10)	(214)
Variance to reported Budget	56	(12)	(40)	(69)

YTD Forecasting Accuracy - Q2 2022/23

£m	YTD
Operating Income	
Actual	2,538
Budget	2,537
Operating Cost	
Actual	(3,223)
Budget	(3,293)
Capital Delivery	
Actual	(576)
Budget	(609)
Net Cashflow	
Actual	(224)
Budget	(115)



* Reported Budget - 2021/22 Revised Budget for Q2-Q4 2022 and the 2022/23 Budget for Q1 2023

** Total TfL capital expenditure excludes amounts relating to Crossrail and TTLP

Processing metrics

Q2, 2022/23

Open items indicate the extent to which the balance on your accounts are accurate thus allowing for the actual reconciling items on the account to be revealed. Reconciling the accounts is a particularly important activity because it is an opportunity to check for fraudulent activity and to prevent financial statement errors.

Value of open items > 30 days on the bank reconciliation sits at £270k for Q3. Overall, open items in Q3 with the items less than 30 days open stands at £10.66m, a reduction of nearly £5m on Q1. The volume of open items in Q2 have now decreased as vacancies have now been filled.

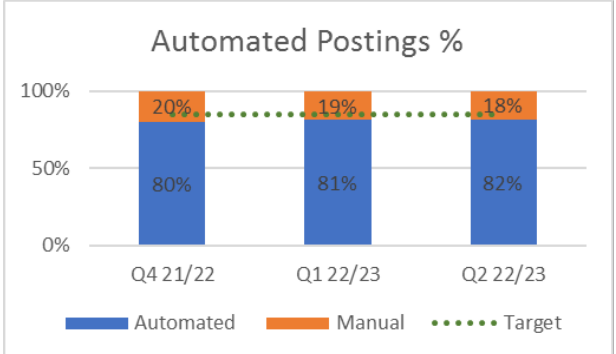
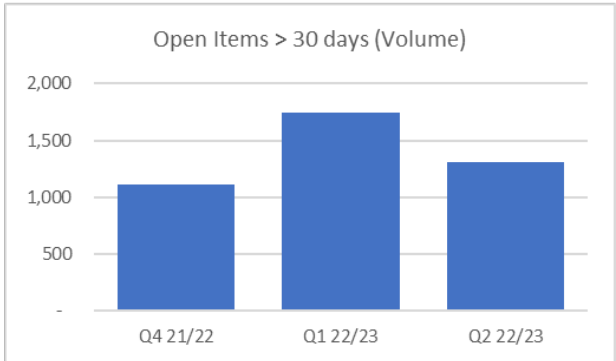
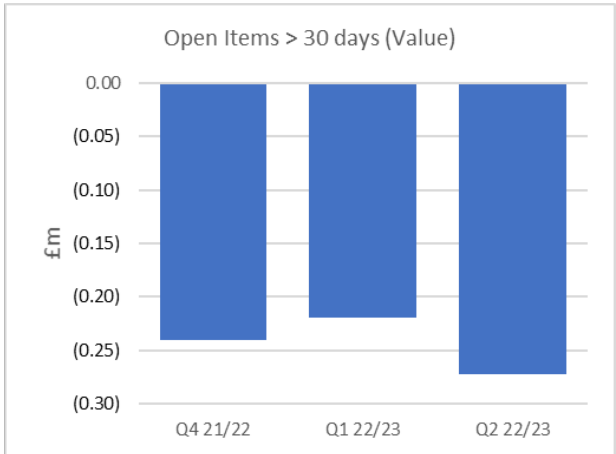
Automated Postings % measures the proportion of transactions which are automatically reconciled in SAP (accounting software). Manually checking and matching transactions and preparing / posting journals is time consuming and increases the risk of error and inconsistency.

The volume of manual postings continues to improve and stands at 18% in Q2.

Therefore, at 82% for Q2 we are closing the gap to our new target set of 85% for automated postings. This was recently revised up, after achieving the target of 80% in 2021/22.

Quarterly Figures

£m	Q3 21/22	Q4 21/22	Q1 22/23	Q2 22/23
Open Items < 30 days (£m Value)	(2.15)	(31.03)	(15.53)	(10.66)
Open Items > 30 days (£m Value)	(0.29)	(0.24)	(0.22)	(0.27)
Open Items < 30 days (Volume)	1,600	1,227	2,182	1,575
Open Items > 30 days (Volume)	722	1,110	1,744	1,312
Automated Postings %				
Automated	9,834	12,690	10,785	10,747
Manual	1,965	2,499	2,004	1,970
Automated	80%	80%	81%	82%
Manual	20%	20%	19%	18%
Target (for year-end 22/23)	85%	85%	85%	85%



Procurement metrics

Q2, 2022/23

Benefits Delivery:

- Floor of £50m in benefits and target of £85m has been set for P&C for FY22/23. £41.2m of benefits have been validated in the first 2 quarters.
- There is a strong degree of confidence that the target will be exceeded for the full year.

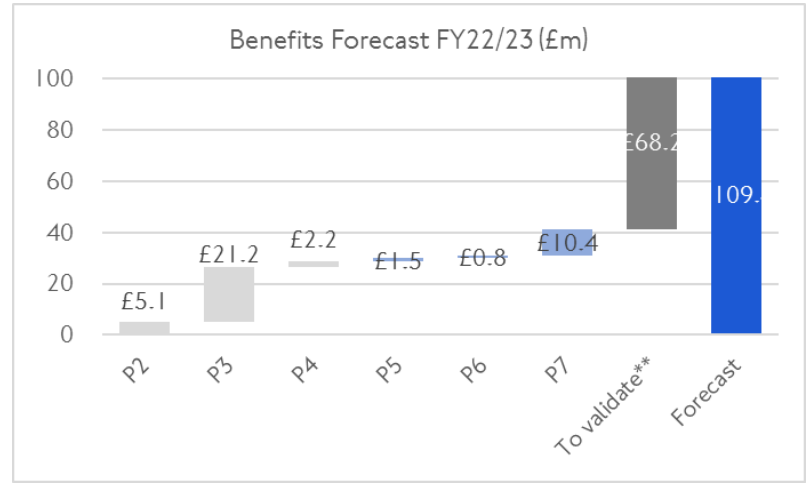
Direct Awards

- The profile of direct awards continues to follow the profile of renewals of existing asset, where our ability to competitively tender work is limited.
- Highest value items in Q2 were S7 S8 Overhaul of Couplers for S-Stock Fleet (£9m derogation) and Platform Edge Door mid-life overhaul (£7m derogation)

Retrospective spend:

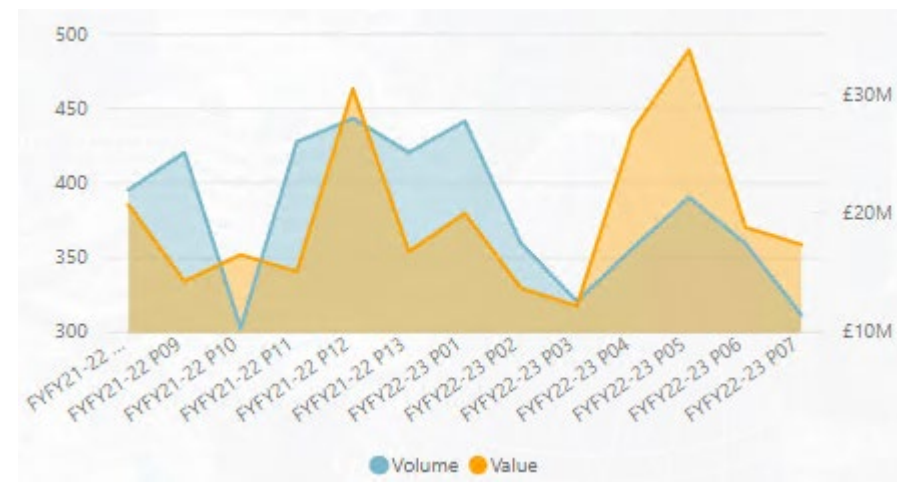
- Highest value amount in Q2 was £17m payment to 345 Rail Leasing

Benefit delivery

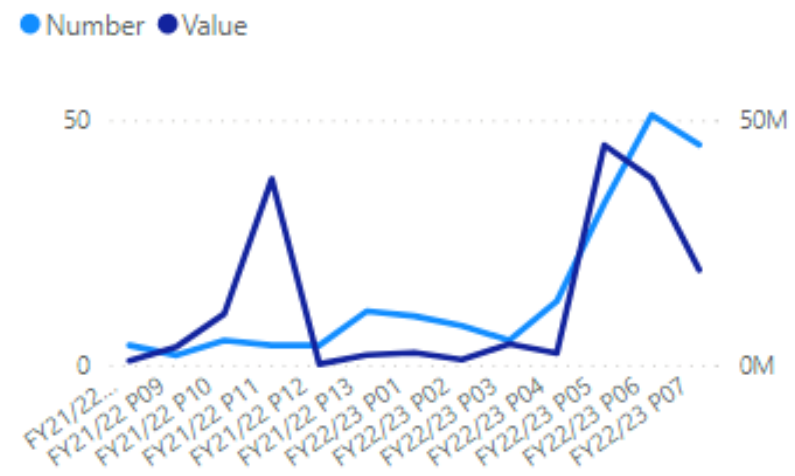


**adjusted to 75% confidence level

Profile of retrospective spend



Direct awards



Audit and Assurance Committee



Date: 30 November 2022

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

This paper will be considered in public.

1 Summary

- 1.1 This paper sets out details of the gifts and hospitality declared by the Board and senior staff. Details of those accepted by Members and the most senior staff are routinely published on our website. In line with the Greater London Authority (GLA) Group Framework Agreement, we submit a regular report to the Committee on the gifts and hospitality accepted by Board Members and senior staff. For these reports, we have extended the staff coverage to anyone on the top level organisation chart published on <https://tfl.gov.uk/corporate/publications-and-reports/organisation-chart>.
- 1.2 This report covers a three-month reporting period, from 1 August to 31 October 2022. The restrictions on travel and social distancing introduced from March 2020 to manage the coronavirus pandemic mean that the benchmarking data is impacted as restrictions were in place for the same period in 2020. While the figures for the current year show an increase, these are still below the baseline prior to the coronavirus pandemic.
- 1.3 During the three months covered by this report, there were no declarations by Members. A total of 25 declarations were made by senior staff, of which 15 were declined and 10 were accepted.

2 Recommendation

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

3 Background

- 3.1 TfL's policy on gifts and hospitality applies to TfL Board Members, all staff who work for TfL and staff contracted to work for TfL including on advisory groups or through a third party. It covers both gifts and hospitality offered directly or offered through a spouse or partner.
- 3.2 The policy has been reviewed recently and changes to the guidance and Frequently Asked Questions are proposed to add further clarity to the implementation of the policy. The Policy starts from the premise that any gifts or hospitality offered should usually be declined. No offer should be accepted where there is a possibility, or a perception, of being influenced by it. The guidance provides advice on the few circumstances where acceptance might be appropriate but, as a guiding principle, Members and staff are advised to err on

the side of caution. Acceptance of any offer requires line manager approval and an explanation as to why acceptance is appropriate.

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

4 Reporting Period and Issues for Consideration

- 4.1 There were no declarations made by Members during the three-month period from 1 August to 31 October 2022.
- 4.2 A total of 25 declarations of offers were made by senior staff in this period and 15 of these were declined.
- 4.3 Table 1A shows the current period and the previous two periods. The number of offers received in the current period is higher than the last period and the usual high-point of the Christmas-New Year period, both of which were impacted by measures to continue managing the coronavirus pandemic. However, the proportion of offers accepted had reduced from around a half to less than a third.
- 4.4 Table 1B shows the same reporting periods for the previous year. An accurate comparison is difficult due to the impact of measures to control the coronavirus pandemic during 2020/21.
- 4.5 The offers received and accepted are set out in Appendix 1 and 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 1A: Figures reported to this meeting

Three-month period	01/02/22-30/04/22	01/05/22-31/07/22	01/08/22-31/10/22
Total offers	38	64	25
Total declined	21	44	15
Total accepted	17	20	10
Monthly average			
Total offers	13	21.3	8.3
Total declined	7	14.7	5
Total accepted	6	6.7	3.3

Table 1B: Figures reported to previous meetings and monthly averages

Three-month period	01/02/21-30/04/21	01/05/21-31/07/21	01/08/21-31/10/21
Total offers	1 (5*)	15	35
Total declined	1	11	23
Total accepted	0 (4*)	4	12
Monthly average			
Total offers	<1	5	12
Total declined	<1	3	8
Total accepted	0	1.3	4

*Events were recorded and accepted but fell outside of our policy.

List of appendices to this report:

Appendix 1: Gifts and Hospitality Register

List of Background Papers:

Corporate Gifts and Hospitality Register

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Email: HowardCarter@tfl.gov.uk

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**Gifts and Hospitality - TfL Senior Leadership Team - Appendix 1
August to October 2022**

Name of Officer	Offer Status	Donor / Provider of Gift / Hospitality	Detail of Gift / Hospitality	Reason for Accepting Gift / Hospitality	Date of Event/Hospitality
Brown Matt	Accepted	PR Week	Awards dinner	Industry awards ceremony, networking and as a member of the judging panel	13/10/2022
Clarke Andrea	Accepted	Osborne Clarke	Dinner to mark completion of significant project	Marking completion of significant project	28/09/2022
Hampson Lester	Accepted	Ballymore	Ballymore / TfL Edgware Dinner re Edgware project	Celebrating Edgware project achievements with our development partner	10/08/2022
Hampson Lester	Accepted	Barratt	Property partner dinner	Property partner relationship-building	24/08/2022
Hawkes Joanna	Accepted	HSBC Bank Plc	Client Lunch with HSBC, Philip Cohen, MD, Global Banking, HSBC	Client Relationship Lunch	23/08/2022
Lord Andy	Accepted	Mayor of Richmond	Invitation to confer the title of Freeman of the Borough upon Mr Alan Benson	Important relationships	20/10/2022
Risk Lisa-Jane	Accepted	Coutts Commercial Real Estate	Coutts Commercial Real Estate Drinks and Reception	Networking	28/09/2022
Wharfe Jonathan	Accepted	Proxima	Proxima / Odgers Berndston Networking & Briefing Energy Crisis	Networking	18/10/2022
Williams Alex	Accepted	Institute of Couriers	National Courier Awards	Stakeholder	25/10/2022
Williams Alex	Accepted	Battersea Power Station Development Company	Opening of Battersea Power Station	Stakeholder	14/10/2022

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Audit and Assurance Committee



Date: 30 November 2022

Item: Members' Suggestions for Future Discussion Items

This paper will be considered in public

1 Summary

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

2 Recommendation

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

3 Forward Plan Development

- 3.1 The Board and its Committees and Panels have forward plans. The content of the plan 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; Elizabeth line programme assurance quarterly 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:

15 March 2023

June 2023

November 2023

Chief Finance Officer

External Auditors

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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Email: HowardCarter@tfl.gov.uk

Audit and Assurance Committee Forward Plan 2022/23**Appendix 1****Membership:** Mark Phillips (Chair), Anurag Gupta (Vice Chair), Kay Carberry CBE and Dr Mee Ling Ng OBE

Standing Items		
Risk and Assurance Quarterly Report	Director of Risk and Assurance	Quarterly
Elizabeth Line Programme Assurance Quarterly Report	Director of Risk and Assurance	Quarterly
Finance Control Environment Trend Indicators	Statutory Chief Finance Officer	Quarterly
Independent Investment Programme Advisory Group Quarterly Report	Director of Risk and Assurance	Quarterly
Register of Gifts and Hospitality	General Counsel	Quarterly
Report on Non-Audit Fees	Statutory Chief Finance Officer	Six Monthly
Legal Compliance Report	General Counsel	Six Monthly
Annual Tax Compliance Update	Statutory Chief Finance Officer	Annual

15 March 2023		
Integrated Assurance Plan	Director of Risk and Assurance	Annual
Critical Accounting Policies	Statutory Chief Finance Officer	Annual
Personal Data Disclosure to Police and Other Statutory Law Enforcement Agencies (2023)	Director of Security, Policing and Enforcement	Annual

June 2023		
EY Letter on Independence and Objectivity	EY	Annual
Annual Audit Fee 2023/24	Statutory Chief Finance Officer	Annual
Risk and Assurance Annual Report 2022/23	Director of Risk and Assurance	Annual
Review of Governance and the Annual Governance Statement	General Counsel	Annual

Audit and Assurance Committee Forward Planner 2022/23

September 2023		
TfL Statement of Accounts – Changes Made Prior to Finalisation	Statutory Chief Finance Officer	Annual
Effectiveness Review of the External Auditors	Statutory Chief Finance Officer	Annual
Annual Audit Letter	EY	Annual
Freedom of Information Update	General Counsel	Annual

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