

Agenda

Meeting: Audit and Assurance Committee

Date: Wednesday 15 March 2023

Time: 10:00am

Place: Teams Virtual Meeting

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 is being held online due to planned industrial action. The meeting will be webcast live on [TfL's YouTube channel](#) except for where exempt information is being discussed as noted on the agenda.

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 7 March 2023

**Agenda
Audit and Assurance Committee
Wednesday 15 March 2023**

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 30 November 2022
(Pages 1 - 6)**

General Counsel

The Committee is asked to approve the minutes of the meeting of the Committee held on 30 November 2022 and authorise the Chair to sign them.

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

General Counsel

The Committee is asked to note the updated actions list.

External Audit Items

**5 Ernst & Young Auditor's Annual Report Year Ended 31 March 2022
and Value for Money Arrangements (Pages 11 - 52)**

Chief Finance Officer

The Committee is asked to note the paper.

Audit, Risk and Assurance Items

6 Risk and Assurance Quarter 3 Report 2022/23 (Pages 53 - 98)

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 the Chair, in consultation with available Members, approve the updated Audit Plan set out in Appendix 1.

7 Independent Investment Programme Advisory Group Quarterly Report (Pages 99 - 116)

General Counsel

The Committee is asked to note the report and the exempt supplementary information on Part 2 of the agenda and the Chair, in consultation with available Members, approve a change to the Independent Investment Programme Advisory Group (IIPAG) Terms of Reference to amend the required frequency of the TfL Benchmarking Review by IIPAG from yearly to three-yearly.

8 TTL Properties Limited Assurance Update (Pages 117 - 132)

Director of Risk and Assurance

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

9 Elizabeth Line Programme Assurance Quarter 3 Report 2022/23 (Pages 133 - 140)

Director of Risk and Assurance

The Committee is asked to note the report.

Accounting and Governance

10 Critical Accounting Policies (Pages 141 - 144)

Group Finance Director and Statutory Chief Finance Officer

The Committee is asked to note the paper.

11 Finance Control Environment Trend Indicators (Pages 145 - 150)

Group Finance Director and Statutory Chief Finance Officer

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

12 Register of Gifts and Hospitality for Members and Senior Staff
(Pages 151 - 156)

General Counsel

The Committee is asked to note the paper.

13 Personal Data Disclosure to Police and Other Statutory Law Enforcement Agencies (2022) (Pages 157 - 164)

Director of Security, Policing and Enforcement

The Committee is asked to note the paper.

14 Members' Suggestions for Future Discussion Items (Pages 165 - 168)

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.

15 Date of Next Meeting

Monday 5 June 2023 at 10.00am.

16 Any Other Business the Chair Considers Urgent

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

17 Exclusion of Press and Public

The Committee is recommended to agree to exclude the press and public from the meeting, in accordance with paragraphs 3 & 7 of Schedule 12A to the Local Government Act 1972 (as amended), in order to consider the following items of business.

Agenda Part 2

18 Risk and Assurance Quarter 3 Report 2022/23 (Pages 169 - 200)

Exempt supplementary information relating to the item on Part 1.

19 Independent Investment Programme Advisory Group Quarterly Report (Pages 201 - 210)

Exempt supplementary information relating to the item on Part 1.

20 TTL Properties Limited Assurance Update (Pages 211 - 212)

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 30 November 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
Rachel McLean	Chief Finance Officer

Staff

Emily Clarke	Direct Tax Manager (Minute Reference 68/11/22)
Patrick Doig	Group Finance Director and statutory Chief Finance Officer
Jill Elliott	Head of Internal Audit
Charles Frost	Indirect Tax Manager (Minute Reference 68/11/22)
Lorraine Humphrey	Director of Risk and Assurance
Nico Lategan	Head of Enterprise Risk
Richard Mullings	Head of Counter-Fraud and Corruption
James Norris	Head of Project Assurance
Chris Tann	Head of Financial Accounting and Tax
Mike Shirbon	Head of Quality, Safety and Security Assurance
Sue Riley	Secretariat Officer

Also In Attendance

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

58/11/22 Apologies for Absence and Chair's Announcements

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

The meeting was being broadcast live on TfL's YouTube channel¹, except for the discussion of the information on Part 2 of the agenda, which was exempt from publication, to ensure the public and press could observe the proceedings and decision-making.

Following the meeting Members were scheduled to meet with the Director of Risk and Assurance for the annual informal meeting.

¹ TfL apologises but due to a technical issue only part of this meeting was recorded and broadcast on Teams. The minutes cover all issues discussed and the outcomes.

The Chair welcomed Rachel McLean as the Chief Finance Officer and congratulated her on her recent appointment and thanked Patrick Doig for his valuable contribution. He also thanked Joan Buszewska, Head of Project and Programme Assurance, Crossrail for her valuable contribution to her work on Elizabeth line assurance as she was leaving the organisation next month.

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.

59/11/22 Declarations of Interest

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

60/11/22 Minutes of the Meeting of the Committee held on 21 September 2022

The minutes of the meeting of the Committee held on 21 September 2022 were approved as a correct record and the Chair was authorised to sign them.

61/11/22 Matters Arising and Actions List

Howard Carter introduced the paper, which set out progress against actions agreed at previous meetings and the recent Independent Investment Programme Advisory Group appointments.

The Committee noted the Actions List.

62/11/22 External Audit Plan TfL, TTL and Subsidiaries – Year Ending 31 March 2023

Janet Dawson presented the draft audit planning report for the audit of the financial statements of TfL, Transport Trading Limited and its subsidiaries for the year ending 31 March 2023. Phillip Young and Caroline Mulley were also in attendance.

Continuity concerns with changes in the EY audit team in 2023 was being addressed through planning sessions with TfL and retaining key audit team members for the 2022/23 audit.

Property evaluations were assessed by external specialists as of 31 March 2023 and any updates would be sourced as appropriate.

Planning materiality had been updated post coronavirus pandemic conditions.

It was confirmed that any relevant External Audit work in relation to TTLP would be shared with the Land and Property Committee.

The Committee noted the paper.

63/11/22 Annual Audit Letter

Janet Dawson presented the final Annual Audit Letter, summarising the conclusions on the Annual Statement of Accounts and Value for Money. Phillip Young and Caroline Mulley were also in attendance.

The Committee noted the Letter.

64/11/22 EY Report on Non-Audit Fees for the Period 1 April – 30 November 2022

Janet Dawson presented the update on fees billed by EY for non-audit services.

The Committee noted the paper.

65/11/22 Risk and Assurance Quarter 2 Report 2022/23

Lorraine Humphrey introduced the report setting out work completed by the Risk and Assurance Directorate during Quarter 2 of 2022/23 (26 June to 17 September 2022), including work in progress and planned activities. Jill Elliott, Nico Lategan, Richard Mullings, James Norris and Mike Shirbon were also in attendance.

Successful engagement by the Counter-Fraud and Corruption team with the British Transport Police and an improved process, should lead to a speeding up of prosecutions. TfL was part of a joint working partnership with the UK rail industry and the Department for Transport to help combat fraud within the industry, including passenger fraud and ticket evasion.

The Counter-Fraud and Corruption team would produce figures of cash recovery, and highlight cases where TfL was seeking to recover money in current court cases.

[Action: Richard Mullings]

Internal Audit and the Quality, Safety and Security Assurance team had successfully focused on reducing the number of management actions with a more robust process in place, including discussions with senior staff and periodic reviews, with further improvements anticipated in the next reporting period. The Committee welcomed the new approach and stressed the importance of reducing the number of outstanding actions, particularly those above 100 days.

An update was provided on the Poorly Controlled audits carried out by the Quality, Safety and Security Assurance team. Further discussion had taken place at the Safety, Sustainability and Human Resources Panel.

The detailed information provided on internal audits with a Required Improvement rating was welcomed.

A further seven Internal Audit customer feedback questionnaires had been returned since the end of Quarter 2 with an overall satisfaction rating of 85 per cent.

Members were advised that the Independent Investment Programme Advisory Group (IIPAG) recruitment had been completed and the TTLP IIPAG sub-group had been set up, expertise on commercial property matters would be provided by them as well as internal and external resources, as appropriate.

Best practice was being applied to the development of TfL's risk appetite and would be discussed in detail with the Executive Committee.

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

66/11/22 Independent Investment Programme Advisory Group Quarterly Report

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

The Chief Capital Officer was reviewing the resource shortages identified within the report and working closely with the Chief People Officer to ensure a pan-TfL approach to talent management. Shortages within engineering and project management fields were reflective of market wide conditions.

Discussions with IIPAG on the treatment of inflation risk within projects would continue to ensure concerns are dealt with.

The Committee noted the Independent Investment Programme Advisory Group's Quarterly Report and the management response, and the exempt supplementary information on Part 2 of the agenda.

67/11/22 Elizabeth Line Programme Assurance Quarter 2 Report 2022/23

Lorraine Humphrey presented the overview of programme assurance activity in relation to the Elizabeth line during Quarter 2 of 2022/23 (26 June to 17 September 2022).

The Committee noted the report.

68/11/22 Annual Tax Compliance Update

Patrick Doig and Chris Tann presented the key policies and documents that form TfL's Tax Governance Framework. Charles Frost and Emily Clark were also in attendance.

Staff were working closely with the Director and Chief Executive of TTLP to ensure an appropriate operating model was established.

The Committee noted the paper.

69/11/22 Legal Compliance Report (1 April 2022 – 30 September 2022)

Howard Carter presented the summary of information provided by each TfL Directorate for the Legal Compliance Report for the period 1 April to 30 September 2022 Any identified trends would be highlighted in future reports.

The Committee noted the report.

70/11/22 Finance Control Environment Trend Indicators

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

Data on payment targets to small and medium businesses would be included in future reports. **[Action: Patrick Doig]**

The Committee noted the paper.

71/09/22 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.

72/11/22 Members' Suggestions for Future Discussion Items

Howard Carter introduced the current forward plan for the Committee.

The Committee noted the forward plan.

73/11/22 Any Other Business the Chair Considers Urgent

There was no other urgent business to discuss.

74/11/22 Date of Next Meeting

The next scheduled meeting of the Committee would be held on Wednesday 15 March 2023 at 10.00am.

75/11/22 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 2 Report 2022/23; and Independent Investment Programme Advisory Group Quarterly Report.

The meeting closed at 12.05pm

Chair: _____

Date: _____

Audit and Assurance Committee



Date: 15 March 2023

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.

2 Recommendation

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

List of appendices to this report:

Appendix 1: Actions List

List of Background Papers:

Minutes of previous meetings of the Audit and Assurance Committee

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 15 March 2023)

Actions from the meeting held on 30 November 2022

Minute No.	Item/Description	Action By	Target Date	Status/Note
65/11/22	Risk and Assurance Quarter 2 Report 2022/23 The Counter-Fraud and Corruption team to produce figures of cash recovery and highlight cases where TfL was seeking to recover money in current court cases.	Richard Mullings	5 June 2023 meeting.	To be included in the report to the June meeting.
70/11/22	Finance Control Environment Trend Indicators Data on payment targets to small and medium businesses to be included in future reports.	Patrick Doig	5 June 2023 meeting.	To be included in the report to the June meeting.

Actions from previous meetings

Minute No.	Item/Description	Action By	Target Date	Status/Note
46/09/22 (3)	Risk and Assurance Quarter 1 Report 2022/23 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	5 June 2023 meeting.	In progress. Engagement with key stakeholders is still ongoing and will be included in the June meeting report.
46/09/22 (4)	The Executive Committee to discuss the best approach to ransomware.	Jules Gascoigne	5 June 2023 meeting.	An external provider has been selected to run a cyber security incident response exercise with the Executive Committee. Scheduling is in progress.

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	When appropriate.	Reports have been sent as appropriate and will continue to be sent. Complete.
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Audit and Assurance Committee



Date: 15 March 2023

Item: Ernst & Young Auditor's Annual Report Year Ended 31 March 2022 and Value for Money Arrangements

This paper will be considered in public

1 Summary

1.1 This paper provides a report to the Committee on the audit work Ernst & Young have undertaken in accordance with the National Audit Office (NAO) Code of Audit Practice including value for money arrangements. This is published as part of the Auditor's Annual Report for the year ended 31 March 2022.

2 Recommendation

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

3 Background

3.1 In accordance with the NAO Code of Audit Practice, Ernst & Young must document the audit work they have undertaken and report each year on value for money arrangements with regard to financial sustainability, governance and improving economy, efficiency and effectiveness. Where auditors identify significant weaknesses as a result of their work, they should make the relevant recommendations.

List of appendices to this report:

Appendix 1: Ernst & Young's Auditor's Annual Report year ended 31 March 2022

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

Auditor's Annual Report
Year ended 31 March 2022

March 2023



Building a better
working world

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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 July 2021)" 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 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 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 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.

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

A close-up portrait of a woman's face, focusing on her eyes and nose. The image is partially obscured by a bright yellow rectangular overlay on the left side. The woman has light brown hair and green eyes.

Section 1

Executive Summary

Executive Summary: Key conclusions from our 2021/22 audit

Area of work	Conclusion
Opinion on the Transport for London's:	
Financial statements	<p>Unqualified – the financial statements give a true and fair view of the financial position of the Authority as at 31 March 2022 and of its expenditure and income for the year then ended. The financial statements have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22.</p> <p>We highlighted a material uncertainty in our audit opinion relating to the ability to operate current planned operational services within available sources of funding.</p> <p>We issued our auditor's report on 27 September 2022.</p>
Going concern	We have concluded that the Statutory Chief Financial Officer's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.
Consistency of the annual report and other information published with the financial statements	Financial information in the annual report and published with the financial statements was consistent with the audited accounts.

Area of work	Conclusion
Reports by exception:	
Value for money (VFM)	<p>We identified a significant weakness in relation to financial sustainability and therefore reported by exception on the Authority's VFM arrangements in the audit report on the financial statements.</p> <p>We have included our VFM commentary in Section 04.</p>
Consistency of the annual governance statement	We were satisfied that the annual governance statement was consistent with our understanding of the Authority.
Public interest report and other auditor powers	We had no reason to use our auditor powers.

Executive Summary: Key conclusions from our 2021/22 audit

As a result of the work we carried out we have also:

Outcomes	Conclusion
Issued a report to those charged with governance of the Authority communicating significant findings resulting from our audit.	We issued an Audit Results Report dated 6 June 2022, and provided a Final Close Out Report to the Audit Committee dated 16 September 2022.
Issued a certificate that we have completed the audit in accordance with the requirements of the Local Audit and Accountability Act 2014 and the National Audit Office's 2020 Code of Audit Practice.	We have not yet issued our certificate for 2020/21 as the procedures required by the National Audit Office on the Whole of Government Accounts submission is still in progress.

Fees

We carried out our audit of the Authority's financial statements in line with PSAA Ltd's "Statement of Responsibilities of auditors and audited bodies" and "Terms of Appointment and further guidance (updated April 2018)". As outlined in the Audit Results Report we were required to carry out additional audit procedures to address audit risks in relation to management override of controls (as required by ISA UKI 240) inappropriate revenue recognition (as required by ISA UKI 2400, inappropriate capitalisation or potential impairment of capital projects including capital accruals, complexity of accounting of the Authority's property portfolios and going concern assessment. As a result, we have agreed an associated additional fee with the Statutory Chief Finance Officer. We include details of the final audit fees in Appendix 1.

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

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

Section 2

Purpose and responsibilities

Purpose and responsibilities

This report summarises our audit work on the 2021/22 financial statements.

Purpose

The purpose of the auditor's annual report is to bring together all of the auditor's work over the year. A core element of the report is the commentary on VFM arrangements, which aims to draw to the attention of the Authority or the wider public relevant issues, recommendations arising from the audit and follow-up of recommendations issued previously, along with the auditor's view as to whether they have been implemented satisfactorily.

Responsibilities of the appointed auditor

We have undertaken our 2021/22 audit work in accordance with the Audit Plan that we issued on 1 December 2021. We have complied with the NAO's 2020 Code of Audit Practice, International Standards on Auditing (UK), and other guidance issued by the NAO.

As auditors we are responsible for:

Expressing an opinion on:

- The 2021/22 financial statements;
- Conclusions relating to going concern; and
- The consistency of other information published with the financial statements, including the annual report.

Reporting by exception:

- If the governance statement does not comply with relevant guidance or is not consistent with our understanding of the Authority;
- If we identify a significant weakness in the Authority's arrangements in place to secure economy, efficiency and effectiveness in its use of resources; and
- Any significant matters that are in the public interest.

Responsibilities of the Authority

The Authority is responsible for preparing and publishing its financial statements, annual report and governance statement. It is also responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Section 3

Financial Statement Audit



Financial Statement Audit

Key issues

We have issued an unqualified audit opinion on the Authority's 2021/22 financial statements.

The Annual Report and Accounts is an important tool for the Authority to show how it has used public money and how it can demonstrate its financial management and financial health.

On 27 September 2022, we issued an unqualified opinion on the financial statements. We reported our detailed findings to the 6 June 2022 Audit Committee meeting. We outline below the key issues identified as part of our audit, reported against the significant risks and other areas of audit focus we included in our Audit Plan.

Significant risk

Conclusion

Management override of controls, required by ISA (UK and Ireland) 240

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.

Our procedures did not identify any material misstatements in the financial statements relating to management override of controls.

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

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

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

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

We 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.

Continued over.

Financial Statement Audit (continued)

Significant Risk	Conclusion
<p>Going concern, including TfL and Crossrail</p> <p>There is uncertainty with regards to the going concern assumption for Crossrail and TfL and carrying value of assets, should the funding requirements continue.</p>	<p>We have concluded that the use of the going concern basis of accounting in the preparation of the financial statements is appropriate. However, we highlighted a material uncertainty in our audit opinion relating to the ability to operate current planned operational services within the available sources of funding. This is caused by the combination of the risks and uncertainties of the following:</p> <ul style="list-style-type: none">• 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’).
<p>Inappropriate capitalisation or potential impairment of capital projects including capital accruals</p> <p>TfL, TTL groups and subsidiaries undertake multiple capital projects at any one time, which vary in size, complexity and length of time to complete. In the 2021/22 financial year, TfL’s capital expenditure is £1.6bn and of this amount £624m relates to Crossrail projects.</p> <p>There is a risk of improper capitalisation of cost (through improper calculation of the accruals or improper split between capital and operating expenditure). In addition there is a risk of potential impairment of projects as a result of funding constraints.</p>	<p>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.</p>

Continued over.

Financial Statement Audit (continued)

Significant Risk	Conclusion
<p>Complexity of accounting for TfL and TTL property portfolios</p> <p>TfL and TTL groups have extensive property portfolios, with a total book value for property of £1.7bn as at 31 March 2022 (of which £160.1m was Assets Held for Sale). Included within the portfolios 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>TfL will need to comply with the Mayor's housing programme. The Mayor has committed to prioritising affordable home delivery on surplus or under utilised owned by the GLA Group, including TfL. This might have a negative impact on the valuation of TfL's property portfolio.</p>	<p>We have concluded that property valuations were within an acceptable range and in compliance with IAS16: Property, Plant and Equipment and with IAS 40: Investment Property as applied by the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22.</p> <p>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.</p>

In addition to the significant risks above, we also concluded on the following areas of audit focus.

Other area of audit focus	Conclusion
<p>Significant accounting estimates – including complexity of provisions</p> <p>Certain provisions (e.g. Compulsory purchase orders, litigation, claims and disputes) require complex estimates involving high levels of management judgement and uncertainty.</p> <p>TfL, TTL and subsidiaries have complex capital contract and commercial arrangements. A large proportion of TfL's provisions come from its capital investment activities and transformation process. In particular CPO provisions and certain contract provisions (e.g. claims and disputes) require complex estimates involving high levels of management judgement and uncertainty.</p>	<p>We have completed our audit procedures with no material issues. We are satisfied that the provisions made are within an acceptable range, based on the latest available information.</p> <p>In relation to the provisions for senior management performance award and other performance award arrangement, we have recommended the management to obtain explicit approval from the Department for Transport of these provisions in the future years.</p>

Continued over.

Financial Statement Audit (continued)

Other area of audit focus	Conclusion
<p>IFRS 16 Leases - Lease accounting, including the complexity of the estimating the Incremental borrowing rate (IBR)</p> <p>IFRS 16 was adopted for the first time in the 31 March 2020 financial statements. It requires entities to recognise a right of use asset and corresponding lease liability in its Statement of Financial Position. There are a number of judgements relating to accounting for IFRS16 assets and liabilities and 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. Further, as with all assets, there will need to be an assessment of whether there are any impairments of these IFRS16 assets as a result of the impact of COVID-19.</p>	<p>Based on the review and assessment performed on the judgements involved in the lease accounting, we have noted that management has continued to utilise the same rate from the date of IFRS16 adoption for all deliveries of rolling stock in 2021/22 financial yearend accounts. This resulted to understatement in the right of use asset amounting to £51m (2020/21: £37m) and understatement of the related lease liability amounting to £41m (2020/21: £32m).</p>
<p>Judgemental assumptions impacting TfL's pension deficit</p> <p>At 31 March 2022, TfL's defined benefit pension schemes had a deficit of £3,201.5m (2021: £5,603m). 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.</p> <p>The assumptions used to arrive at the value of the pension deficit are judgemental. The setting of these assumptions in accordance with IAS19(R) Employment Benefits will be an area of audit focus.</p>	<p>Our review and assessment of the assumptions used in the calculation did not result to any exceptions or adjustments relating to the actuarial valuation of defined benefit obligation of the deficit recognised as a liability in the balance sheet (retirement benefit obligation).</p> <p>However our review of the fair value of scheme assets, specifically of the TfL Pension Fund Scheme resulted to an understatement amounting to £14m which in turn resulted to an overstatement in the retirement benefit obligation.</p>

Continued over.

Financial Statement Audit (continued)

Other area of audit focus	Conclusion
<p>Climate related risks In response to increasing concerns about the impacts of climate change on the economy and financial stability, the FRC is calling for organisations to be more transparent on how they are addressing climate risk. Whilst reporting, in itself, cannot limit the effect of climate change, transparency of how organisations are responding to this risk provides stakeholders with better information and may guide how they interact with an organisation: whether it is funders deciding whether to fund; employees deciding which organisations they would like to work for; customers deciding which services to use; or suppliers deciding which organisations to sell their products/services to.</p>	<p>Our procedures on the disclosures on climate change consisted solely of considering whether they are materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appear to be materially misstated. As explained in the Accounting Policies in the audited financial statement of the Authority, governmental and societal responses to climate change risks are still developing, and are interdependent upon each other, and consequently financial statements cannot capture all possible future outcomes as these are not yet known.</p>

Continued over.

Financial Statement Audit (continued)

Audit differences

We highlight the following misstatements greater than £4.6m that was identified during the course of the audit.

Factual misstatement

- Our review of the fair value of scheme assets, specifically of the TfL Pension Fund Scheme resulted to an understatement amounting to £14m which resulted to overstatement in the retirement benefit obligation. The difference is due to the audited financial statement received from TfL Pension Fund which provided the updated fair value of plan assets as at 31 March 2022.

Judgemental misstatement

- In the review and assessment performed on the judgements involved in the lease accounting, we have noted that the management has continued to utilised the same rate from the date of IFRS16 adoption for all deliveries of rolling stock in 2021/22 financial yearend accounts. This resulted to understatement in the right of use asset amounting to £51m (2020/21: £37m) and understatement of the related lease liability amounting to £41m (2020/21: £32m).

Reclassification misstatements

We also noted the following reclassification misstatement identified during the course of the audit and as part of the pre-issuance review procedures.

- We identified as part of our testing of the provision that the reported insurance claims amounting to £10m was presented as net of the other provision, hence we proposed an adjustment to reclassify the insurance claims from provisions to receivables.
- We noted that grant receipt in advance was not presented in line with CIPFA Code of Practice on Local Authority Accounting ("CIPFA Code"). Therefore adjustments were proposed to reclassify from £40m of short term and £11m of long term creditor balance to the respective short term and long term grant receipt in advance account.
- We noted that the rental income from investment property was reported under cost of service line instead of the financing and investment income and expenditure lines. The CIPFA Code requires that the financing and investment income and expenditure includes income and expenditure in relation to investment properties. We proposed a reclassification of the rental income and expenditure amounting to £74m and £40m, respectively, from the gross income and expenditure line of other segments to the financing and investment income and expenditures lines.

The above identified factual, judgement and reclassification misstatements were not corrected by the management.

Continued over.

Financial Statement Audit (continued)

Audit differences (continued)

As part of our audit, we also highlighted the following identified misstatements in the disclosures in the financial statement, which management corrected.

Corrected misstatement in disclosures

- The Comprehensive Income and Expenditure Statement was not entirely in accordance with the CIPFA Code. The CIPFA Code requires gross income, gross expenditure, and net expenditure to be analysed by service using the same structure as the expenditure and funding analysis and to include costs. The Code also requires that each service segment to include charges for the use of its non-current assets and employee benefit accrued costs. The gross income and expenditure are not expected to be the same as internal management reports which exclude these items.
- The format of the Group Movement in Reserves Statement did not comply with the requirements of the CIPFA Code. The “Adjustments between group accounts and authority accounts” and “Net increase or decrease before transfers” were missing.
- The format of the Group Movement in Reserves Statement did not comply with the requirements of the CIPFA Code. The “total reserves of the authority” and “authorities share of the reserves of subsidiaries, associates and joint ventures” were missing.
- The format of the expenditure and funding analysis (EFA) note did not comply with CIPFA Code. The Code requires the EFA note should show a.) Net expenditure chargeable to the GF under statute analysed by segment; b) Other income and expenditure chargeable to the general fund and c) Surplus/deficit for the general fund.
- As per the CIPFA Code and the Audit and Accounts Regulations 2015, required remuneration disclosures must be included in the notes to the Statement of Account. The note cross refers to the Remuneration Report.
- There should be no adjustments relating to group members in the line in the Group Movement in Reserves Statement for adjustments between the accounting basis and the funding basis (except in the case where the group member is specifically within the scope of the statutory arrangements permitting or requiring a reversal. CIPFAs Guidance on Accounting for Collaboration in Local Government states that in applying an authority’s accounting policies to group members, it is not expected that adjustments will be made for the statutory reversals that only the authority is permitted to make.
- The Capital Financing Requirement (CFR) balance in the sources of finance did not reconcile to the movement in the CFR.

Continued over.

Financial Statement Audit (continued)

Audit differences (continued)

Uncorrected misstatement in disclosures

- Incorrect disclosure concerning the revaluation of the newly created investment property is accounted for in the investment property note instead of the property, plant and equipment note.
- The disclosure concerning the non-separation of infrastructure assets and office buildings. Infrastructure assets are a separate class of asset from office buildings as noted in CIPFA Code. The property, plant and equipment movements are required to be analysed by each class. Therefore, infrastructure should be separately identified from “office buildings” in the note. The related error in the note is affecting the property, plant and equipment and right of use assets.
- The disclosure relating to the transfer of investment property to assets held for sale amounting to £6.8m is against CIPFA Code which states 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. The Code Guidance Notes also states that investment property held for sale can either remain within the investment property total in the balance sheet or be separately identified on the balance sheet as held for sale investment property. Investment property held for sale should not be transferred to assets held for sale.
- Non-disclosure of items income, expenses and gains/losses by category of financial statement in the funding and risk management note. 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.
- Credit risk section of the funding and financial risk management is not in line CIPFA Code which requires that changes in the loss allowance should be explained by way of a reconciliation from the opening to closing balance by class of financial instrument and type of credit loss.
- The split of total assets in the schemes under the pensions note does not fully comply with the CIPFA Code which 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.
- The accounting treatment of the repayments of loans to subsidiaries in the capital expenditure analysed by source of finance note is not in line with the CIPFA Code requirements.

Continued over.

Financial Statement Audit (continued)

Our application of materiality

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

Item	Thresholds applied
Planning materiality	We determined planning materiality to be £92.5m as 2% of gross revenue expenditure reported in the accounts. We consider gross revenue expenditure to be one of the principal considerations for stakeholders in assessing the financial performance of the Authority.
Reporting threshold	We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £4.6m.

We also identified the following areas where misstatement at a level lower than our overall materiality level might influence the reader. For these areas we developed an audit strategy specific to these areas. The areas identified and audit strategy applied include:

- ▶ Remuneration disclosures including exit packages: We audited all disclosures and undertook procedures to confirm material completeness. Refer to the corrected misstatement in disclosure section above for the details of the findings noted.
- ▶ Related party transactions. We audited all disclosures and undertook procedures to confirm material completeness

Section 4

Value for Money



Value for Money (VFM)

We identified risk of significant weakness in the Authority's VFM arrangements for 2021/22.

Scope and risks

We have complied with the NAO's 2020 Code and the NAO's Auditor Guidance Note in respect of VFM. We presented our VFM risk assessment to the 6 June 2022 Audit Committee meeting which was based on a combination of our cumulative audit knowledge and experience, our review of Authority and committee reports, meetings with the Statutory Chief Finance Officer and evaluation of associated documentation through our regular engagement with management and the finance team. We identified a risk of significant weakness in the Authority's VFM arrangements in relation to Financial Sustainability: *How the body plans and manages its resources to ensure it can continue to deliver its services* and Improving economy, efficiency and effectiveness: *How the Authority uses information about its costs and performance to improve the way it manages and delivers its services.*

We had matters to report by exception in the audit report.

Reporting

We completed our VFM arrangements work on 27 September 2022 and identified a significant weakness in the Authority's VFM arrangements in relation to Financial Sustainability. We reported this matter by exception in the audit report on the financial statements. Further details were provided in the Audit Results Report.

Meanwhile, the significant weakness identified in 2020/21 in relation to Improving economy, efficiency and effectiveness was fully remediated by the Authority during the financial year 2021/22, therefore no matter by exception was reported in the audit report on the financial statement.

We include within the VFM commentary below the work we performed during the 2021/22 audit, our conclusion and the associated recommendation we have agreed with the Authority.

Our VFM commentary highlights relevant issues for the Authority and the wider public.

VFM Commentary

In accordance with the NAO's 2020 Code, we are required to report a commentary against three specified reporting criteria:

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

Introduction and context

The 2020 Code confirms that the focus of our work should be on the arrangements that the audited body is expected to have in place, based on the relevant governance framework for the type of public sector body being audited, together with any other relevant guidance or requirements. Audited bodies are required to maintain a system of internal control that secures value for money from the funds available to them whilst supporting the achievement of their policies, aims and objectives. They are required to comment on the operation of their governance framework during the reporting period, including arrangements for securing value for money from their use of resources, in a governance statement.

We have previously reported the VFM work we have undertaken during the year including our risk assessment. The commentary below aims to provide a clear narrative that explains our judgements in relation to our findings and any associated local context.

The Authority does not have the proper arrangements on financial sustainability that we would expect to see to enable it to plan and manage its resources to ensure that it can continue to deliver its services.

Financial sustainability

During 2021/22, short term funding agreements were in place between the Authority and the Department for Transport (DfT). The focus on short-term funding restricted the Authority's ability to make progress on and commit to key long-term capital and service priorities set by policy makers, and therefore the Authority was at risk of making short-term decisions. The Authority did not have arrangements in place to obtain value for money due to lack of clarity of long-term funding agreements going forward. As such, significant weakness was identified with regards to how the Authority plans and manages its resources to ensure it can continue service delivery. This is explained in detail below.

How the body ensures that it identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them

The Authority's Finance Committee focuses on general financial oversight, the Authority's revenue generation (fares, ticketing, commercial development and other income generation) as well as advising the Board as appropriate on matters relating to the business plan, budget, borrowing, treasury management and prudential indicators. The Finance Committee prepares and presents to the Board a Finance Report on a periodic basis which sets out the Authority's financial results for the period and year-to-date and assesses this against the approved budget for the year.

Financial sustainability (continued)

How the body ensures that it identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them (continued)

The Authority is committed to managing risks through its Risk Management Policy that may impact the achievement of the objectives outlined in the Business Plan and the Mayor's Transport Strategy. The Authority commitments include regularly identifying, assessing, monitoring, mitigating and reporting threats and opportunities impacting the achievement of objectives to inform decision-making at all levels of the organization. This includes identifying any significant financial pressures that the Authority is facing which would affect the short and medium-term plans of the Authority. In addition to this, the Authority receives a Risk and Assurance Annual Report which was issued by the Risk and Assurance Directorate which provides an overview of the work carried out by the Directorate, and other activities during the year. The report provided an opinion on the overall framework of the Authority's governance, risk management and internal control for the year. The reports highlight key Enterprise Risks that may affect the short and medium-term plans of the Authority.

The Authority does not have the proper arrangements on financial sustainability that we would expect to see to enable it to plan and manage its resources to ensure that it can continue to deliver its services.

How the body plans to bridge its funding gaps and identifies achievable savings

The Authority have in place procedures and processes in order to bridge its funding gaps and identifies achievable savings. The Authority currently maintains a periodic (monthly) and quarterly reporting on financial performance and planning to a Finance Committee which enables the Authority to identify gaps in funding and monitor progress against the revised budgets and agreed saving targets. The quarterly reporting highlighted performances of all income sources and includes savings in costs achieved by the operating divisions of the Authority.

The recent pandemic resulted in significant financial pressures to the Authority in delivering its services and achieving its short and medium-term plans. The Authority entered into an Extraordinary Funding and Financing Arrangement with the DfT in order to meet their obligations to the public. The Finance Committee reports on the Authority's progress against financial commitments under the terms of Extraordinary Funding and Financing package agreed with DfT.

Financial sustainability (continued)

How the body plans to bridge its funding gaps and identifies achievable savings (continued)

As part of the Extraordinary Funding and Financing package agreed with DfT and in order to monitor this significant financial pressure, the Authority has established an Oversight Group, chaired by the DfT, which has equal representation from DfT and the Authority. The objectives of this Group is to oversee progress of the measures agreed in the extraordinary funding and financing package, to work collaboratively to determine how conditions are being met and to consider proposals for resolution where necessary. The Oversight Group is a working level group which monitors conditions directly impacting this deal and progress towards longer term commitments.

The Authority does not have the proper arrangements on financial sustainability that we would expect to see to enable it to plan and manage its resources to ensure that it can continue to deliver its services.

How the body plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities

The Authority has a vision and a long-term strategic plan which articulates how it will deliver the Mayor's Transport Strategy and the needs of its stakeholders. Key priorities in the Mayor's Transport Strategy include creating healthy streets and healthy people, creating a good public transport experience and delivering new homes and jobs. The Authority translates this into a balanced emergency budget which is submitted to the GLA to assist with funding negotiations.

The unprecedented Covid-19 pandemic significantly impacted the organisation's ability to execute its activities. The Authority's significant exposure to changes in demand due to its high fixed costs and dependence on fares revenue have meant that it is particularly susceptible to economic and other demand shocks.

During 2020/21, 2021/22 and recently in 2022/23, the Authority has secured a series of Extraordinary Funding and Financing Agreements from the Secretary of State, as set out in the Narrative Report, which gave it secure access to funding in the form of a mixture of Government grant and borrowing from the Public Works Loan Board.

On 30 August 2022, the Authority's Board approved a long term 20-month funding settlement with the DfT, which is significantly longer than any of the Authority's previous settlements during the pandemic. This funding settlement provided £1.2bn of Government funding along with the guaranteeing of passenger revenue over the period to 31 March 2024, but is subject to a number of conditions.

Financial sustainability (continued)

How the body plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities (continued)

Significant weakness identified:

Though a 20-month period funding agreement was agreed by the Authority and DfT, this still restricted the Authority's ability to make progress on and commit to key long-term capital and service priorities set by policy makers, and therefore the Authority was at risk of making short-term decisions.

Without continuous, stable investment to operate and maintain the Authority's existing network, its ability to make longer-term decisions, negotiate longer term deals with suppliers or contractors, and identify synergies and cost saving opportunities is restricted, and its performance may decline.

The Authority does not have the proper arrangements on financial sustainability that we would expect to see to enable it to plan and manage its resources to ensure that it can continue to deliver its services.

On the date of the signing of the Annual Report and Statement of Accounts, the Authority did not have arrangements in place to obtain value for money due to lack of clarity of long-term funding agreements going forward. As such, a significant weakness is identified with regards to how the Authority plans and manages its resources to ensure it can continue service delivery.

How the body ensures that its financial plan is consistent with other plans such as workforce, capital, investment, and other operational planning which may include working with other local public bodies as part of a wider system

The Authority's financial plans include reporting on a wider areas as part of its mechanisms for monitoring the achievement of targets for each of the key performance areas and against conditions set out in funding arrangements with DfT.

The Authority produced a Business Plan which sets out how the Authority will achieve the Mayor's Transport Strategy. The most recent Business Plan for 2020/21 to 2024/25 released in December 2019 details plan for the continual improvement on the efficiency and productivity in the delivery of services. The plan also sets to improve the experience of working with the Authority through ensuring an inclusive, safe and secure workplace environment. Highlighted in the business plan are details of building financial sustainability, maintaining a sustainable capital plan including assets and investment priorities and prudent borrowings. The business plan also tackles the impact of climate change and what's the Authority's plan in response to it.

Financial sustainability (continued)

How the body ensures that its financial plan is consistent with other plans such as workforce, capital, investment, and other operational planning which may include working with other local public bodies as part of a wider system (continued)

The Covid-19 pandemic has continued to have a significant impact on Authority's operational activities and its finances. In January 2021, the Authority submitted a Financial Sustainability Plan to Government as part of the process for securing a long-term funding settlement. The Financial Sustainability Plan set out the details of the proposals to address the financial sustainability challenge. The plan also set out the interventions and actions the Authority needs to take to move towards financial sustainability for actioning after the Financial Sustainability Plan is submitted.

The Authority does not have the proper arrangements on financial sustainability that we would expect to see to enable it to plan and manage its resources to ensure that it can continue to deliver its services.

How the body identifies and manages risks to financial resilience, e.g. unplanned changes in demand, including challenge of the assumptions underlying its plans.

The Authority's Enterprise Risk management system sets out the Authority's main strategic risks and mitigations, with more detailed risk registers held throughout the Authority and reflected in individual staff objectives. The Authority reviewed all Level 0 Enterprise and Level 1 Strategic Risks as a result of the changes brought on by the coronavirus pandemic and each of these has been reviewed by the Executive Committee and the relevant Board Committee or Panel throughout the year, with the exception of Financial Sustainability (ER7), as this risk has been the subject of ongoing discussions and negotiations throughout the year. The Audit and Assurance Committee maintains overall responsibility for scrutinising the Authority's approach to risk and receives reports to each meeting. The Finance Committee scrutinises the Authority's financial performance and reports on this to the Board.

In response to the ongoing impact of the Covid-19 pandemic on the Authority's finances, several rigorous cost control and scrutiny measures were refined during the year. The Authority has also continued to embed the Authority's Health, Safety and Environment management system and has continuous improvement plans in place to enhance the system and strengthen the maturity of compliance.

Governance

For 2021/22, The Authority has had the arrangements we would expect to see to enable it to make informed decisions and properly manage its risks.

How the body monitors and assesses risk and how the body gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud

The Authority's attitude towards business risk is documented in its operational Risk Management Policy which includes managing risk and assuring controls consistently as set out in their Enterprise Risk Management Framework. The policy highlights the regular identification, assessing, monitoring, controlling, mitigating and reporting inefficiencies impacting the achievement of objectives to inform decision-making at all levels of the organisation. As well as consideration of risks throughout the business planning process.

The Authority has had the arrangements we would expect to see to enable it to make informed decisions and properly manage its risks.

The Authority have a well implemented Internal Audit function which has responsibility for providing assurance in respect of corporate governance and risk management across all members and constituent parts of the Authority's group. The Internal Audit team has the appropriate skills and experience and considering the nature, size and complexity of Authority group, the scope of the Internal Audit function appears appropriate. The Audit and Assurance Committee, on behalf of the Board, reviews the authority, scope of work and resources of Internal Audit on a regular basis to confirm these remain appropriate. As an independent and objective third line of defence review and support activity, Internal Audit makes recommendations for the improvement of internal control and risk management. There is a process to monitor management's actioning of control recommendations raised by Internal Audit which is closely monitored by the Audit and Assurance Committee at each meeting, where management is challenged if deadlines are missed.

The Authority has strong controls surrounding fraud. Fraud risk workshops are conducted to target Internal Audit work, and these have assisted with the development of fraud detection procedures. The work is performed by Internal Audit whereby half-year and full-year fraud reports are produced and provided to the Audit and Assurance Committee to be reviewed as part of the overall Risk Management review process. The Authority has an Anti-fraud and corruption policy which has been approved by the Board and the Audit and Assurance Committee. The Authority has an active counter-fraud department and instances of fraud are published within the Authority to act as a deterrent.

Governance (continued)

How the body approaches and carries out its annual budget setting process

As with local authorities, the Authority is a relevant authority for the purposes of Part VIII of the Local Government Finance Act 1988 and is obliged to produce a balanced annual budget. The budget is balanced against a series of factors and risks, including passenger demand, lifespan of the Authority's assets and the evolving political landscape. The Mayor and the Assembly are also obliged to produce a balanced budget pursuant to Section 85 of the Greater London Authority (GLA) Act. The budget is submitted to the Mayor of London and goes through a consultation process together with all the other functional bodies, the result of which then forms the final approved consolidated budget.

The Authority has had the arrangements we would expect to see to enable to make informed decisions and properly manage its risks.

Under the GLA Act, it is the duty of the Mayor of London and the Assembly to prepare and approve the budgets of the GLA and the functional bodies (including the Authority). The Mayor will prepare the draft budgets and submit them to a public meeting of the Assembly for consideration and approval. The Mayor determines Authority's budget, for each financial year, having consulted the London Assembly.

The Authority's Business Plan and Investment Programme is approved by the Board and sets out how the Authority intends to implement the Mayor's Transport Strategy over the period covered by its funding settlement with DfT. It sets out the projects and programmes to be delivered, how they will be funded, and outcomes to be achieved. The targets set out in the budget are measured against the three key themes of the Mayor's Transport Strategy, which are healthy streets and healthy people, a good public transport experience, and new homes and jobs.

How the body ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information (including non-financial information where appropriate); supports its statutory financial reporting requirements; and ensures corrective action is taken where needed.

Periodic finance and performance reports are prepared which show both financial and operational performance and these are presented to the Authority's Finance and Policy Committee and the Board. Authority's annual accounts are prepared in line with the Code of Practice on Local Authority Accounting in the United Kingdom which is based upon IFRS.

Governance (continued)

How the body ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information (including non-financial information where appropriate); supports its statutory financial reporting requirements; and ensures corrective action is taken where needed (continued)

At the end of every quarter, each business unit completes a Business Management Review (BMR) outlining the position of the business unit and how it is performing compared to budget. Senior Reporting Accountants prepare a Performance Report which documents variances against budget. Reviews are then held with the Finance Director and associated action plans are compiled and approved. The report and action plan are then communicated to the Managing Director for further discussion and final approval as part of the BMR. Meetings of the Finance Leadership team involve the Finance Directors from across the business units and the Group Managing Director.

The Authority has had the arrangements we would expect to see to enable to make informed decisions and properly manage its risks.

There is effective, two-way communication between those charged with governance and its internal and external auditors. EY provides appropriate levels of communication on its auditing responsibilities and around significant matters relating to financial reporting, including communications between management and those charged with governance, and external communications, such as those with regulatory authorities. The Audit and Assurance Committee drives the system of internal control and has overall responsibility for reviewing the Internal Audit function; its audit plan and scope, findings and monitoring management responses.

How the body ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency. This includes arrangements for effective challenge from those charged with governance/audit committee

Published Board papers and minutes evidence the challenge made by non-executive members and the transparency in decision making. Further, any meeting of the Authority's Board, committees and/or panels are held in public and anyone is welcome to attend, except where private, personal or specific financial information is to be discussed.

The Authority's Standing Orders (published on the Authority's website) lay down the decision-making structure and proceedings, together with the Scheme of Delegation. In line with Good Corporate Governance Practice, the Authority reviews the effectiveness of its Board and decision-making structure periodically.

Governance (continued)

How the body ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency. This includes arrangements for effective challenge from those charged with governance/audit committee (continued)

The Audit and Assurance Committee meets quarterly and is comprised of appropriately skilled and experienced members, has clear terms of reference which emphasises the Committee's role in the relevant aspects of governance, internal control and financial reporting. Other committees of the Authority's Board includes the following:

- Finance Committee which advise on and assist the Board with issues relating to financial matters including income generation and, in particular, provide advice in relation to Authority's Business Plan, the Authority's Group Budget, Prudential Indicators, and changes in the organisational structure.
- Land and Property Committee which give guidance on strategic direction on behalf of the Authority and ensure alignment between the vision, purpose and corporate plans relating to land and property development including the activities of the Authority and its subsidiaries.
- Programmes and Investment Committee which advise on and assist the Board with issues relating to the Authority's overall Investment Programme matters.
- Remuneration Committee which keep an overview of the Authority's reward and remuneration policies and its arrangements for talent management and succession planning.
- Elizabeth Line Committee which is a special purpose Committee established as part of the transition of the Crossrail Project to the Authority to simplify decision making and provide assurance and oversight for the Authority's Board on the completion and close out of the Crossrail Project and the opening of the Elizabeth line.

The Authority's Board also has a Customer Service and Operational Performance Panel which advises on all matters relating to the Authority's customer service and operational performance as well as a Safety, Sustainability and Human Resources Panel which advises on all matters relating to safety, sustainability and Human Resources, in particular: (a) health, safety and environment (HSE) matters including compliance and assurance; (b) resilience; (c) human resource issues across the Authority, including equality and diversity and apprenticeship and graduate programmes; and (d) responsible procurement.

The Authority has had the arrangements we would expect to see to enable to make informed decisions and properly manage its risks.

Governance (continued)

How the body monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of officer or member behaviour (such as gifts and hospitality or declarations/conflicts of interests).

The Authority has an in-house legal team to advise on legal requirements as appropriate. The Authority also has the committees in place to discuss any pending issues regarding laws and regulations and the relevant action plans in response to these identified issues.

From a financial perspective, the Audit and Assurance Committee is responsible for ensuring that the Authority prepares its annual accounts and other published financial reports in accordance with all relevant legislation and accounting standards. The Board devolves much responsibility to the Finance Committee and approval for the Business Plan, Group Budget and Annual Accounts of the Authority is delegated.

The Authority has had the arrangements we would expect to see to enable to make informed decisions and properly manage its risks.

The Authority, in compliance with the GLA Act, keeps a register of interests for its Board Members. In compliance with Company Law, Secretariat keeps a register of interests of the Directors. The central register has been extended to cover all senior staff which is defined as Chief Officers and their direct reports except support staff. The register of interests is updated by the Company Secretariat who emails a form to be completed by the officers on a bi-annual basis. Any new starters of the relevant status will be asked to provide an entry on their appointment and thereafter will be included in the half-yearly update.

Declarations of interests of all Board members are available to view on the Authority's website. For all staff, other than senior managers as defined above, modes/directorates are required to maintain local registers of interests and of the receipt of gifts and/or hospitality on a modal/directorate basis. Modes/directorates mirror the centralized arrangement with regards to the Register of Interests i.e. creating entries and every six months the entries will be re-circulated and staff will be asked to confirm that it is still correct or provide amended details. Staff who do not currently have an entry are reminded on a half-yearly basis of the need to register an interest that has recently arisen.

A register of gifts, interest and hospitality is maintained for all board members and chief officers and is published on the Authority's website. Individual declarations of interest at meetings are stated in the Board minutes.

Improving economy, efficiency and effectiveness

How financial and performance information has been used to assess performance to identify areas for improvement.

The key measure of financial performance that is important to the Authority management is expenditure outturn against budget. Whilst also monitoring performance, the Authority's priority is to deliver the business plan priorities and the Mayor's Transport Strategy within the set budget, as efficiently as possible.

Quarterly performance reports are completed that show both financial and operational performance and these are sent to the Greater London Authority and presented to the Finance Committee and the Board. These compare year-to-date divisional performance against budget and prior year and explain key variances. Periodic Finance Reports are also produced, but not always published externally unless required for a Board or Committee meeting.

The Authority has had the arrangements we would expect to see to enable it to use information about its costs and performance to improve the way it manages and delivers services.

At the end of every quarter, each business unit completes a Business Management Review (BMR) outlining the position of the business unit and how it is performing compared to budget. Senior Reporting Accountants prepare a Performance Report which documents variances against budget. Reviews are then held with the Finance Director and associated action plans are compiled and approved. The report and action plan are then communicated to the Managing Director for further discussion and final approval as part of the BMR. Meetings of the Finance Leadership team involve the Finance Directors from across the business units and the Group Managing Director.

The Authority's Code of Governance is organised into six sections to reflect the six core principles of the CIPFA/SOLACE framework. The sections are Leadership, Relationship, Management, Standards of Conduct, Risk Management, Capacity development and Public Accountability. There is an annual review of performance against the Code of Governance, the results of which are presented to the Audit and Assurance Committee. As part of the review, progress against the Governance Improvement Plan is assessed and the Improvement Plan for the coming year is presented.

How the body evaluates the services it provides to assess performance and identify areas for improvement

The Authority has arrangements to assess performance through its performance management system, ongoing review of project and programme delivery and through a series of performance indicators covering the main activities of the Authority. The Authority produce quarterly progress reports to the Board on the operation and financial performance of the Authority, and on the delivery and budget performance of the Authority Investments Programme.

Improving economy, efficiency and effectiveness (continued)

How the body evaluates the services it provides to assess performance and identify areas for improvement (continued)

The Authority has established the Advisory Panels (i.e., Customer Service and Operational Performance Panel and Safety, Sustainability and Human Resources Panel) on a standing basis. The Customer Service and Operational Performance Panel advises on all matter relating to the Authority's customer service and operational performance while the Sustainability and Human Resources Panel advises on all matter relating to compliance and assurance, resilience, human resources and responsible procurement.

The Authority also have the Audit and Assurance Committee who reviews the effectiveness of the system of internal controls and considered fraud and risk management issues and ensures that the Authority prepares its Annual Statement of Accounts and other published financial reports in accordance with all relevant legislation and accounting standards.

The Authority has had the arrangements we would expect to see to enable it to use information about its costs and performance to improve the way it manages and delivers services.

How the body ensures it delivers its role within significant partnerships, engages with stakeholders it has identified, monitors performance against expectations, and ensures action is taken where necessary to improve

The Authority conducts, at least annually, a review of the effectiveness of its governance framework including the system of internal control, which is reported to the Audit and Assurance Committee. There is also an annual Board Effectiveness Review. The Authority continually reviews the effectiveness of its governance arrangements, including all aspects of the Authority's operations including its relationships with its group entities.

The Authority has a transparency strategy and publishes a substantial amount of information. It engages with stakeholders and partners through consultation and its work with London Councils and individual boroughs. It cooperates with appropriate organisations to ensure there is independent scrutiny of its financial and operational reporting processes

In terms of monitoring performance, the Authority's quarterly performance report and other key quarterly reports submitted to Committees and Panels track the Authority's activities in terms of key performance indicators and delivery of the Mayor's Transport Strategy. These reports also highlights remedial actions taken when the Authority do not meet expectations or slippage occurs.

Improving economy, efficiency and effectiveness (continued)

How the body ensures that commissioning and procuring services is done in accordance with relevant legislation, professional standards and internal policies, and how the body assesses whether it is realising the expected benefits.

The Authority strives to conduct all its procurement and contracting activities efficiently, to the highest ethical standards and in compliance. The Authority's Procurement and Contracting Policy supports the organisation's commitments to achieving best value for money for procurement at all goods, works and services throughout the business. This policy applies to all the Authority's staff, including non-permanent, consultancy and contracted staff working on behalf of the Authority.

The Authority has had the arrangements we would expect to see to enable it to use information about its costs and performance to improve the way it manages and delivers services.

The Authority have published rules and procedures with respect to the conduct expected from everyone who works for the Authority who is involved in purchasing goods, services or works, which are set out in the Authority Management System. These have been developed to support and facilitate compliance with applicable laws and regulation as well as with internal Authority policies and governance as set out in Authority's Standing Orders and supplementary guidance documents. The Standing Orders define the levels and allocation of authority for approvals of financial and procurement or contractual commitments.

The Authority have a professional Procurement and Supply Chain team (P&SC) that is accountable for procurement and contract management activities on behalf of the organisation, taking into consideration business needs, affordability and supplier market capability. Business areas have a responsibility to provide operational contract management. The Authority's standard approach will be to assess affordability on a whole life cost basis.

In 2019/20, the Authority through the internal audit identified a series of weaknesses with the application of procurement rules throughout the organisation. The procurement arrangements were not being followed in all cases, leading to a significant amount of single source tender arrangements and other contracting arrangements that may not have provided value for money. An action plan was drawn up by the Authority to address the weakness identified. Implementation of this action plan commenced during 2019/20, but corrective actions were only completed by 31 March 2021 and those that were implemented were not in place during the entirety of financial year 2020/21. As a result, we identified a significant weakness with regards to how TfL plans and manages its resources to ensure it can continue service delivery in 2019/20, 2020/21 and 2021/22.

Improving economy, efficiency and effectiveness (continued)

How the body ensures that commissioning and procuring services is done in accordance with relevant legislation, professional standards and internal policies, and how the body assesses whether it is realising the expected benefits (continued).

As part of our work in value for money and our audit strategy in response to the identified significant weakness, we performed the following procedures and reported the results of our procedures below.

- We inquired with the management and performed assessment of control environment around the Procurement and Supply Chain of the Authority and we identified that the management and that those charged with governance has oversight on the issue and improvement plans was initiated to address the significant weakness.
- We verified and assessed the details of the improvement plans on the procurement arrangement and determined whether the improvement plans addressed the identified significant weaknesses in the procurement process. Our procedures confirmed that the improvement programmes set and implemented were to address the identified significant weakness.
- We tested the controls where the improvement plans were implemented with specific focus on single source tender arrangement and competitive arrangements and assessed the results of these control testing. We have not noted exceptions from the testing performed.
- We also reviewed and assessed the results of internal audit reports relating to Procurement and Supply Chain and verified the exceptions highlighted by the report were already being addressed by the improvement plans implemented.

The Authority has had the arrangements we would expect to see to enable it to use information about its costs and performance to improve the way it manages and delivers services.

Based on the procedures performed above, we assessed that the Authority have remediated the significant weakness identified in the procurement arrangement and has implemented its action plans during the financial year, Therefore, the significant weakness on procurement arrangement was lifted in financial year 2021/22 and no matters by exception relating to the Improving economy, efficiency and effectiveness criteria was reported in the audit report in the financial statement.

VFM Commentary (continued)

Recommendations

The Authority has agreed to a recommendation which we will follow up as part of our 2022/23 VFM arrangements work.

As a result of the VFM procedures we have carried out we have agreed the recommendation below with the Authority:

We note that a funding settlement has been agreed on 30 August 2022, which provides more certainty over funding levels until 31 March 2024. However, as noted in the material uncertainty paragraph above, we draw your attention to note d) of Accounting Policies, which indicates that there is a material uncertainty relating to TfL's ability to deliver current planned operational services within available sources of funding.

We recommend that 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.

The Authority faces further challenge and change beyond 2022 which will form part of our 2022/23 VFM arrangements work.

Forward look

Looking forward to 2022 and beyond, the assurance whether the Authority will reached financial sustainability at the end of the 20-month funding settlement with DfT, is still uncertain. Further, additional funding arrangement for long term plan for future capital and service investment beyond 31 March 2024 is still undeterminable which would impact the delivery of services and carrying out the Mayor's Transport Strategy.



Section 5

Other Reporting Issues

Other Reporting Issues

Governance Statement

We are required to consider the completeness of disclosures in the Authority's governance statement, identify any inconsistencies with the other information of which we are aware from our work, and consider whether it complies with relevant guidance.

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

Whole of Government Accounts

We have not yet completed the procedures required by the National Audit Office (NAO) on the Whole of Government Accounts consolidation pack submission. The guidance for 21/22 has been issued, however the work related to Whole Government Accounts is still in progress. We will liaise with the Authority to complete this work as required.

Report in the Public Interest

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

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

Other powers and duties

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

Control Themes and Observations

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

Our audit did not identify any controls issues to bring to the attention of the Audit Committee.

Appendix A

Audit Fees

Audit Fees

The table below sets out a summary of the fees that you have paid to us in the year ended 31 March 2022 in line with the disclosures set out in FRC Ethical Standard and in statute. As at the date of this report, there are no future services which have been contracted

Description	Planned Fee		Final Fee 2020/21 £
	Final Fee 2021/22 £	2021/22 £	
Audit fees			
Scale fee under PSAA Contract for TfL Group and Corporation (1)	120,062	120,062	120,062
Audit fees outside the PSAA Contract (2)			
Transport Trading Limited 2021/22	1,581,919	1,266,544	1,391,613
Transport Trading Limited Properties 2021/22	50,000	50,000	-
Crossrail Limited 2021/22	130,000	130,000	125,000
Non-audit work (3)			
Agreed upon procedures	27,871	N/A	34,500

- (1) For 2021/22, the scale fee has been re-assessed to take into account a number of risk factors which includes procedures performed to address the risk profile of the Authority and additional work to address increase in Regulatory standards. Any additional fee for 2021/22 is to be discussed with management and remains subject to approval by PSAA Ltd.
- (2) These are audit fees for the statutory audit of the financial statement of each entities. The audit performed in the related individual entities forms part of the amount reported in the statement of account of TfL Group. Note the increase compared to the planned fee and prior year relates to additional work required in areas such as going concern, given the changing position with respect to funding agreements and passenger fares post Covid-19 pandemic.
- (3) We confirm we have undertaken any non-audit work. The agreed upon procedures relates to the procedures performed for the Office of Rail and Road Returns and 3emotion Grant Claim.

We have adopted the necessary safeguards in our completion of this work and complied with Auditor Guidance Note 1 issued by the NAO.

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Audit and Assurance Committee

Date: 15 March 2023

Item: Risk and Assurance Quarter 3 Report 2022/23

This paper will be considered in public

1 Summary

- 1.1 This report informs the Committee of the work completed by the Risk and Assurance Directorate during Quarter 3 of 2022/23 (18 September to 10 December 2022) (Q3), 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.

2 Recommendation

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

3 Director Update

- 3.1 This is the third 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 and TTL Properties Limited (TTLP) 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 Committees and Panels has now been mapped against these risks. The Audit Plan for the first six months of 2023/24 is at Appendix 1 and more detail is contained later in this paper. The Committee is asked to approve the updated Audit Plan.

- 3.3 In PA reviews during Q3 a lack of staff resources continues to be the most prevalent theme arising that is impacting on project delivery. There is however evidence that this situation is improving. PA is considering undertaking a number of in-depth reviews of resourcing in key business areas to determine how robustly the issue is being managed. The PA team also continues to place significant focus on reviewing the strength of business cases and supporting the business in the programme of work to elevate the standard of these key documents.
- 3.4 The Head of Counter-fraud and Corruption is a member of the UK Rail Fraud forum. The group consists of fraud specialists from all Train Operating Companies across the UK and the Rail Delivery Group. It now meets every two months to share intelligence and information about fraud and corruption, and shares best practice to prevent fraud against the industry. The forum is supported by an elected Executive Committee, and a Terms of Reference and strategy for tackling financial crime has been agreed.
- 3.5 The Greater London Authority (GLA) Risk and Assurance Collaboration Professional Community was set up in June 2022 and is chaired by the Director of Risk and Assurance. The aim is to share best practice and lessons learnt in the provision of assurance services across the GLA Group and to identify opportunities for further collaboration. Separate topic forums have been established for Fraud, Internal Audit, Project Assurance and Enterprise Risk, with meetings taking place quarterly and organisation of the forums shared across the GLA Group. The individual forums have held two meetings to date (September 2022 and December 2022). The first six-monthly forum, which combines all four assurance topics, was held on 23 January 2023 and was an opportunity to hear from each of the individual forums. The feedback has been extremely positive, with members finding it useful having a forum to discuss common issues.

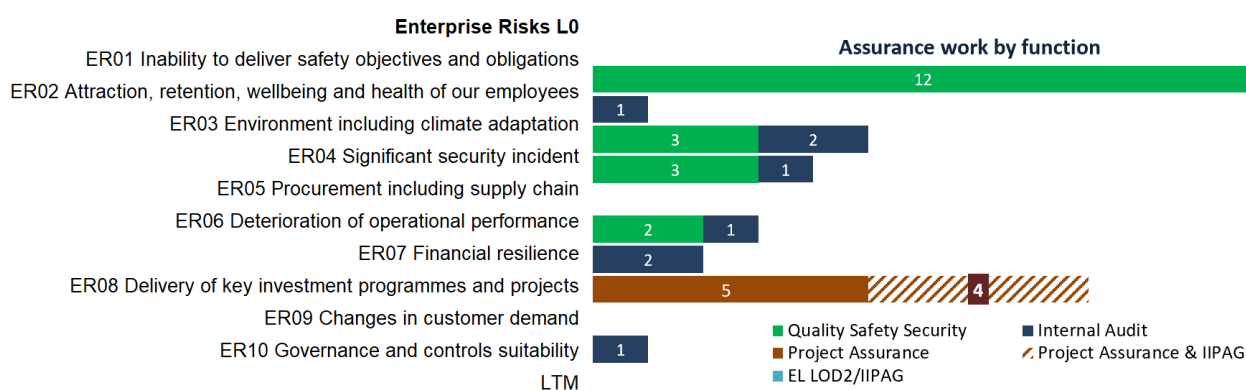
4 Enterprise Risk Management

- 4.1 The following Level 0 (L0) Enterprise Risk workshops were facilitated by the team in Q3:
- (a) Attraction, retention, wellbeing and health of our employees (ER2);
 - (b) Environment including climate adaptation (ER3); and
 - (c) Procurement including supply chain (ER5).
- 4.2 Work continues to progress on revising the risk appetite process and the outputs will be presented to the Committee when that work is completed.
- 4.3 Work has started on developing Level 1 risk aligning them to Vision and Values Roadmaps. Several sessions are planned with Chief Officer areas, the first of which was held with the Chief Operating Officer's Directorate in January 2023.
- 4.4 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:
- First line of defence – control and monitoring arrangements carried out by the functions responsible for managing the risks/controls;
 - 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;
 - 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 Q3 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 Q3 is at Appendix 3, audits in progress at Appendix 4 and work planned to start in Q4 of 2022/23 (11 December 2022 to 31 March 2023) (Q4) at Appendix 5, the changes to the Audit Plan in Q3 is at Appendix 6, and the Internal Audit Q3 summary is included as Appendix 7.
- 5.4 The Internal Audit Q3 summary, included as Appendix 7, 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. At the end of Q3 we had completed 53 per cent of the plan but there were a number of reviews in reporting at the end of the quarter. Historically we issue significantly more reports in Q4 and our projections show that we are on track to hit our year end target of 85 per cent.
- 5.5 Eight audit reviews were completed in Q3. Seven audit reports and one memo 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 to agreed timescales. Of the seven audit reports issued, two were rated as 'Poorly Controlled' and four rated as 'Requires Improvement'.

- 5.6 One 'Poorly Controlled' rated audit sat in the Technology and Data area covering Information Technology Disaster Recovery and Operational Resilience. The other was in Financial Resilience and related to the Development of the New Assets under Construction process.
- 5.7 There were five no changes to the Audit Plan during Q3, two deferrals and three cancellations. These are detailed at Appendix 6.

Management Actions

- 5.8 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 7 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 Q3. 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.

Internal Audit Plan Phase 1 2023/24

- 5.9 The Audit Plan has been updated for the work we intend to carry out in the first six months of the 2023/24 financial year. This is attached as Appendix 1. Also included is an indicative plan for the second six months of 2023/24. This is subject to regular review and provides the level of flexibility to meet any changes to the organisation's assurance needs. The 'bubble diagram' at the end of the appendix provides an overview of all our proposed activity over the next 18 months. The detailed plan also shows the areas where there will be second line of defence audit or review activity carried out by other assurance teams, both within Risk and Assurance and the Independent Investment Programme Advisory Group (IIPAG).
- 5.10 However, there are recruitment campaigns for Information Technology and generalist auditors. If successful it will result in an increase in the number of audits we can deliver and the plan will be revised to reflect this.

Mayoral Directions

- 5.11 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.
- 5.12 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.

5.13 There was one Mayoral Direction that should have been reported in Quarter 2 and three new Mayoral Directions during Q3.

<p>MD3028 02/09/22</p>	<p>September 2022 fares revision</p> <p>The Mayor directed TfL to implement from 4 September 2022 an increase in the fee for obtaining an Oyster card from £5 to £7 and to make this fee non-refundable and to apply a peak fare to all journeys to/from Heathrow that include Zone 1 travel.</p>
<p>MD3014 17/01/23</p>	<p>Permanent changes to free travel arrangements for older Londoners</p> <p>The Mayor approved revisions to the Older Persons' Freedom Pass and the 60+ London Oyster photocard validity to permanently remove free travel between the hours of 4:30am and 9:00am on weekdays (excluding bank holidays) and directed TfL to implement the changes on and from 18 January 2023. The time restriction had been in place temporarily since 15 June 2020 (under MD2642). The change was introduced to meet conditions attached to Government funding settlements that were required to support TfL due to the impact of the coronavirus pandemic on TfL's finances. The change does not affect holders of the Disabled Persons' Freedom Pass on either TfL or National Rail services, where current acceptance would continue unchanged.</p>
<p>MD3083 26/01/23 MD3104 28/02/23</p>	<p>March 2023 Fare Changes</p> <p>The funding settlement with Government, dated 30 August 2022, assumed that the Mayor would increase fares for 2023/24 in line with increases in National Rail fares and provided that, if he did not do this, this would affect TfL's funding. Government decided to increase National Rail fares by 5.9 per cent for 2023/24. The Mayor approved an overall average increase on TfL fares under his control of 5.9 per cent.</p> <p>The Mayor directed TfL to implement the fare changes from 5 March 2023.</p> <p>The original Mayoral Direction, MD3083, was replaced with MD3104 to correct administrative errors in the original Direction, which had resulted in some fares being stated incorrectly. The corrections did not change the overall average increase in fares.</p>

<p>MD3079 02/02/23</p>	<p>Low-Paid Transport Workers' Concession Scheme</p> <p>The Mayor directed TfL to introduce, implement and administer the Low-Paid Transport Workers' Concession Scheme as soon as practicable from April 2023. The travel concession will provide free travel on public passenger transport services on the TfL network to employees of TfL's directly contracted suppliers who are paid no more than 10 per cent above the London Living Wage, as well as to workers employed on this same level of pay by TfL's contracted public transport operators in cleaning roles dedicated to TfL's services.</p>

Quality, Safety and Security Assurance

- 5.14 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.
- 5.15 A summary of work carried out by QSSA in Q3 is included as Appendix 8.
- 5.16 A total of 20 QSSA audits were completed in Q3. At the end of Q3 56 per cent of the annual plan is complete and the team is projected to achieve the 85 per cent target for the year. All issued audits have agreed actions that are tracked to completion.
- 5.17 Three audits were concluded as 'Poorly Controlled', all had agreed recommendations and action plans in place:
- (a) London Underground (LU) Environmental Risk Assessment: It could not be assured that risk assessments had been completed to identify relevant environmental risks, the associated controls and applicable regulations. A non-compliance with the Safety, Health and Environment (SHE) Management System requirements was identified relating to the management of TfL's environmental risks.
 - (b) Buses and Trams Environmental Risk Assessment: In Buses it could not be assured that risk assessments had been completed to identify relevant environmental risks, the associated controls and applicable regulations. Trams had a suitable and sufficient 'Aspects and Impacts Register' in place.
 - (c) Trams On Track Plant and Machines: A number of non-conformances in relation to the requirements set out in the Trams on track plant acceptance and testing procedures were identified. Document control issues were identified along with the interpretation and implementation of the standards.

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

- (a) TfL Management of New Protective Security Risks From Initiatives: There is a robust and proven project management methodology in Pathway. However, several of the security products were found to be out of date and the security content of Pathway is not mandated or a 'core' product. This increases the risk that security risks may not be accurately identified and therefore controlled.
- (b) LU Maintenance Asbestos Management: Full compliance with the proactive requirements of the TfL Standard and LU Procedures have not been achieved in relation to competence and monitoring. There were limited issues regarding asbestos surveys and information management. There were no issues regarding the reactive support role undertaken by the Hazardous Materials Team for maintenance and minor works.
- (c) Managing Access to Tram Infrastructure: The combination of documents and systems meant it was not always possible to assure that staff hold the required competence for the activity in advance. A risk assessment and method statement could not be located for a Works Request Form, and overdue inspections and incident investigations were highlighted. These gaps increase the risk that management system controls are not effective.

5.19 Seven audits were concluded as 'Adequately Controlled' or 'Well Controlled'. Seven Integrated System audits were undertaken and not rated (as they cover a broad range of subjects and risks which makes conclusions misleading). One audit was cancelled in Q3 in agreement with the audit sponsor: a track welding audit was prioritised over an audit of asset data migration. Three audits were deferred to the 2023/24 plan at the request of the audit sponsor until improvement works are complete before being assured. The three deferred audits were 'Patching and Vulnerability Management', 'Ransomware Risk Management' and 'Payment Card Industry Compliance of Revenue Inspection Devices'.

5.20 Audit planning for the 2023/24 plan began in Q3 and continues into Q4. The improved approach to audit planning structures QSSA assurance planning and reporting around the management system content for Engineering, Maintenance, SHE and Security. The revised approach to planning will provide a more proactive approach, ensuring the full range of management system controls are considered and reactive elements are less prominent.

5.21 There had been an increase in actions closed on time in Q3 with 35-40 per cent of actions closed on time. There has been a small increase in the number of actions granted extensions in the most recent period in accordance with our procedure, although the average percentage of actions extended remains constant across Quarter 2 and Q3 at 18 per cent. We continue to have increased focus on closing actions in collaboration with the management teams and Chief Officers which has been effective in reducing the number of overdue actions, particularly the significantly overdue actions over 100 days.

Project Assurance

- 5.22 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) input 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 sub-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 sub-programme board or operating business board depending on the size of the project.
- 5.23 The team also conducts reviews of the sub-programmes to inform annual requests for Authority at the Programmes and Investment Committee.
- 5.24 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.
- 5.25 Two sub-programme reviews were undertaken during the quarter, with IIPAG involved in both. In the same timeframe, seven project assurance reviews were undertaken, with IIPAG involved in both of these. These reviews gave rise to 49 recommendations being made by PA including two critical issues. IIPAG made 10 recommendations including one critical issue. The critical issues were on Tram Fleet Replacement and Kingston Cromwell Road Bus Station reconstruction projects. The three critical issues all related to amendments being required to the business cases for these projects.
- 5.26 A summary of the work completed by PA in Q3 is included as Appendix 9.

Customer Feedback

- 5.27 QSSA issued 15 customer feedback questionnaires in Q3, 14 of which were returned (93.3 per cent) with an average score of 100 per cent satisfied, the other response has been chased. Internal Audit issued 13 questionnaires and nine were returned (69 per cent) with an average score of 86.4 per cent. A summary of all customer feedback forms is included as Appendix 10.

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 Q3, including information on significant closed fraud investigations, is included as Appendix 11.
- 6.3 Of the three cases closed in Q3, one case was referred to line management for informal advice and guidance to be issued, another was reported to Action Fraud and the other case, that had previously been reported to law enforcement, resulted in the acquittal of an ex-employee following a jury trial.

- 6.4 The team continues to raise awareness of fraud and corruption across TfL through targeted sessions, presentations and other communications. In November 2022, members of the team hosted a four-day Fraud Awareness event to run in parallel with National Fraud Awareness Week. Digital screens at main office buildings were used to display fraud awareness material and a short video highlighting the work of the the team. In December 2022, a Risk and Assurance advent calendar was released across TfL, containing Christmas themed advisory messages from all teams within the Risk and Assurance Directorate.
- 6.5 Details of significant new and ongoing fraud investigations during Q3 are included in the paper on Part 2 of the agenda.

7 Resources

- 7.1 At the end of Q3 the Directorate was carrying eight vacancies (excluding the three roles we are not backfilling for secondments). The current vacancies are five in Internal Audit, two in CFC and one in Business Support.
- 7.2 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 (four in Internal Audit and one in CFC) with other approvals being sought in Q4 as appropriate.
- 7.3 The recruitment of Technology Information Security (TIS) auditors continues to be very challenging so a development opportunity was offered within Internal Audit in 2021 to train as a TIS Auditor. In December 2022 the auditor successfully achieved the Certified Information Security Auditor qualification while in this development role and has been appointed into a permanent TIS auditor position.
- 7.4 Where suitable we also use secondments to develop our staff. Currently we have seven people on secondments of which five are within Risk and Assurance and two are outside the Directorate.
- 7.5 We are proceeding with the recruitment for two apprentice roles in Internal Audit and were present at the TfL apprentice recruitment fair on 17 February 2023 to promote the scheme.

8 Control Environment Trend Indicators

- 8.1 The Q3 indicators are included as Appendix 12.

List of appendices to this report:

- Appendix 1: Internal Audit Plan – April 2023 to September 2023 (Phase 1)
- Appendix 2: L0 Enterprise Risk and status
- Appendix 3: Internal Audit reports issued in Q3 2022/23
- Appendix 4: Work in Progress at the end of Q3 2022/23
- Appendix 5: Work planned to start in Q4 2022/23
- Appendix 6: Changes to the Plan in Q3 2022/23
- Appendix 7: Internal Audit Q3 summary

Appendix 8: Quality, Safety and Security Assurance Audit Q3 summary
Appendix 9: Project Assurance Q3 summary
Appendix 10: Customer Feedback Q3 summary
Appendix 11: Counter-Fraud and Corruption Q3 summary
Appendix 12: Control Environment Trend Indicators

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

List of Background Papers:

None

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Detailed TfL 2023/24 Internal Audit Plan – April 2023 to September 2023 (Phase 1)

Enterprise Risk 1	Inability to deliver safety objectives and obligations		Overall Control Rating Requires Improvement
Quality, Security and Safety Assurance will deliver a portfolio of engagements at the second line relating to safety assurance in addition to the SHE and Engineering assurance teams.			
Enterprise Risk 2	Attraction, retention, well-being and health of our employees		Overall Control Rating Requires Improvement
Audit Title	Rationale and Outline Audit Scope		Chief Officer/ Directorate/client
Attraction and Retention of Staff in Technology and Data (T&D) team (Business Led)	Why now?	Our financial settlement will require the organisation to maximise revenue and minimise cost. This is placing constraints on our ability to attract and retain talent. Limitations and restrictions in pay may be hindering our ability to attract and retain critical roles. Perceptions of unfairness in the way our employees are rewarded and recognised for their contribution may negatively impact engagement and consequently, wellbeing. As of January 2023, there are currently 496 vacancies out of 1,995 budgeted positions within T&D. Attraction and retention of staff was also raised at the TfL Board meeting on 2 February 2022 as a significant risk to the organisation as a whole.	Shashi Verma Chief Technical Officer
	Audit objective	Assess the adequacy of the HR controls supporting attraction and retention of T&D staff.	
myJourney (Risk Driven)	Why now?	myJourney is TfL's one stop for all career conversations and has been in place for over a year. It is a key enabler for frequent conversations about wellbeing, progress and development. Using myJourney, employees are able to do the following: - input objectives and update progress against them throughout the year;	Fiona Brunskill Interim Chief People Officer

		<ul style="list-style-type: none"> - capture current readiness, career aspirations and development actions that support them in their role and career; - request feedback from colleagues across the organisation on their progress at any time; - provide feedback to colleagues across the organisation as and when they want; - capture regular conversations between them and their line manager; and - carry out performance and talent reviews (if you are a manager). <p>This is a key control in ensuring employees are engaged, valued and supported. Which, in turn, will lead to lower attrition rates.</p>	
	Audit Objective	To provide assurance on the adequacy and effectiveness of processes governing performance management and development using myJourney.	
Enterprise Risk 3	Environment including climate adaptation		Overall Control Rating Requires Improvement
Audit Title	Rationale and Outline Audit Scope		Chief Officer/ Directorate/client
Impact of Extreme Weather (Risk Driven)	Why now?	This audit is deferred from the 2022/23 plan due to changes in the organisation structure and industrial action which has increased workload of the team. There will be a series of audits, to be agreed with the business, on this topic across the operational business as the impact of severe weather is likely to increase in frequency and severity.	Carl Eddleston Director of Network Management and Resilience
	Audit objective	To provide assurance on the adequacy and effectiveness of controls in place to deal with the impact of extreme weather.	
Enterprise Risk 4	Significant Security Incident		Overall Control Rating Requires Improvement
Audit Title	Rationale and Outline Audit Scope		Chief Officer/ Directorate/client
Legacy Technology - PSTN services for	Why now?	BT Openreach plans to stop selling Wholesale Line Rental (WLR) products such as Public Switched Telephone Network (PSTN) and Integrated Services Digital Network lines in September 2023 and fully withdraw them by 2025. The range of services using and supported by PSTN are wide and located across all TfL locations. This	Shashi Verma Chief Technology Officer

telephony and data (Live Audit) (Business Led)		includes standard phones for regular calling, alarms lines, door entry systems, fax machines, monitoring tools, dial-up devices, modems, traffic light control systems and payment terminals. By 2025, the systems that have not migrated to alternative services will be deemed as 'orphaned assets' and will be disconnected from the telephone network. A recent assessment of WLR services (British Telecom Retail only) identified that TfL spends a total of £1.2m per annum for circa 3,800 of these WLR services in use within TfL. A number of WLR services are supporting operational or safety critical services.	
	Audit objective	Live audit to assess and evaluate the adequacy of the plans to move from the legacy PSTN services to alternative services.	
Review of Strategics (application) (Business Led)	Why now?	The Strategics application is used to account and manage the Oyster top-up transactions at newsagents. This process is managed by CUBIC and it accounts on average for £40m per month of revenue to TfL.	Shashi Verma Chief Technology Officer
	Audit objective	To assess and evaluate the adequacy and effectiveness of a selection of key controls, in relation to the Strategics application managed by CUBIC on behalf of TfL, with respect to the accounting and reconciliation of transactions.	
Quality, Security and Safety Assurance will deliver a portfolio of compliance and consultancy engagements at the second line relating to the Payment Card Industry Data Security Standard			
Enterprise Risk 5	Procurement including supply chain		Overall Control Rating Requires Improvement
Audit Title	Rationale and Outline Audit Scope		Chief Officer/ Directorate/client
SAP Ariba (Risk Driven)	Why now?	SAP Ariba is a system TfL has purchased and the first part of which was rolled out in February 2023. The SAP Ariba intelligent spend management system brings together more than 30 source to pay processes and incorporates comprehensive transaction data. The intention is to deliver greater efficiency, accuracy and control from	Rachel McLean Chief Finance Officer

		sourcing to payment. With the dissolution of the Financial Commitment Oversight Group, processes are returning to following TfL's Standing Orders.	
	Audit objective	To provide assurance on the adequacy and effectiveness of controls governing SAP Ariba.	
Enterprise Risk 6	Deterioration of Operational Performance		Overall Control Rating TBC
Audit Title	Rationale and Outline Audit Scope		Chief Officer/ Directorate/client
Engineering Resource Model - interaction between delivery lead and business (Risk Driven)	Why now?	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.	Isabel Coman Director of TfL Engineering and Asset Strategy
	Audit objective	To assess the adequacy of the processes and controls in place for planning and communication between Delivery Leads and the business.	
Quality, Security and Safety will deliver a portfolio of assurance reviews at the second line of defence, in addition to work by the Engineering Maintenance Assurance team			
Enterprise Risk 7	Financial Resilience		Overall Control Rating TBC
Audit Title	Rationale and Outline Audit Scope		Chief Officer/ Directorate/client
	Why now?	The extension of ULEZ will be accompanied by a new £110m vehicle scrappage scheme. Successful scrappage applicants will receive a grant to scrap or retrofit their vehicle for certain vans and minibuses. Successful car owners can opt to receive a	Shashi Verma Chief Technology Officer

Ultra Low Emission Zone (ULEZ) Extension Scrappage Scheme (Risk Driven)		smaller grant accompanied by up to two free annual bus and tram passes, which would give them a higher financial package.	
	Audit objective	To determine the adequacy and effectiveness of the key controls governing the ULEZ extension scrappage scheme.	
TfL Scorecard Audit 2022/23 (Core Work)	Why now?	This audit is conducted every year and is one of our core annual audits.	Patrick Doig Director Group Finance
	Audit objective	To provide assurance that 2022/23 year-end results on the TfL Scorecard are being accurately reported.	
London Transport Museum (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. The last time this area was audited it was rated as Requires Improvement. Due to the arrival of the new financial controller and at the request from the LTM Audit and Risk Committee this audit was deferred from FY2022/23 to FY2023/24.	Sam Mullins Director of London Transport Museum
	Audit objective	To determine the adequacy and effectiveness of the LTM's key financial controls.	
Arts Council England (ACE) Review 1 (Business Led)	Why now?	This is a placeholder for an audit to certify costs in respect of funding for the Designation Development Fund.	Sam Mullins Director of London Transport Museum
Government Funding Conditions (Risk Driven)	Why now?	<p>Since the coronavirus pandemic we have had to turn to the Government for financing and funding, agreeing emergency support packages in May 2020, October 2020, June 2021, February 2022 and August 2022. These have enabled us to keep London's vital transport network running.</p> <p>On 30 August 2022, a new support package was signed, where the Government confirmed it would continue to provide us with funding until 31 March 2024. A series of conditions were set out which also need to be met, these include, but are not limited to, ensuring a financially sustainable pension scheme in the long term, following the public sector par policy, continuing to work with the Department for</p>	Rachel McLean Chief Finance Officer

		Transport on opportunities for modernisation, innovative technology, greater automation and delivering efficiencies.	
	Audit objective	To provide assurance that the conditions of the Government's funding agreement are being effectively managed and accurately reported.	
TTL Properties Limited (TTLP) Due Diligence of Tenants (Risk Driven)	Why now?	In order for revenue to be steady and secure, tenants need to be financially solvent so that they do not default on the rents. Tenants need to be thoroughly vetted to ensure that this is the case. A new vetting process was introduced more than a year ago to strengthen the controls and has yet to be tested for effectiveness.	Dan Lovatt Director of Asset Management (TTLP)
	Audit objective	To provide assurance on the adequacy of the due diligence process to bring tenants on board.	
Cycle Hire Bad Debt Recovery (Core Work)	Why now?	Cycle Hire is suffering from a significant amount of bad debt due to incomplete customer payment transactions (15 per cent+). As cycling is one of the transport methods that is being encouraged via the Mayor's Transport Strategy it is important that bad debt is managed efficiently.	Trish Ashton Director of Rail and Sponsored Services
	Audit objective	To determine the adequacy and effectiveness of the Cycle Hire debt management key controls.	
Journals (Core Work)	Why now?	The Record to Account team in Business Services is responsible for processing all journals centrally and performing reconciliations and validation checks as part of period close process. Staff need to work with the business to ensure action taken is timely and accurate.	Maureen Jackson Director of Business Services
	Audit objective	To provide assurance on the adequacy and effectiveness of controls in place for processing journals.	
TTLP Revenue and Debt Collection (Risk Driven)	Why now?	Debt recovery activities are an important part of managing the revenue stream from commercial properties in the TTLP Portfolio. There have been increasing levels of arrears in the past couple of years, but controls have been improved to address this.	Dan Lovatt Director of Asset Management (TTLP)

	Audit objective	To provide assurance over the effectiveness and adequacy of the debt collection process.	
ULEZ Debt Management (Core Work)	Why now?	Debt recovery activities are an important part of the enforcement of the Congestion Charging, Low Emission Zone, ULEZ and Traffic Enforcement Schemes. If a registered keeper fails to comply with the relevant scheme rules or any traffic enforcement regulation, it results in a Penalty Charge Notice (PCN) being issued to the registered keeper/person liable of the vehicle. Payment rate of PCNs has fallen to approximately 30 per cent from about 60 per cent (pre introduction of the expanded ULEZ).	Shashi Verma Chief Technology Officer
	Audit objective	To determine the adequacy and effectiveness of the ULEZ debt management key controls.	
Enterprise Risk 8	Delivery of TfL key investment programmes and projects		Overall Control Rating Requires Improvement
Audit Title	Rationale and Outline Audit Scope		Chief Officer/ Directorate/client
Project Cost Estimation (Risk Driven)	Why now?	Initial estimates for projects at the early stages of the project lifecycle are often far lower than the final Estimated Final Cost turns out to be at project completion. A lower budget than is realistic may encourage the project team to fit the project scope to the budget rather than pursuing the optimum scope for the greatest benefit. The estimating process used in the early stages of the project lifecycle may not provide realistic figures for business planning purposes and budgeting.	Alex Williams Chief Customer and Strategy Officer
	Audit objective	To provide assurance over the adequacy and effectiveness of the controls over the early cost estimation processes.	
<p align="center">Project Assurance will deliver a portfolio of assurance reviews at the second line of defence, in addition to work undertaken by SHE and PMO teams</p> <p align="center">IIPAG will deliver a portfolio of assurance reviews at the third line of defence</p>			

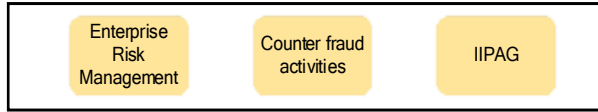
Enterprise Risk 10	Governance and Controls Suitability		Overall Control Rating Adequately Controlled
Audit Title	Rationale and Outline Audit Scope		Chief Officer/ Directorate/client
Stage Gate Compliance (Business Led)	Why now?	Stage gates are an important control to ensure that projects are ready to move on to the next stage. Stage gate reviews need to reflect this status accurately. There has been no independent assurance of this process for many years.	Michael Cooper Director of Programme Management Office
	Audit objective	To provide assurance over the adequacy and effectiveness of internal controls in place for compliance with the Pathway Stage Gate process.	
Our TfL Programme (Risk Driven)	Why now?	The Our TfL Programme is set up to look at all elements the new operating model needs. It is not just about structure, but the way TfL works, what processes and technology it uses, and how they govern themselves. There are four sub-programmes, all of which are supported by a central programme team. These are Customer & Strategy, Capital, Operations and Support Services. This is a major initiative within the organisation and has the potential to evolve the way we work.	Fiona Brunskill Interim Chief People Officer
	Audit objective	To provide assurance on the management and effectiveness of the Our TfL Programme.	
Processing of General Data Protection Regulation (GDPR) Data by Third Parties – low value contracts (Risk Driven)	Why now?	Low value contracts of third parties that store and/or process GDPR data on behalf of TfL and assess them through the GDPR principles. Compliance and Internal Audit tend to focus on high value contracts in lieu of small value contracts.	Richard Bevins Head of Information Governance
		To determine the extent of compliance of thirf parties that store and/or process personal data with GDPR requirements.	
Privacy and Data Protection: Surveillance Cameras in LU and Elizabeth Line Trains (Risk Driven)	Why now?	TfL's use, management and control of surveillance cameras inside London Underground (LU) and Elizabeth line train carriages is an area not audited before and has become of increased scrutiny by police forces for crime prevention and detection. Recordings are also provided to TfL staff to facilitate responses to Subject Access Requests, as well as for purposes such as safety investigations and staff disciplinary matters.	Richard Bevins Head of Information Governance

		Most of the recordings are personal data under GDPR and the Data Protection Act 2018, and are therefore subject to its requirements, as well as other relevant laws and codes. Under (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's necessary to retain the data by law. GDPR breaches result on average in fines of £1-5m.	
	Audit Objective	To determine if TfL's use, management, and control of surveillance cameras inside LU and Elizabeth line train carriages are in accordance with the relevant TfL policies, laws and codes of practice.	
Construction Industry Scheme (CIS) (Business Led)	Why now?	The CIS was introduced to counter perceived tax evasion in the construction industry and certain other businesses. It imposes an obligation on contractors to deduct amounts on account of tax on payments made to subcontractors. They then account for these deductions to HM Revenue and Customs. Local Authorities, such as TfL, are deemed contractors under the scheme if they spend more than £3m per annum on construction work. The migration to SAP Ariba introduces new controls and it is important that these ensure compliance with the CIS.	Patrick Doig Group Finance Director
	Audit objective	To provide assurance on the adequacy and effectiveness over financial key controls for the CIS.	
Controls over Delegated Procurement Authority (DPA) to Procure/Vary Contracts (Business Led)	Why now?	Previous audits identified that people were circumventing DPA controls. There were instances where they were able to approve their own procurement activities, in some cases above their DPA level or DPA was being delegated inappropriately. This audit will determine if there is any circumvention of the controls outside of SAP.	Rachel McLean Chief Finance Officer
	Audit objective	To provide assurance on the effectiveness of controls over DPA.	

Phase 1 April 2023 - September 2023

Potential Phase 2 October 2023 - March 2024

Future look April 2024 - September 2024



	Phase 1 April 2023 - September 2023				Potential Phase 2 October 2023 - March 2024				Future look April 2024 - September 2024			
Core work	TfL scorecard	ACE funded projects	LTM financial controls	Cycle hire bad debt recovery	Cash management in stations	Group Treasury	Compliance with new pensions guidance	Strategic resourcing	London river service accounts	Procurement and Commercial segregation of duties	TTLP financial controls	Management of key suppliers
	Journals	ULEZ debt management	TTLP revenue and debt collection		Declarations of interest	Freedom of information process	ACE funded projects	Fraud controls in licensing and regulation	Gifts and hospitality	General ledger	Diversity and Inclusion strategy	
Risk-driven	myJourney	Impact of extreme weather	SAP Ariba	Engineering resource model	Safety Culture	Carbon reduction strategy	Asset management and data information projects	Contract management - buses	Asset management in TTLP portfolio	Refunds - service delays	Reletting of concessions contracts	Data disclosure unit for body worn cameras
	ULEZ extension scrappage scheme	Government funding conditions	Our TfL programme	Processing GDPR data by 3 rd parties low value	Temporary agency recruitment	Cyber security improvement programme	Surveillance cameras on buses	Licensing - application and vetting	Governance of SharePoint sites	CUBIC - systems availability	CUBIC - systems performance	CUBIC software changes
	TTLP due diligence of tenants	Surveillance cameras on LU and EL trains	Project cost estimation	Quality, Safety & Security Assurance	ESG planning	Commercial media procurement	Procurement enablement activities	Quality, Safety & Security Assurance	Quality, Safety & Security Assurance			
	Attraction and Retention of staff in T&D	Legacy technology - PSTN	Review of Strategics (application)	Stage gate compliance	Network Rail income apportionment	Unblocking LTM processes - consultancy	Medical assistance programme	Quality, Safety & Security Assurance	SAP permissions	Engineering recharge hours	Quality, Safety & Security Assurance	Project Assurance
Business-led	Construction Industry scheme	Delegated Procurement activity	Quality, Safety & Security Assurance	Project Assurance	VFM in LIPS contracts	Contract management of Tubeline/JNP contracts	Project Assurance	Sale of roadside assets				
	Key	Internal Audit	T&D Audit	Quality, Safety & Security Assurance	Project Assurance							

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Transport for London Audit and Assurance Committee

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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Transport for London Audit and Assurance Committee

Internal audit reports issued in Q3 2022/23

Appendix 3

- There were seven reports, excluding the Elizabeth line and TTL Properties Limited, issued during the quarter

Enterprise Risk	Directorate	Ref	Audit Title	Summary of Finding	Conclusion
ER03 Environment including climate adaptation	Chief Safety, Health and Environment Officer	22 002	Climate Adaptation - Data Management	<p>In the short term the existing asset data management practices, contracts and standards for inspection and maintenance, and the constraints of legacy systems places limitations on embedding adaptation, weather and climate-related data. Assessing the extent to which existing data can inform and support adaptation has been limited by the lack of easy access to asset data and the perception that adaptation data is too complex and resource intensive to develop. As a major component of data on asset condition, performance and risk, adaptation is not embedded into asset data recording and information processes of TfL operations.</p> <p>More frequent and extreme weather events have already affected TfL's operations and assets and such events are predicted to increase and worsen. Due to the potential severity of the impact on the safety of staff and customers, on service reliability and high cost of asset failures, the process requires improvement.</p>	Requires Improvement
ER02 Attraction, retention, wellbeing and health of our employees	Chief Customer and Strategy Officer	22 006	Staff and Contractor Vetting in T&D	<p>While there are appropriate processes for the basic screening of all potential employees, there is no enhanced vetting of Technology and Data (T&D) staff with elevated privileges. The absence of this key control may result in the recruitment of unsuitable individuals, who may inflict harm on TfL by acts such as theft or sabotage. We also identified a need for improvements in the contracts governing the provision of staff by some suppliers providing contracted services to T&D. Based on the audit findings, our conclusion is that the staff and contractor vetting in T&D requires improvement.</p>	Requires Improvement

Transport for London Audit and Assurance Committee

Enterprise Risk	Directorate	Ref	Audit Title	Summary of Finding	Conclusion
ER07 Financial resilience	Chief Finance Officer	22 021	Use of Consultants and Professional Services	The audit identified there is no documented evidence that Procurement and Commercial (P&C) have challenged the need for engaging external resources as per P&C guidance. There is no uniform system in place for managing and maintaining key documents and no process in place for capturing lessons learnt from the contractor's performance.	Requires Improvement
ER10 Governance and controls suitability	General Counsel	22 017	Taxi and Private Hiring (TPH) Controls for the Licensing Process (Private Hire Driver Assessment)	This review has identified processes and controls that can be strengthened and possibly streamlined as part of the rollout of the new system. These relate to the management and clearing of backlogs, reducing the time taken to perform specific tasks, further supporting staff in their roles, addressing assessment centre control weaknesses, improving management checks, and working off one system.	Requires Improvement
ER04 Significant security incident	Chief Customer and Strategy Officer	21 019	IT Disaster Recovery and Operational Resilience	We found that the Major Incident Management procedure provides a framework for major incidents to be managed but there were deficiencies in the IT Disaster Recovery plan that prioritises the recovery of different services.	Poorly Controlled
ER07 Financial resilience	Chief Finance Officer	22 025	Development of the New Assets Under Construction (AUC) Process	<p>The audit reviewed the development of the revised Assets Under Construction (AUC) process and whether its management was adequate. The AUC process is complex, well embedded and spans TfL businesses. It has many stakeholders, but the project does not have a communication or an engagement plan to ensure there is both a consensus around the process issues and the desired solutions. The buy-in from stakeholders is key in improving the probability of swift and successful implementation of the process changes.</p> <p>Neither the existing nor the project to re-structure the AUC process have a system to manage significant risks. The current process has an inherent risk of mis-statement of fixed assets by virtue of the off-line manual manipulation of data to derive the value of work-in-progress. While the business does have a process in place for logging AUC issues</p>	Poorly Controlled

Transport for London Audit and Assurance Committee

Enterprise Risk	Directorate	Ref	Audit Title	Summary of Finding	Conclusion
				and tracking them until they are resolved, it is a reactive approach which relies on risks materialising before taking action.	
ER03 Environment including climate adaptation	Chief Safety, Health and Environment Officer	22 003	Climate Adaptation - Reporting	The improvements to adaptation reporting that remain unaddressed are mainly those that depend upon the recording and availability of comprehensive and consistent adaptation data across operations. This data (for example, logging weather-related incident data and costs associated with weather-related faults and delays) needs to be embedded within existing asset inspection and maintenance processes and made accessible to those responsible for reporting externally. While alternative methods are being used to produce meaningful internal and external reports, they are not adequate or sustainable solutions for adaptation reporting in the long-term. Audit 22 002 on adaptation data recommends that the need for a funded programme to improve and integrate TfL asset data is investigated. Internal Audit will follow-up progress on the issues raised in this memo during 2023/24.	Memo

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Transport for London Audit and Assurance Committee

Work in progress at the end of Q3 2022/23

Appendix 4

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

Enterprise Risk	Directorate	Ref	Audit Title	Objective
ER07 Financial resilience	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.
ER10 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.
ER07 Financial resilience	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.
ER10 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.
ER07 Financial resilience	Chief Finance Officer	22 022	Controls over non-competitive transactions (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) and to ensure that the process complies with the procurement policy and procedures.
ER07 Financial resilience	Chief Finance Officer	22 024	Property Transfer Accounting	Adequacy and Effectiveness of the Property transfer accounting process (between Finance and TTL Properties Limited (TTLP)).
ER01 Inability to deliver safety objectives and obligations	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.
ER04 Significant security incident	Chief Operating Officer	22 031	Safety and Security of Staff in 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.

Transport for London Audit and Assurance Committee

Enterprise Risk	Directorate	Ref	Audit Title	Objective
ER07 Financial resilience	Chief Customer and Strategy Officer	22 037	Accounting and Cash Management Processes TTLP	To provide assurance the accounting and cash management processes for TTLP are adequate.
ER05 Procurement including supply chain	Chief Finance Officer	22 034	Management of the Relationship with Critical (key) Suppliers by P&C	To provide assurance on the maintenance and development of the key supplier relationship management process to improve the security of supplies.

Transport for London Audit and Assurance Committee

Work planned to start in Q4 2022/23

Appendix 5

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

Enterprise Risk	Directorate	Ref	Audit Title	Objective
ER02 Attraction, retention, wellbeing and health of our employees	Chief Finance Officer	22 008	Movers and Leavers	To provide assurance on the adequacy and effectiveness of the joiners, movers and leavers process.
ER06 Deterioration of operational performance	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.
ER06 Deterioration of operational performance	Chief Operating Officer	22 041	Impact of Extreme Weather	To provide assurance on the adequacy and effectiveness of controls in place to deal with the impact of extreme weather.
ER04 Significant 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.
ER07 Financial resilience	Chief Customer and Strategy Officer	22 039	London Transport Museum (LTM) Financial Controls	To determine the adequacy and effectiveness of the LTM's key financial controls.
ER07 Financial resilience	Chief Finance Officer	22 040	Accounts Receivable	To provide assurance on the adequacy and effectiveness of the accounts receivable process.
ER07 Financial resilience	Chief Finance Officer	22 035	LU Payroll	To provide assurance on the adequacy and effectiveness of payroll controls in London Underground (LU).
ER07 Financial resilience	Chief Finance Officer	22 038	Accounts Payable	To provide assurance on the adequacy and effectiveness of the Accounts Payable process.
ER04 Significant security incident	General Counsel	22 033	Deletion of SAP data	To determine the extent of compliance of SAP record keeping in line with General Data Protection Regulation requirements.

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Enterprise Risk	Directorate	Ref	Audit Title	Objective
ER10 Governance and controls suitability	General Counsel	22 042	Information Management and Transfer - Hardcopy Documents	To provide assurance on the adequacy and effectiveness of transferring hardcopy data from Crossrail to TfL.
ER03 Environment including climate adaptation	Chief Safety, Health and Environment Officer	22 028	Climate Adaptation - risk assessments	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.
ER06 Deterioration of operational performance	Chief Operating Officer	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.

Transport for London Audit and Assurance Committee

Changes to the 2022/23 audit plan

Appendix 6

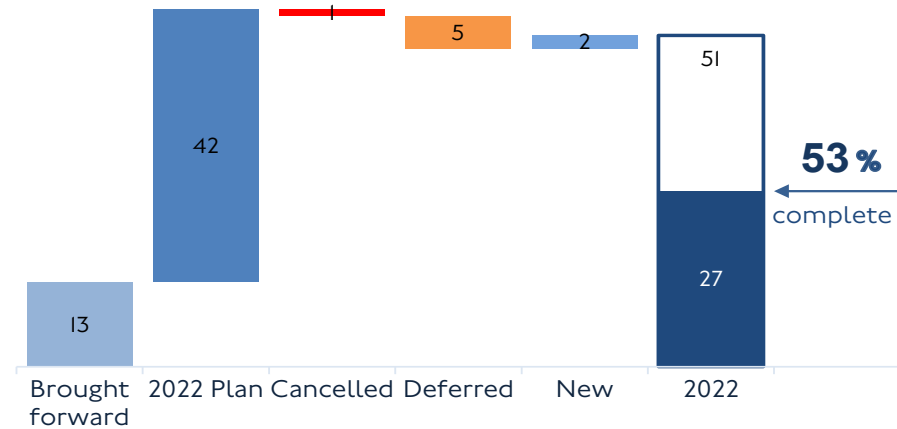
- There have been five changes to the plan since the last Committee: three cancelled and two deferrals

Ref	Audit Title	Status	Audit Comments
22 004 (D)	Management of Network Drives	Deferred	Audit deferred due to challenges with co-source provider. This will be included in the 2023/25 plan.
22 005 (C)	CUBIC - Systems Availability	Cancelled	Audit cancelled due to challenges with co-source provider and changes in risk priorities within the business. As a result we will be looking at the Strategics application in 2023/24.
22 020 (C)	CUBIC - System Performance	Cancelled	Audit cancelled due to challenges with co-source provider and changes in risk priorities within the business. As a result we will be looking at the Strategics application in 2023/24.
22 036 (D)	Arts Council England funded projects: Museum Estate and Development Fund (MEND) Department for Digital, Culture, Media and Sport (DCMS) grant	Deferred	During the London Transport Museum Audit and Risk Committee meeting on 5 October 2022, the Chief Financial Officer and chair of the committee asked for the review to be delayed by six months due to delays on their procurement. This is deferred to 2023/24.
21 057 (C)	Effectiveness of the due diligence process for new tenants	Cancelled	The audit coincided with the launch of TTL Properties Limited (TTLP), and the scope of this audit will be included in the 2023/24 TTLP Integrated Assurance and Audit Plan.

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Appendix 7: Internal Audit Q3 Summary

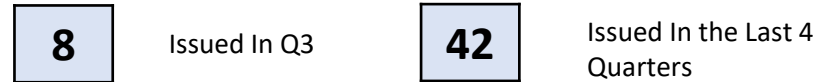
Audit plan for 2022/23 in Q3



At the end of Quarter 3 (Q3) all of the carryover audits were completed. We have delivered 53 per cent of the plan. Our current projection is that we will hit the 85 per cent target. We are looking at a potential carry over of four/five audits which are due to start in February 2023. Historically our Quarter 4 performance is strong, 15 were issued in that quarter last year and we are likely to repeat this year.

The number of actions closed on time remains at the same percentage as for Quarter 2 (Q2) and the number of overdue actions has increased from 26 at the end of Q2 to 38 at the end of Q3. However, since the end of Q3 we have closed all of the actions over 100 days old.

Reports



Audit ratings by Directorate - last 4 Quarters

	Poorly Controlle	Requires Improvement	Adequatel y	Well Controlle	Consultanc y
Chief Capital Officer					
Chief Customer and Strategy Officer	1	1			
Chief Finance Officer	1	1			
Chief Operating Officer					1
Chief People Officer					
Chief SHE Officer		1			1
Comms & Corp. Affairs					
Crossrail					
General Counsel		1			
Pan TfL					
Total	25.0%	50.0%	0.0%	0.0%	25.0%

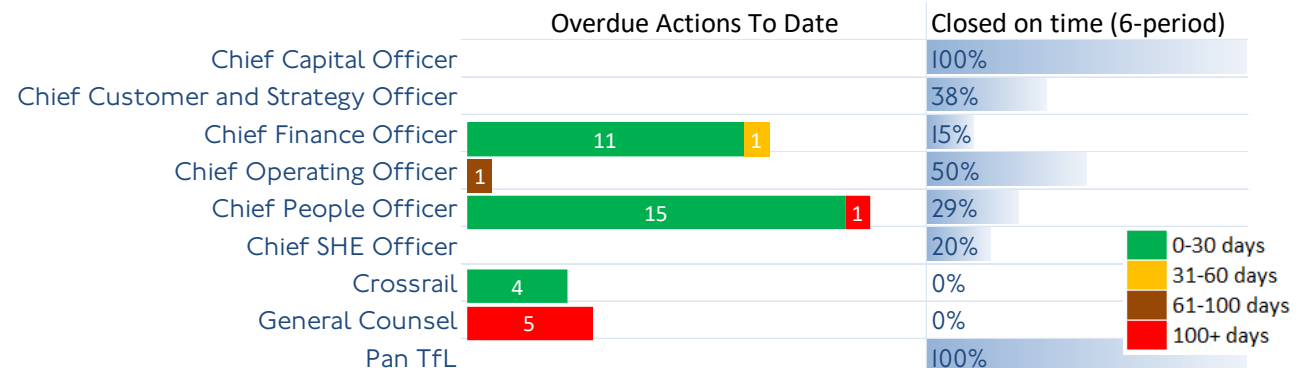
Action Management

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

Measure	No.	%	6-period rolling trend	
No. Actions Closed on time	28	19%		38 Overdue
No. Actions Extended	45	53%		Out Of
				190 Open

By Directorate

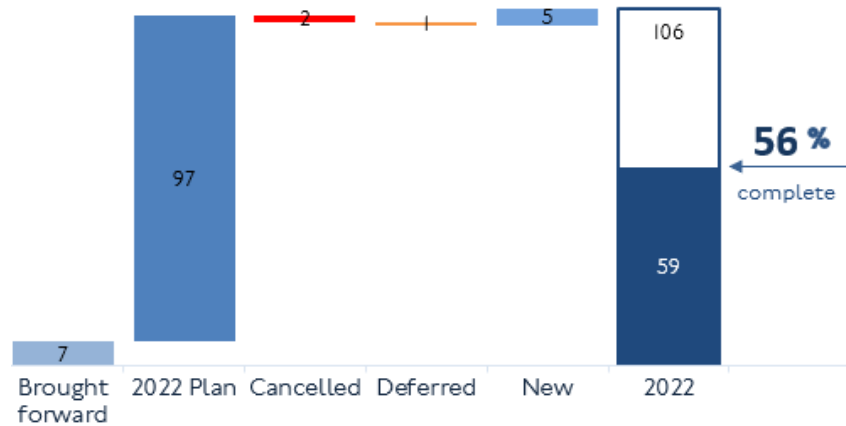
Based on actions due in the last six periods



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Appendix 8: Quality Safety Security Assurance Audit Q3 Summary

Audit Plan for 2022/23 in Q3



Key Highlights

Three of the audits issued in Quarter 3 were given a 'Poorly Controlled' conclusion: Environmental risk assessments in London Underground and Buses and Trams and Trams 'On Track Plant and Machines' (see the main paper for details).

There has been good progress against the number of overdue actions, with a significant reduction in the number of actions 100 days or more over due.

Audit planning is currently underway for the 2023/24 programme.

Audit ratings by Chief Officer - last four quarters

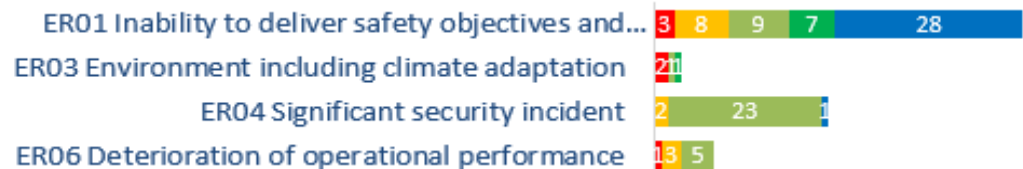
	Poorly Controlled	Requires Improvement	Adequately Controlled	Well Controlled	Not Rated
Chief Capital Officer	1	1	2		
Chief Customer and Strategy Officer			12		1
Chief Finance Officer					
Chief Operating Officer	5	11	24	8	28
Pan Tfl		1			
Total	6.4%	13.8%	40.4%	8.5%	30.9%

Action Management

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

Measure	No.	%	6-period rolling trend	Count	Status
No. Actions Closed on time	25	35%		27	Overdue
No. Actions Extended	21	18%		91	Open

Audit Rating By Enterprise Risk – last 4 Quarters



■ Poorly Controlled
 ■ Requires Improvement
 ■ Adequately Controlled
 ■ Well Controlled
 ■ Not Rated

	Overdue Actions To Date	Closed on time (6-period)
Chief Capital Officer		50%
Chief Operating Officer		29%
Chief SHE Officer		0%

■ 0-30 days
 ■ 31-60 days
 ■ 61-100 days
 ■ 100+ days

Based on actions due in the last six periods

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Reviews Undertaken to Support Submissions to the Programmes and Investment Committee

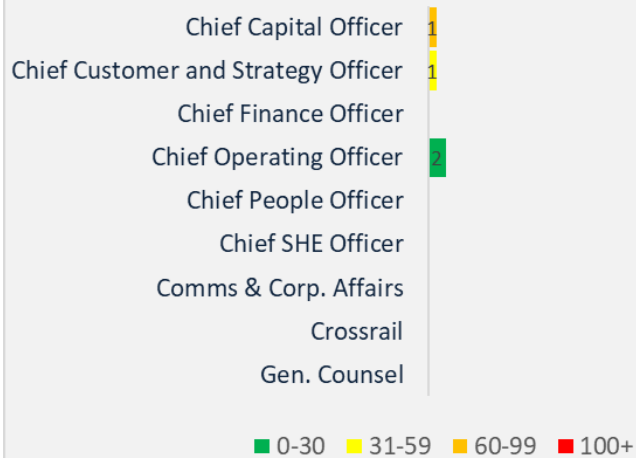
Recommendations (Critical Issues)		Commentary
London Underground (LU) Enhancements	9 (0)	TfL funding for the LU Enhancements Programme is reducing with future projects reliant on securing third party funding; which has an inherent level of uncertainty. The delivery model has been revised over the last 18 months and now uses a form of Early Contractor Involvement aimed at achieving greater certainty of cost and schedule outturn. However, as fewer large projects start, it has not yet been possible to fully demonstrate its value although indications are positive. Pressure on resources remains an issue, especially project engineers.
Silvertown Tunnel (STT)	10 (0)	The programme team is demonstrating good management of their obligations under the Private Public Partnership. The stability of the key Permit to Use date is being monitored closely as it has been subject to some movement. The TfL Road User Charging team will deliver the tunnel charging system element of the project and the STT team will strengthen this key interface and fully integrate tunnel user charging activities into their master schedule.

Open and Overdue Recommendations

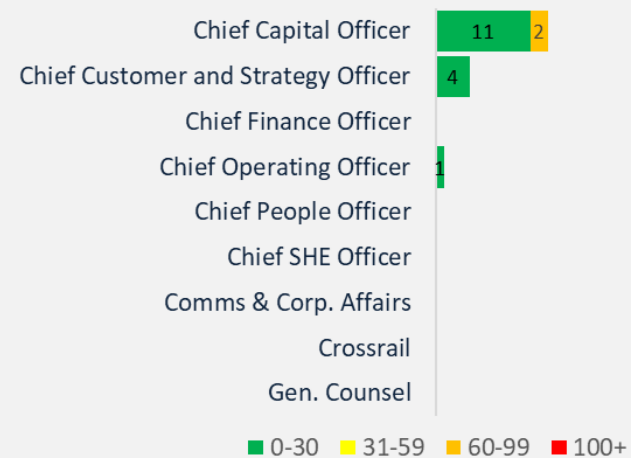
At the end of Q3 there were four Independent Investment Programme Advisory Group (IIPAG) recommendations overdue against their completion date and 18 Project Assurance recommendations overdue. Of the overdue recommendations, there was one IIPAG critical recommendation. This has subsequently been closed since the end of Q3.

The following graphs show the length of time that the overdue Project Assurance and IIPAG recommendations have been overdue by and the Chief Officer area that the recommendations relate to.

IIPAG Overdue Recommendations by Days



Project Assurance Overdue Recommendations by Days



The overdue recommendations are regularly reported to and discussed at the portfolio boards and investment review meetings to ensure that there is awareness and scrutiny at Chief Officer level. Since the end of Q3 a number of overdue recommendations have been closed, this includes the three recommendations shown as being overdue by 60-99 days in the above graphs, and the one IIPAG recommendation shown as being overdue by 31-59 days.

Transport for London Audit and Assurance Committee

Customer Feedback Form Summary in Q3 2022/23

Appendix 10

Internal Audit has issued 13 questionnaires, nine returned (69.2%), average score of 86.4%

Quality, Safety and Security Assurance has issued 15 questionnaires, 14 returned (93.3%), average score of 100%

Internal Audit Customer Feedback Summary	Average Score	Very Good	Good	Satisfactory	Poor	Very Poor
1) The assignment timing was agreed with me and there was appropriate consideration of my other commitments as the work progressed	82.2%	3	4	2	0	0
2) The assignment was completed, and report issued within appropriate timescales	87.5%	3	5	0	0	0
3) Communication prior to the assignment was appropriate, including the dates and objectives	86.7%	3	6	0	0	0
4) Throughout the assignment I was kept informed of the work's progress and emerging findings	82.2%	3	4	2	0	0
5) The Internal Audit team demonstrated a good understanding of the business area under review and associated risks, or took time to build knowledge and understanding as the work progressed	84.4%	4	3	2	0	0
6) The Internal Audit Team acted in a constructive professional and positive manner	94.3%	5	2	0	0	0
7) A fair summary of assignment findings was presented in the report	88.9%	4	5	0	0	0
8) Assignment recommendations were constructive, practical and cost-effective	80.0%	2	5	2	0	0
9) My concerns were adequately addressed, and the review was beneficial to my area of responsibility and operations	91.1%	5	4	0	0	0
Total	86.4%	32	38	8	0	0

Quality, Safety and Security Assurance Customer Feedback Summary	Average Score	Satisfied	Dissatisfied	Not Applicable	Total
Accuracy of the findings	100.0%	14	0	0	14
Communication with us during the audit	100.0%	14	0	0	14
Effectiveness of the management actions	100.0%	13	0	1	14
Our professional manner	100.0%	13	0	0	13
Our receptiveness to your concerns	100.0%	13	0	0	13
Our understanding of your area	100.0%	14	0	0	14
Scheduling of the audit	100.0%	14	0	0	14
Time taken to receive the final report	100.0%	14	0	0	14
Total	100.0%	109	0	1	110

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Appendix II: Counter-fraud and Corruption Q3 Summary

Fraud investigation

During Q3, five new cases were opened, and three cases were closed. The five new cases included an attempted payment diversion fraud linked to an email account compromise at the Greater London Authority (GLA) (see significant closed cases below), an allegation of overtime fraud and an allegation of a conflict of interest within Procurement.

Fraud prevention

- Members of the Counter-fraud and Corruption (CFC) team attended the quarterly Professional Services Procurement & Commercial (P&C) event, hosted by senior management from the business area. The CFC team presented to small groups about the role they performed and the risk of fraud within end-to-end procurement processes. This was followed by question-and-answer sessions. Over 100 P&C colleagues attended the event and received the presentation.
- The CFC Steering Group met remotely in October 2022. The group, that has recently undergone a review of membership based upon fraud risk within TfL, heard general fraud risk updates from a number of new members including Customer Contact Operations and London Underground Operations. The Head of CFC provided his regular update about new and ongoing fraud investigations.

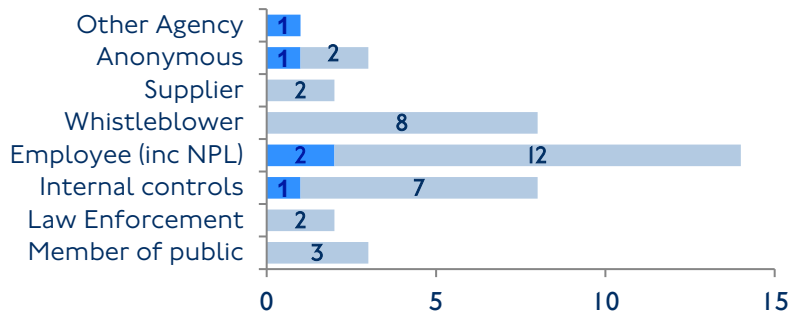
Cases by Chief Office

Investigations	B/F	New	Closed	C/F
Operations	24	4	1	27
Customer & Strategy	9	0	1	8
People	1	0	0	1
General Counsel	1	0	0	1
Capital	0	0	0	0
Finance	1	1	1	1
Total	36	5	3	38

Cases by type New and Brought Forward



Cases by source New and Brought Forward



Significant closed cases

Case 22-914 Allegation of attempted payment diversion fraud

In November 2022, it was reported that several GLA email accounts had been hacked. As a result, a TfL employee received a series of fraudulent emails, purportedly from a GLA employee, requesting changes to bank account details to divert invoice payments totalling £3.8m. The payments had already been correctly made prior to the emails being received, so no money was lost. In addition, several other phishing emails were sent to various TfL employees from compromised GLA accounts, although TfL's Cyber Security team were able to successfully block the malicious link contained within it. From analysis of hacked accounts and the emails sent, the source of the hack is believed to be outside the UK. No suspects have been identified. The GLA has reported the incident to Action Fraud and TfL has made a similar report with regards to the attempted fraud. Some control environment concerns have been discussed with senior management in Business Services, who will take necessary action. This case is now closed.

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Transport for London Audit and Assurance Committee

Control Environment Indicators

Appendix 12

Audit indicators – rolling average (four 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%	7.1%		
Requires Improvement or Poorly Controlled	50.0%	43.8%	36.6%	37.2%	31.7%	36.6%	47.6%		

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%	99.73%		

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	795		
On time FOI responses	100.0%	100.0%	99.9%	99.9%	100.0%	100.0%	99.7%		

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Audit and Assurance Committee



Date: 15 March 2023

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 March 2023. It describes the work undertaken since the last report presented to the Committee in November 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 paper and the exempt supplementary information on Part 2 of the agenda and the Chair, in consultation with available Members, approve a change to the Independent Investment Programme Advisory Group (IIPAG) Terms of Reference to amend the required frequency of the TfL Benchmarking Review by IIPAG from yearly to three-yearly.**

3 IIPAG Quarterly Report

- 3.1 Under its Terms of Reference IIPAG is required to produce quarterly reports of its advice on strategic and systemic issues, logs of progress on actions and recommendations and the effectiveness of the first and second lines of project and programme assurance. IIPAG's Quarterly Report for March 2023 is included as Appendix 1.
- 3.2 Under its current Terms of Reference, IIPAG is also required to undertake an annual review of TfL's benchmarking activities. Included as Appendix 2 is IIPAG's Benchmarking Review for 2022. This is the third annual report by IIPAG on this subject and each has had similar findings. On the basis of TfL's strong performance in this area, and the fact that there are limited changes from year to year, IIPAG proposes to reduce the frequency of their benchmarking reviews from yearly to three-yearly.
- 3.3 Figure 1 sets out the status of the IIPAG recommendations at the end of each of the last three quarters. Of the overdue recommendations at the end of Quarter 3 of 2022/23 (18 September to 10 December 2022) (Q3) there was one IIPAG critical recommendation, which has subsequently been addressed and closed.

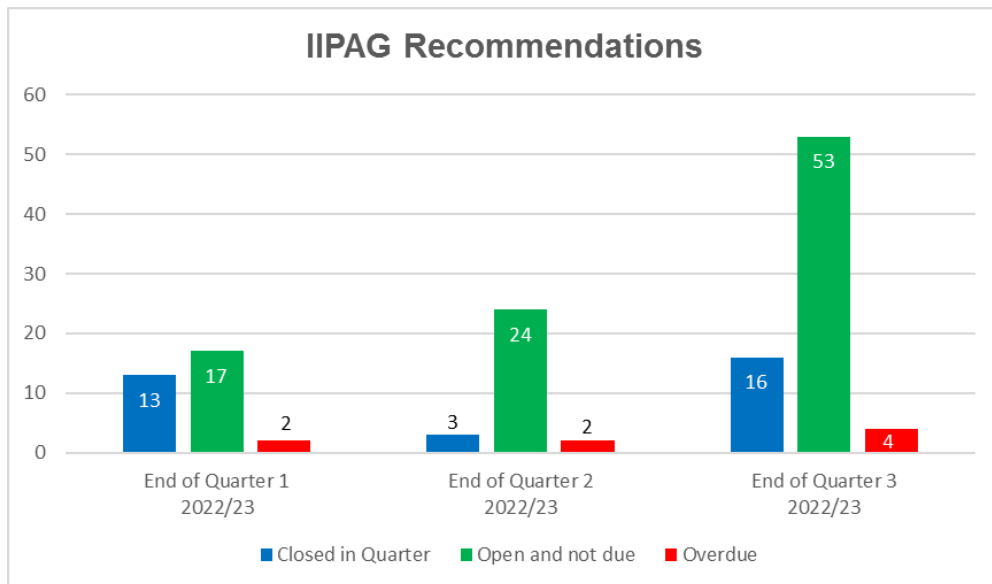


Figure 1: Status of IIPAG Recommendations

- 3.4 From the assurance reviews undertaken during Q3 IIPAG made 10 recommendations, including one critical recommendation. All of the recommendations were agreed with the respective project teams.

4 Management Response to IIPAG Quarterly Report

Review of First and Second Lines of Defence

- 4.1 Project Assurance and the Project Management Office welcome the work undertaken by IIPAG in their review of First and Second Lines of Defence, and accept the recommendations made.

TfL Benchmarking

- 4.2 We appreciate the input and supportive findings from IIPAG. Benchmarking continues to be an important area of focus for TfL and one that we seek to continually refine and build on. We support the IIPAG recommendation to move to three-yearly rather than yearly reviews and ask the Committee to approve this change to the IIPAG Terms of Reference. The findings of the review will be shared with all relevant stakeholders across the organisation and will help shape our thinking and plans for 2023/24.

List of appendices to this report:

Appendix 1: Independent Investment Programme Advisory Group - Quarterly Report March 2023.

Appendix 2: IIPAG Benchmarking Review 2022.

Exempt supplementary information

List of Background Papers:

None

Contact Officer: Lorraine Humphrey, Director of Risk and Assurance
Email: LorraineHumphrey@tfl.gov.uk

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Independent Investment Programme Advisory Group – Quarterly Report March 2023

1. Introduction

- 1.1. This report to the Committee describes IIPAG's activities since November 2022. We have made no new strategic recommendations.

2. IIPAG Activity

- 2.1. We list below the Sub-Programme and project reviews we have undertaken in this period:

- 2.2. Sub-Programmes:

- Technology and Data;
- Air Quality and Environment;
- Major Stations.

- 2.3. Projects:

- Pay as You Go in the South East (Project Oval);
- London-wide Ultra Low Emission Zone (ULEZ);
- Road User Charging (RUC) Business Operations System.

- 2.4. We also had briefings on the Healthy Streets Sub-Programme and the Old Street Roundabout project. We have continued to engage with the Four Lines Modernisation project. The covering paper from Project Assurance describes management progress in implementing IIPAG's recommendations.

3. Systemic Issues

- 3.1. Resources continue to be raised as a risk in many areas, though good progress has been made in securing additional technology resources through the Crown Commercial Services framework. Shortages of project management and commercial resources have been highlighted. Despite the challenges we have seen some well managed projects and programmes in this period.

- 3.2. Through our reviews we continue to encourage teams to provide a good account in their Committee papers of how their delivery over the past year has compared to what they said they would deliver. We also continue to encourage a focus on good programme planning and sufficient attention to risks around schedule, which we find can get less attention than cost risk.

4. Progress with Cross-cutting Work

- 4.1. We have completed our reviews of the First and Second Lines of Defence (LOD) and TfL's Benchmarking. Our reports are attached as appendices 2 and 3 respectively.
- 4.2. Review of First and Second LOD. We concluded that, while project assurance across TfL is already adding value, there are opportunities to further improve assurance and thereby reduce the likelihood of cost and schedule overruns and under-delivery of benefits. We encouraged more rigorous application of good project practice, and implementation of already agreed improvements such as project baselining and the assessment of risk. Beyond this, we advocated less governance complexity, more rigour in portfolio management, and clearer assurance accountabilities.
- 4.3. TfL Benchmarking. We found that TfL continues to have a commendably strong external focus. TfL leaders have been very supportive of international benchmarking and this has no doubt helped sustain a culture in TfL which is strongly outward looking and open to alternative ideas and approaches. There are good examples of how TfL has used benchmarking to shape and improve its performance, such as in responding to the pandemic. Benchmarking has been used extensively to inform the policies that support the Mayors Transport Strategy, carbon neutrality and the Financial Sustainability Plan, and to support funding discussions with the Department for Transport.
- 4.4. Our Terms of Reference ask us to review benchmarking every year. This is our third report, and each has had similar findings. Given TfL's strong performance in this area, and the fact that this does not change much from year to year, we suggest that the IIPAG Terms of Reference are revised to reduce the frequency of IIPAG's benchmarking reviews, to every 3 years.
- 4.5. Our update review of the Procurement and Commercial Improvement Programme is almost complete at the time of writing. We are planning two new cross-cutting reviews to start in the next couple of months: first on the delivery of renewals, and second on the effectiveness of the Pathway gate process.

Alison Munro
Chair, IIPAG
March 2023

**INDEPENDENT INVESTMENT PROGRAMME ADVISORY GROUP
BENCHMARKING REVIEW 2022**

Status: FINAL

Date: 13 February 2023

Author: Alison Munro

Executive Summary

We continue to find that TfL has a commendably strong external focus. TfL leaders have been very supportive of international benchmarking and this has no doubt helped sustain a culture in TfL which is strongly outward looking and open to alternative ideas and approaches.

TfL continues to engage actively in the Imperial College-led international benchmarking groups for the public transport modes. The move to more virtual engagement has created increased opportunities for international benchmarking. There are good examples of how TfL has used these forums to shape and improve its performance, such as in responding to the pandemic.

TfL is making some progress on cost benchmarking, although there is still a way to go. We commend the initiative to develop internal cost intelligence and benchmarks for capital projects. We continue to believe there is greater scope for internal cost and performance benchmarking within TfL.

The scope for data led benchmarking is more constrained in some areas of TfL work, but across the business there is a lot of 'best practice' benchmarking, both internationally and within the UK. Being more ad hoc and tailored to particular issues at hand, the results of 'best practice' benchmarking are generally directly applied to TfL decisions or used to justify TfL solutions. TfL may wish to consider whether there would be benefits from a more formalised system of sharing activity and results, perhaps through a 'Community of Benchmarkers' and/or a portal such as the one for lessons learned exercises.

We have found that benchmarking is used extensively to inform the policies that support the Mayor's Transport Strategy, carbon neutrality and the Financial Sustainability Plan, and to support funding discussions with the Department for Transport. That said, TfL may wish to consider whether it can do more to ensure that the balance of its benchmarking activities is as closely aligned as possible to its needs and strategic priorities. There may be some benefit in nominating an Executive Committee or other senior lead for benchmarking (both data-led and best practice) who could be a focal point and could communicate any strategic or policy priorities to the benchmarking community.

Introduction

IIPAG's Terms of Reference require it to produce an annual report on TfL's benchmarking activities for the Audit and Assurance Committee. This is IIPAG's third report (a little delayed due to resignation of the lead IIPAG member). Our previous reports commended TfL's strong external focus and the level of effort applied to benchmarking.

In this report we had considered two types of benchmarking:

- Data based benchmarking– where data on factors such as costs and performance is collected from different organisations, analysed and compared.
- 'Best practice' benchmarking – where approaches adopted by different organisations are investigated.

Both types of benchmarking can help TfL understand how and why its performance differs from other organisations and can provide insights to inform improvements and target setting. Benchmarking can also assist in justifying TfL's performance and chosen solutions. Benchmarking does however need to be applied with care due to the difficulty sometimes of accounting for all the underlying factors contributing to performance, and hence of making valid comparisons.

Part 1 of this report follows the approach of the two previous reports in surveying the scope of TfL benchmarking activity and how the results are used. Additionally, this time we have also looked at how well aligned TfL's benchmarking activity is with its strategic priorities, as set out in the Mayor's Transport Strategy and the Financial Sustainability Plan. This is covered in Part 2. Part 3 covers the organisation and leadership of benchmarking within TfL.

I. SCOPE OF TFL BENCHMARKING AND INSIGHTS DERIVED

International and Modal Benchmarking

TfL continues to participate in the four International Benchmarking exercises that have been described in previous IIPAG Benchmarking Reviews. These cover London Underground (LU), Docklands Light Railway (DLR), London Overground (LO) and London Buses. This benchmarking work is managed by the Transport Strategy Centre at Imperial College London, which we heard is extremely supportive of and ready to engage with TfL.

LU/DLR: CoMET and Nova

TfL was a founding member of the Community of Metros Benchmarking Group (CoMET), which now includes some 45 metros across the world. From 2013 DLR was represented in a group of smaller metros known as NOVA, which has now been merged back into CoMET. The level of intensity of TfL involvement in CoMET has been largely been maintained, though on the DLR side the team is very small. With more activity now being online, there are greater opportunities to share information

both formally and informally, to access experts more easily, and to have meetings with different metros around the world (where travel previously constrained opportunities). We also heard that a degree of in-person engagement is very important in building trusted and open relationships, especially for learning from things that have not gone so successfully. Whereas before the pandemic most CoMET studies were medium term, there is now a more differentiated approach, with 'express studies' to provide quicker results. Examples have included: COVID recovery; fare evasion; drivers of demand post pandemic; and staff retirements.

Typically, CoMET has around six main case studies underway, plus two to four express studies. Members are asked to put forward topics for consideration, and ideas are put to a voting system. TfL plays an active part in this process, and in past years TfL has been successful in securing its suggested study on Cleaning Efficiency and Practices and has used this to develop its own practices. Other areas which have benefited from learning from CoMET have been timetabling (with lessons from New York and Hong Kong), measures to tackle fare evasion, and modernisation programmes. CoMET studies are also used to validate what TfL currently does or proposes to do.

The centrepiece of CoMET is the production each year of a report on KPIs and customer satisfaction.

London Underground continues to be amongst the metros with the highest service frequency. London has the highest fare levels per passenger km where the DLR and Underground are both more than double the global median level. While wage data is somewhat limited it is clear that when compared to wage levels, fares in the UK are still high.

Before COVID, the majority of metros globally were experiencing strong and ongoing growth in passenger demand. From 2010 to 2019 London Underground saw a change in passenger journeys of approx. +2.15% per year in line with the median annual rate. On average, COMET metros had 61.3% of 2019 demand in 2021 with London having 54% (DLR 66.1%) and like the majority of metros London maintained high service levels (approx. 90%) during 2021.

London is at the bottom end of metros for step free access (below 50%), along with three other metros that are also more than 100 years old.

London is now at the average capacity levels despite historically low levels of capacity following many years of major train and signalling capacity upgrades and thanks to the operation of very high service frequencies.

Overall London continues to compare well to other European metros of a similar age but remains behind the newer Asian metros.

'2022 KPI Summary Report (2021 Data)' Transport Strategy Centre (TSC), The Community of Metros (CoMET)

Buses: International Bus Benchmarking Group (IBBG)

IBBG operates in a similar way to CoMET, with 15 member cities. It has provided TfL with insights in a number of areas including electric and hydrogen buses, safety issues such as slips and falls, and customer satisfaction. TfL's Bus Safety Programme was partly informed by lessons learned through IBBG.

IBBG produces a suite of bus KPIs each year. These were used to help demonstrate to the Department for Transport the relatively strong financial performance of London's buses pre-COVID. The IBBG data also contributed to identification of a relative drop in London's bus speeds, which stimulated development of a range of policies to improve bus speeds.

The London bus network is the largest of all member cities. TfL provides a more even service distribution throughout the day than most cities, which are weighted more towards morning and evening peak periods. This contributes to overall capacity utilisation being slightly lower in London. Trip lengths are typically lower in London as are the average fares per trip. Financially London compares well, with operating costs reasonably low given the high wage environment and recovery of costs through fares being in the upper quartile.

TfL has been an active participant in IBBG since 2004. The TfL team is not as strongly resourced as the equivalent LU team, and it is recognised that activity has fallen off a bit since COVID. While TfL bus teams are active participants in IBBG studies, there is not as much capacity to engage in the 'shaping' of the IBBG programme.

Aside from IBBG, TfL also seeks to learn from what other UK bus operators are doing. The current trial on Bus Route 63 is testing some of the best examples of what TfL has seen elsewhere in Britain.

Suburban Rail: International Suburban Rail Benchmarking Group (ISEBeRG)

This group was established in 2009 and within TfL is the least resourced of the Imperial groups. The London Overground (LO) team engage in ISEBeRG's seminars and workshops, but their ability to participate fully in ISEBeRG's data collection is constrained not only by internal resources but because LO operations are contracted out, with the contractor holding the data. There is a plan to increase resources a bit to allow LO to be a better member and to maximise the benefits of participation. In time it is expected that the Elizabeth Line will increase its participation in ISEBeRG.

Again we heard that participation had brought benefits, especially through learning what other operators were doing during COVID. Other examples of beneficial learning were practices for dealing with luggage and storage, revenue protection, rolling stock specification, and the use of digital information screens in carriages for safety messages. The LO team also use the KPI data to challenge the LO operator's performance.

All railways saw a drop in passenger journeys in 2020 due to the pandemic. London Overground experienced the most significant increases / recovery from 2020 – 2021, although still below 2019 levels. Service levels and capacity have remained consistent.

London Overground is one of the smaller networks in the group with shorter average journeys at lower speeds between closer stations, but at relatively high capacity utilisation. The average fare per passenger km is higher in London Overground than the other participants.

'Phase 12 KPI Report (2021 Data)' Transport Strategy Centre, International Suburban Rail Benchmarking Group

International Association for Public Transport

In addition to the Imperial College groups, TfL also participates in the International Association for Public Transport (UITP). While the Imperial College work is mainly focused on operating issues and benchmarking data, UITP is more policy focused and has a broader membership. Its Committees are organised along two lines, the first being thematic (e.g. metro, light rail, water-borne transport, transport and urban life, sustainable development, technology) and the second being entity based (e.g. organising authorities, industry groups, research bodies). TfL chairs two Committees, on organising authorities and transport economics, and there is also participation from across TfL in other groups. In the past there had been a TfL lead UITP representative from ExCo, but this has fallen away.

UITP activities are more 'best practice' focused than data focused, and were described to us as 'ultra collaborative'. The UITP groups were very active in sharing experience and solutions during COVID. The benefits are wide ranging, from learning what policies and practices work or not, through to collaboration on e.g. rolling stock specifications and cyber standards, or challenging developments that would be unhelpful to TfL. While some of these benefits may be difficult to attach hard numbers to, there is strong belief that the engagement pays off.

Roads

The Imperial College groups and UITP do not cover roads. TfL's benchmarking is less formalised for roads and is largely based on comparisons with organisations within the UK. TfL's responsibilities for roads (e.g. its own roads vs funding boroughs for their roads, traffic management and signals) are rather unique, making benchmarking more difficult and potentially of less value. KPIs are not produced in the same way, and benchmarking studies are more ad hoc, best practice comparisons.

Major Projects Benchmarking

A small team within the PMO takes the lead on benchmarking for major projects. They have led two significant benchmarking reports in the past couple of years. The first of these, on capital delivery models, benchmarked TfL's Major Projects Directorate (MPD) against a wide range of capital delivery organisations including Network Rail, National Highways, High Speed 2, a couple of overseas transport organisations and public bodies, National Grid, Sellafield, and UK Government departments with large capital programmes. The study looked at organisational structures, the design of the project management function, and the role of the PMO and similar support functions. The results have been used extensively to inform and support organisational developments within TfL such as the centralisation of capital delivery under the Chief Capital Officer and the centralised PMO.

The second study looked at driverless trains and platform protection, a topic which had increased profile in the discussions with DfT around financial sustainability. Again this looked widely, beyond transport into such areas as detection policies in the police and defence.

As part of its planning for financial sustainability, TfL established a Capital Efficiencies Plan (CEP) with targets for cashable savings. The CEP included a workstream on benchmarking, led by the team in MPD. This has reviewed TfL processes (such as Pathway) against other organisations, and benchmarked 'pounds in the ground' – the proportion of direct versus indirect costs – against internal and external comparators.

Building on the CEP, the MPD team is developing a fuller Capital Benchmarking Strategy which will identify key areas of focus for benchmarking activities - where spend is greatest, where there is scope for innovation, and recurring problem areas.

The team has also expanded the Knowledge Portal to include the outputs from benchmarking, alongside 'lessons learnt' reports. There is a feeling that this is currently a bit of an untapped resource in TfL.

Cost Benchmarking

The CEP Benchmarking workstream also included cost benchmarking, primarily relying on the external benchmarking work of Transport Industry Efficiency Strategy (TIES) (see below). Previous IIPAG reports on benchmarking have noted the scope for more internal benchmarking within TfL, but this has been slow to develop. TfL's Estimating Book has been produced by a commercial firm and would therefore draw benchmarks from a range of external capital projects. The new P&C Capital Director is now building a repository of TfL's experience of how costs have moved over the life of TfL capital projects, with a standardised work breakdown structure which will provide TfL-specific benchmarks to inform future cost estimates. This draws on his experience of cost estimating and cost intelligence at Network Rail. Over the next 15 months he intends to build the capability to benchmark the main elements of TfL project costs, such as construction, preliminaries, design and project management against similar TfL projects. The approach will also embrace benchmarking some of the recurring common items (such as laying new track, or new switches and

crossings.) This activity is currently limited to major capital projects, but the approach could also prove useful for other areas such as renewals and T&D.

Cost benchmarking is also deployed in a range of procurements, to aid the assessment and challenge of suppliers' prices. A significant benchmarking study was undertaken for the Deep Tube Upgrade Programme. Another example is in Fleet, where the internal team gathered benchmark data on energy costs to help ensure value for money in the procurement of wheel sets, which are forged and thus have a high energy component. We heard that Fleet are beginning to build a workbank of cost data, but at present this is being done manually, and more resource would be required to develop it fully.

Transport Industry Efficiency Strategy

TIES was established in 2019 and is sponsored by the Department for Transport, with client partners National Highways, Network Rail, HS2, East-West Rail and TfL. It is supported by, among others, the Infrastructure Projects Authority. TfL has been a key supporter and driver of TIES; it was originally chaired by TfL's then Transport Commissioner, and TfL provides the PMO for TIES.

The aim of TIES is to improve confidence in the projected cost of infrastructure projects, enable stronger decision making, and to drive innovation. It does this through a TIES Benchmarking Forum and the establishment of 'Communities of Practice' (COPs) to facilitate collaboration. The COPs currently cover:

1. Cost/Schedule/Productivity
2. Quality
3. Carbon
4. Circular Economy
5. Biodiversity
6. Climate Resilience
7. Social Value

TIES benchmarking activities to date have prioritised three main areas: signalling equipment; cable route management; and cooling solutions. These priorities were influenced by the needs of the Piccadilly Line Upgrade Programme (PLU). Benefits are already being realised on PLU, through the application of a more efficient cooling solution which has emerged. Historical data has been mined to build up a centralised repository in which data is measured in the same way across organisations. Data on cost and time is the most straightforward to collect, but the ambition is also to capture other data such as environmental and social value data. It is early days, and there is a long way to go before a comprehensive database could be available.

In the meantime it is felt that substantial value has been gained from the COPs, which have enabled the various organisations to evolve a common interest which is expected to deliver efficiencies. The TIES programme is currently facing a bit of a hiatus as the first phase of governance has drawn to a close and the next phase needs to be established. While it is strongly supported at working level it is lacking in strategic leadership. It may be that the programme is too wide ranging and too long

term, and that a clear focus on some quicker wins and clearer articulation of the short to medium term benefits would attract greater support.

Technology and Data (T&D)

The past few years have been very challenging for T&D, with a big delivery agenda, additional challenges coming from the pandemic and the financial situation, and shortages of resources, but if anything this has encouraged even more efforts to question whether things are being done in the best way, and to learn from other organisations.

Before the pandemic T&D had commissioned Gartner to benchmark the T&D operational model against transport companies, public sector organisations and companies leading innovation. This found that while TfL had areas of strength, it was underinvesting, that it had a lot of legacy technology, and that it was under-resourced and facing capability gaps. Changes to address these findings are being taken forward under the Our TfL Programme, again drawing on experience of other organisations facing similar challenges.

Cyber security is another area where over the past couple of years T&D has benchmarked best practice and investment levels with other organisations in the public and energy sectors. Benchmarking has helped T&D make the case for its proposed changes.

T&D's work also underpins greater internal and external benchmarking capability by providing common data standards and environments. TfL's Chief Data Officer works closely with the Government Data Office on consistent data standards and governance, though this is still a work in progress. Internally within TfL a good example is the Maximo common system for asset management, which is being increasingly adopted across the different parts of TfL. It is already up and running for surface transport, with suppliers directly inputting asset data when they carry out maintenance. LU is extending its use of Maximo asset type by asset type, with activity currently addressing signalling asset data.

In the development of Maximo T&D has looked at other organisations' asset management systems (including water and rail companies). It has looked at other sectors to challenge some of TfL's business processes – for example talking to supermarkets when developing common products and deployment approaches for SAP.

Change Programmes

The desire to learn from other organisations' experience and practice can be seen across TfL's change and transformation programmes. An example is a formal benchmarking study undertaken to inform the change to Business Services in 2020, which consolidated previously separate services into a central service.

Benchmarking has been used to compare retention and attraction rates, or the size and spend of different departments. Benchmarking has natural limitations, because of the unique nature of TfL's business, so a 'case by case' basis is taken, with sometimes quite a narrow best practice focus – such as how BP, say, has tackled a

certain business issue. The Change teams aim to keep an eye on what is going on in the wider world so that they can tap into such best practice.

Conclusions on scope and application of benchmarking

TfL continues to engage actively in the Imperial College - led international benchmarking groups for the public transport modes. The move to more virtual engagement has created increased opportunities for international benchmarking. There are good examples of how TfL has used these forums to shape and improve its performance, such as in responding to the pandemic.

TfL is making some progress on cost benchmarking, although there is still a way to go. We welcome the initiative to develop internal cost intelligence and benchmarks for capital projects. We continue to believe there is greater scope for internal cost and performance benchmarking within TfL.

Although the scope for data led benchmarking is less in some areas of TfL activity, across TfL there is a lot of 'best practice' benchmarking, and TfL continues to proactively seek to learn from external experience, both internationally and within the UK. Being more adhoc and tailored to particular issues in hand, the results of 'best practice' benchmarking are generally directly applied or used to justify TfL solutions.

II. STRATEGIC ALIGNMENT OF BENCHMARKING ACTIVITY

In this section we look at how well aligned TfL's benchmarking activities are with its strategic priorities, as reflected in the Mayor's Transport Strategy (MTS) and the Financial Sustainability Plan.

The central vision of the MTS is reducing dependence on the car in favour of walking, cycling and public transport, with the aim of 80 per cent of all trips being made by these sustainable modes by 2040. The MTS reflects the Mayor's aim to make London a zero carbon city for 2050, though the current ambition is to achieve carbon neutrality by 2030. The MTS is framed around the 'Healthy Streets' approach which has three elements:

- Healthy Streets and Healthy People (which embraces air quality)
- Good public transport experience
- New homes and new jobs – supporting good growth.

TfL's international benchmarking is focussed on individual public transport modes, so this aligns well with the MTS objective for a good public transport experience. In this section we focus instead on benchmarking activity which addresses other areas - cross-modal strategies for achieving 80 per cent sustainable travel, non-operational modes, and zero carbon emissions.

Benchmarking and the Target for 80% Sustainable Travel

The target for 80 per cent sustainable travel is highly ambitious and is not achieved anywhere in a city the size of London. Recognising the scale of the challenges the team engages actively in best practice benchmarking to learn from other countries' and cities' solutions and experiences, including through participation in groups such

as UITP. For example, the team has looked at flagship cities for Active Travel, such as Copenhagen, and has investigated what other cities do in establishing Clean Air Zones. It has surveyed overseas experience of repurposing public space for use by cafes and restaurants: for cities including Vilnius, Dallas and New York the team looked at the measures adopted and what considerations were taken into account.

Benchmarking in these areas can have limitations, since the particular characteristics of London can make direct comparisons and application difficult. Also the breadth of TfL's authority is wider than is found in most other cities. In some policy areas TfL is itself a leader, such as for Road User Charging and Ultra Low Emission Zones (ULEZ). Even here TfL continues to engage externally and has very good knowledge of all the schemes in operation or planned around the world. A recent example of this was gathering experience of a boundary, or 'city access', charge, including from schemes in Oslo, Stavanger and Stockholm. Even where TfL cannot directly apply the results of best practice exercises, benchmarking still has value as it can help TfL to evidence and justify the solutions it is proposing.

An example of best practice benchmarking - London Scrappage Scheme

The Scrappage Evaluation Report, which addresses the scrappage scheme introduced in 2019 alongside the extension of ULEZ to the North and South Circular roads, provides details of scrappage schemes launched or due to be launched by other cities to support their Clean Air Zones. It reports experience in UK cities (Bath, Birmingham, Portsmouth, Bradford, Bristol, Greater Manchester, Tyneside and Sheffield) and international cities (Barcelona, California, Milan). It compares type of vehicles targeted, funding levels, grants per vehicle, eligibility requirements and grant conditions, and number of vehicles adapted/replaced.

Benchmarking and the Target for Carbon Neutrality

TfL's Corporate Environment Plan 2021 has set out ambitious targets and plans for carbon neutrality by 2030, with a commitment to benchmark TfL's progress against other organisations in the transport sector and beyond.

TfL has a small central team (c 20 people) responsible for Sustainability and Corporate Environment. Their activities range widely from encouraging efficient energy management on the TfL estate (some 6,500 thousand buildings), through bus emissions to embedded carbon in construction. For buildings and energy management TfL recognises that it is behind the curve; the current focus is on learning from other comparable organisations who do these things better. This 'best practice' benchmarking is mainly focused on the UK public sector or utilities, which provide the most suitable comparators to TfL.

For bus emissions TfL is recognised as a leader in the field, and engages in international benchmarking - for example, through UITP it has recently shared experience on hydrogen buses.

TfL's approach to benchmarking for embedded carbon is also relatively mature. TfL has been an active participant in the Infrastructure Carbon Managers Group, developed by Department for Transport from TIES to provide opportunities to share

information and best practice. Progress has been made for example in designing out carbon in steel and concrete. TfL has supported the Government's recent Shared Digital Carbon Architecture programme, a wider cross-departmental initiative focussed on developing tools and approaches to infrastructure carbon management.

Through the TIES programme TfL also engaged in quantitative benchmarking of carbon whole life assessments of transport infrastructure projects as well as other environmental benchmarking workstreams including green infrastructure and biodiversity and the circular economy.

TfL is actively engaged in sharing best practice through membership of other cross industry groups with a focus on infrastructure carbon, including the Infrastructure Client Group's carbon group and the RSSB's Infrastructure Carbon Working Group. As a member of the Supply Chain Sustainability School TfL is working with other infrastructure clients and the supply chain to develop best practice and improve consistency in the reporting of Scope 3 carbon.

TfL is less mature in its approach to climate adaptation. It engages in UITP work on adaptation, which includes surveys of what member organisations are doing. TfL also chairs a Transport Adaptation Steering Group, with membership from Network Rail, Highways England and Thames Water.

Carbon and sustainability have become topics of increasing importance in CoMET, with studies being undertaken on environmental, social and corporate governance (ESG), flooding and climate adaptation for metro systems.

Benchmarking and the Financial Sustainability Plan

TfL's benchmarking activities have supported Financial Sustainability in 2 respects: first, in making the case for Government support as a result of the pandemic; and second, in identifying potential efficiencies which will improve TfL's financial position.

As we have already noted in this report, TfL used data from its international benchmarking activities to demonstrate to the Department for Transport both its strong financial position pre-pandemic, and also its relative vulnerability to reduced demand because of the higher proportion of costs covered by revenue, compared with other comparable transport organisations. It also presented evidence to DfT on the different structural arrangements in place for other transport organisations in the UK such as Network Rail and National Highways.

Benchmarking has also supported the adoption of more efficient practices. For example, TfL has drawn on benchmarking information on balancing services against reduced demand, potential operational cost efficiencies, and harnessing technology. On the capital front, as already described, the capital efficiencies programme included benchmarking. On the organisational front, best practice from other organisations has been used to support change programmes, such as in P&C, and in considering reward.

Conclusions on Strategic Alignment

We have found that benchmarking is used extensively to inform the policies that support the MTS, carbon neutrality and the Financial Sustainability Plan, and to support funding discussions with the Department for Transport.

That said, TfL may wish to consider whether it can do more to ensure that the balance of its benchmarking activities is as closely aligned as possible to its needs and strategic priorities. Currently there is no overall coordination, plan or prioritisation process for benchmarking.

III HOW BENCHMARKING IS LED AND MANAGED IN TFL

Until 2017 there was a central benchmarking unit in TfL, which oversaw all the international benchmarking activities. Since then the lead on international benchmarking has been split modally, with the relevant Business Strategy team taking the lead for LU and buses, or the operational team for LO and DLR. Whilst this may have reduced oversight and coordination somewhat, overall we think this move is beneficial, as benchmarking now sits closer to the potential users of the results.

At the same time the level of resource for leading benchmarking has been squeezed somewhat, and we have noted that for buses, DLR and the overground resourcing for benchmarking is quite light. However, given the overall pressures that TfL has been facing it is not for us to argue that more resources should go into this area.

Best practice benchmarking is undertaken across TfL, not just as part of the international benchmarking activities. This ensures that studies are well targeted and used but raises a question about whether the benchmarking results are shared with all who might find them useful. We found, for example, that there is not much sharing of LU, LO and DLR benchmarking learnings. It perhaps also raises a risk of multiple uncoordinated requests to particular organisations like Network Rail. TfL may wish to consider whether there would be benefits from a more formalised common system for sharing 'best practice' activity and results, perhaps through a 'Community of Benchmarkers' and/or a portal such as the one for lessons learned exercises.

We heard that TfL leaders have been very supportive of International Benchmarking – for example Imperial College has made an annual presentation to the MD for LU in the past, and the Commissioner has also been engaged. This has no doubt helped sustain a culture in TfL which is strongly outward looking and open to alternative ideas and approaches. We have noted above that there is no overall prioritisation or consideration of the strategic alignment of benchmarking activities, and there may be some benefit in nominating an ExCo lead for Benchmarking who could be a focal point and could communicate any strategic or policy priorities to the benchmarking community.

Audit and Assurance Committee



Date: 15 March 2023

Item: TTL Properties Limited Assurance Update

This paper will be considered in public

1 Summary

- 1.1 This paper reports on progress with assurance activity across TTL Properties Limited (TTLP) during Quarter 3 of 2022/23 (18 September to 10 December 2022) (Q3).
- 1.2 A paper is included on the Part 2 agenda which contains supplementary 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 paper and the exempt supplementary information in Part 2 of the agenda.**

3 Background

- 3.1 The TTLP 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 (LoD2) – Project Assurance (PA) and Quality, Safety and Security Assurance; and
 - (c) Line 3 (LoD3) – TfL Internal Audit and a sub-group of the Independent Investment Programme Advisory Group (IIPAG-TTLP).
- 3.2 This paper reports specifically on Line 2 (PA), Line 3 (Internal Audit) and Line 3 (IIPAG-TTLP) assurance progress. Work in progress for LoD2 and LoD3 are set out in Appendix 1 and work starting in Quarter 4 of 2022/23 (11 December 2022 to 31 March 2023) (Q4) is set out in Appendix 2.

4 Line 2 (PA) Assurance

- 4.1 LoD2 has started to provide assurance on an ongoing continuous basis as well as commencing Targeted Assurance Reviews on key areas.

- 4.2 PA have had further meetings with the TTLP leadership team, and other team members to build understanding of the key challenges and emerging plans to tackle these issues.
- 4.3 Three targeted assurance reviews are in progress with two more planned to start in Q4. More detail is contained in Appendices 1 and 2.
- 4.4 PA and members of the IIPAG-TTLP sub-group were briefed on the Platinum Portfolio and Bollo Lane in advance of authority requests to the January 2023 meeting of the Land and Property Committee (LPC). We will continue to review them as they develop through the project lifecycle.

5 Line 3 (Internal Audit) Assurance

- 5.1 There are two audits in progress, Property Transfer Accounting and Accounting and Cash Management, and more detail is contained in Appendix 1. Fieldwork is complete and the draft report has been issued for one audit.

Audit Delivery

- 5.2 No audits were completed in this reporting period nor were any cancelled or deferred.

Management Actions

- 5.3 The team will monitor the implementation of all Internal Audit management actions and confirm whether they have been adequately addressed. There are currently no overdue actions from previous audits.

6 Line 3 (IIPAG-TTLP) Assurance

- 6.1 The Terms of Reference for the IIPAG-TTLP sub-group were approved by LPC and are attached at Appendix 3.
- 6.2 IIPAG-TTLP work for Q3 and Q4 is set out in Appendices 1 and 2. Activity will focus on retail income forecasts up to 2031 and delivery confidence in the short to medium term housing objectives.
- 6.3 As IIPAG-TTLP obtain a more detailed understanding of the business they will add additional workstreams to the Integrated Assurance and Audit Schedule.

7 Enterprise Risk Management

- 7.1 The TTLP leadership team has agreed the order of priority for reviewing the new Level 0 (L0) risks and the first risk workshop has been held.
- 7.2 LPC will receive an update on each risk once a year. Details of the seven TTLP L0 risks are set out in Appendix 4.

List of Appendices:

Appendix 1: Integrated Assurance and Audit Schedule – work in progress

Appendix 2: Integrated Assurance and Audit Schedule – forward plan

Appendix 3: IIPAG-TTLP sub-group Terms of Reference

Appendix 4: TTLP Enterprise Risks

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

List of Background Papers:

None

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TTL Properties Limited (TTLP) Integrated Assurance and Audit Schedule – Work in Progress Appendix 1

Priority	Topic	Evidence of Need	Type	Who	Status	Objectives
1	Property transfer accounting	<ul style="list-style-type: none"> • New financial processes and controls have been implemented. 	Audit	Internal Audit (IA)	Underway	<ul style="list-style-type: none"> • To assess the maturity and understand financial reporting requirements.
2	Resourcing	<ul style="list-style-type: none"> • Reported staff shortages across multiple teams and reliance on secondments/ non-permanent labour. • People Plan still in development. • 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)	Underway	<ul style="list-style-type: none"> • To understand how resourcing risks are identified and managed and to assess the impact on the delivery plan. • To consider whether there is an understanding of the skills required and whether the right skills currently exist. • To understand challenges in filling vacancies and make recommendations to help improve recruitment and retention.

Priority	Topic	Evidence of Need	Type	Who	Status	Objectives
3	Retail	<ul style="list-style-type: none"> • Considerable uplift in retail income assumed in Business Plan. • Resource shortages impacting ability to deliver new retail opportunities. • Responsibilities historically split across a number of teams and roles and responsibilities/handover points may be unclear. • Wider economic factors are likely to impact viability of existing tenants resulting in more unoccupied units/rising levels of debt. 	Targeted	IIPAG	Underway	<ul style="list-style-type: none"> • To assess the likelihood that the retail strategy can deliver the required uplift in income. • To identify challenges in securing additional retail income and make recommendations which will improve delivery confidence.

Priority	Topic	Evidence of Need	Type	Who	Status	Objectives
4	First line assurance / project controls / information and data management	<ul style="list-style-type: none"> • No evidence of effective first line assurance or effective project controls or reporting. • Minimum reporting requirements are not understood and there are no consistent data sources/data storage arrangements. • Roles and responsibilities are not always clear, particularly where there is an interface with the operational business. • 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	Ongoing	<ul style="list-style-type: none"> • To assess the effectiveness of existing first line assurance/project controls/project reporting. • To consider potential risks resulting from existing arrangements and the suitability of any improvement plans. • To consider requirements for data management and storage.

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

Priority	Topic	Evidence of Need	Type	Who	Status	Objectives
8	Health and Safety	<ul style="list-style-type: none"> • Currently no Head of Health and Safety within TTLP although intention is to have one. • TfL Safety, Health and Environment provide support for TTLP. • Work ongoing to improve tenant compliance and compliance monitoring. 	Continuous	PA/Quality, Safety, Security Assurance	Ongoing	<ul style="list-style-type: none"> • To consider whether the emerging strategy is appropriate. • To assess whether the balance of responsibilities between TfL and JV partners is appropriate. • To assess the appropriateness of processes and actions taken to achieve tenant compliance.
9	Project management	<ul style="list-style-type: none"> • Resource concerns. • 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	Ongoing	<ul style="list-style-type: none"> • To establish where gaps exist in existing project management processes and understand any proposed changes.
10	Bollo Lane - residential development	<ul style="list-style-type: none"> • About to enter JV partnership for delivery. • Successful delivery requires relocation of operational functions from the site. 	Continuous	PA/IIPAG	Ongoing	<ul style="list-style-type: none"> • To support the Land and Property Committee with investment decision.
11	Platinum Portfolio (Commercial Office portfolio)	<ul style="list-style-type: none"> • About to enter JV partnership for TTLP commercial office portfolio. 	Continuous	PA/IIPAG	Ongoing	<ul style="list-style-type: none"> • To support the Land and Property Committee with investment decision.

Priority	Topic	Evidence of Need	Type	Who	Status	Objectives
12	Accounting and Cash Management processes	<ul style="list-style-type: none"> • Considerable work to be done to set up the new financial structure but work is not complete. • Resourcing concerns. 	Audit	IA	Underway	<ul style="list-style-type: none"> • To assess financial readiness maturity. • To gain an understanding of financial reporting including cash flow and financial commitments.

TTL Properties Limited (TTLP) Integrated Assurance and Audit Schedule – Forward Plan Appendix 2

Priority	Topic	Evidence of Need	Type	Who	When	Objectives
1	Residential sector	<ul style="list-style-type: none"> • Target doubled from 10,000 to 20,000 units. • Delivery is challenging - often taking longer than expected. • Impact of external market influences including inflation. • Resourcing shortages. • Affordable housing requirement (50 per cent across the portfolio) will impact the viability of the more challenging sites. 	Targeted	Independent Investment Programme Advisory Group (IIPAG)	Q4 2022/23	<ul style="list-style-type: none"> • To consider appropriateness of residential strategy, including split between residential sectors. • To assess delivery confidence and understanding/mitigation of key risks.
2	Pipeline development and delivery strategy	<ul style="list-style-type: none"> • Robust development/delivery pipeline and prioritisation process is essential for successful delivery. 	Targeted	Project Assurance (PA)	Q4 2022/23	<ul style="list-style-type: none"> • To consider the appropriateness of pipeline development and delivery strategy. • To understand the prioritisation and appraisal process.
3	Assurance of tenants' safety compliance	<ul style="list-style-type: none"> • Work ongoing to improve tenant safety compliance and compliance monitoring. 	Audit	Quality, Safety, Security Assurance	Q4 2022/23	<ul style="list-style-type: none"> • To assess the appropriateness of processes and actions taken to achieve tenant compliance.

Priority	Topic	Evidence of Need	Type	Who	When	Objectives
4	Governance	<ul style="list-style-type: none"> • Governance arrangements are changing – links into wider TfL Executive are not fully defined. • Governance can be complex where there is an operational interface. • IIPAG review from August 2020 recommended Responsibility Assignment Matrices (RACIs) on every project to address roles and interfaces. 	Targeted	PA	Q4 2022/23	<ul style="list-style-type: none"> • To consider appropriateness of existing governance arrangements.
5	Joint Venture (JV) management	<ul style="list-style-type: none"> • IIPAG review from August 2020 recommended introduction delivery metrics, change control, risk management, progress reporting for JV. 	Targeted	IIPAG	Q4 2022/23	<ul style="list-style-type: none"> • To assess appropriateness of existing JV management processes. • To assess understanding/mitigation of key JV management risks.

Draft Terms of Reference for the Independent Investment Programme Advisory Group (IIPAG) TTL Properties Limited (TTLP) Sub-Group to provide Line of Defence 3 (LoD3) Assurance on TTLP.**Purpose**

The Independent Investment Programme Advisory Group TTLP Sub-Group (IIPAG-TTLP) will provide independent assurance and expert advice to the Land and Property Committee (LPC), the Audit and Assurance Committee (AAC), TfL Executive Committee and the TfL Executive. IIPAG will ensure that their work is complementary to that of other assurance providers to TTLP.

Membership and Appointment

There will initially be four members of IIPAG-TTLP which can be increased by agreement of Chair of AAC who will appoint the members. A Chair of IIPAG-TTLP will be appointed and report to the Chair of TfL IIPAG. Members will be appointed on the basis of a two-year tenure with the option for TfL to extend.

Frequency of Meetings

IIPAG-TTLP will meet each period. In addition to attendance at LPC, the Chair of IIPAG-TTLP and other members may be required to attend relevant meetings of the TfL Board, AAC and TfL Executive Committee as requested by the Chair of those committees.

Terms of Reference

1. IIPAG-TTLP will provide independent assurance and advice to the TfL Board, LPC, AAC, TfL Executive Committee and the TfL and TTLP Executive teams with regard to:

- (a) Key risks and issues for the successful delivery of the TTLP Investment Strategy;
- (b) Existing strategies and processes and suitability of any proposed improvements;
- (c) Investment decisions and delivery approach for key developments and asset management activities; and
- (d) The effectiveness of the first and second lines of assurance.

IIPAG-TTLP will provide a strategic view of the above matters and undertake detailed assurance reviews as appropriate.

2. IIPAG-TTLP will work with other assurance providers to develop the Integrated Assurance and Audit Schedule which will be submitted to LPC for approval and AAC for noting.
3. IIPAG-TTLP will input into the TTLP Programme Assurance Group (TTLP-PAG) forum of second and third line assurance providers (periodically).
4. IIPAG-TTLP budget will be agreed with the TfL Chief Finance Officer annually.
5. TfL IIPAG and IIPAG-TTLP will share information to ensure good practice is transferred between them.
6. IIPAG-TTLP will maintain the confidentiality of information provided to them and will follow the agreed procedures for dealing with confidential, legally privileged and other sensitive information.
7. Reports produced by IIPAG-TTLP are subject to the Freedom of Information Act 2000.

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TTL Properties Limited (TTLP) Level 0 (L0) Enterprise Risks Appendix 4

Risk	Risk Title
TTLP-L0-1	Inability to deliver safety and legal obligations
TTLP-L0-2	Attraction, retention, health, wellbeing and capability of our employees
TTLP-L0-3	Financial sustainability
TTLP-L0-4	Stakeholders and partnerships
TTLP-L0-5	Environment including climate adaptation
TTLP-L0-6	Inability to react to external market forces
TTLP-L0-7	Procurement including supply chain

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Audit and Assurance Committee



Date: 15 March 2023

Item: Elizabeth Line Programme Assurance Report Quarter 3 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 3 of 2022/23 (18 September to 10 December 2022) (Q3).

2 Recommendation

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

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 Since the introduction of Stage 5b minus on 6 November 2022, the Elizabeth line services have been characterised by generally good daily performance and reliability of rolling stock and infrastructure. There have been occasional days when failures in the Network Rail infrastructure in the west, as well as train issues have caused disruption to the train services. Planned train and signalling software upgrades and other interventions are providing further operational reliability improvements in advance of Stage 5c in May 2023.

- 4.2 Work has continued on a continuous assurance basis with 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 team readiness and resilience in preparation for Stage 5c.
- 4.3 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 and papers submitted to the Elizabeth Line Committee.
- 4.4 Regarding cost to complete, emerging new cost pressures are being prudently recognised in the Anticipated Final Crossrail Direct Cost (AFCDC) as they arise, and the Programme continues to maintain provision and contingency budgets. Ongoing reviews of the emerging pressures are being completed to enable reductions of the AFCDC towards the target Anticipated Final Cost and minimise funding requirements beyond the £925m.
- 4.5 The Programme has made significant progress since the last report, key progress highlights include:
- (a) Bond Street station opened on 24 October 2022;
 - (b) Sunday passenger services commenced on 6 November 2022;
 - (c) Stage 5b minus services (22 trains per hour (tph) peak / 16 tph off peak) commenced on 6 November 2022; and
 - (d) The Christmas blockade was successful with the entire fleet loaded with new software (ELR300).
- 4.6 Key indicators of maintenance performance continue to be monitored to provide clarity around the average fault identification and diagnosis interval and the overall fault-to-fix cycle time. Experience during Revenue Service is helping to shape the improvements required in terms of response and fix times and root cause analysis to support the 22/24 train per hour (tph) service. An Access Improvement Programme has also been established with a focus on optimising the maintenance window, through increasing the deployment of automation to improve the efficiency of the maintenance workload and resource allocation. Progress improvements are being monitored on a weekly basis.

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 shared at the last meeting.
- 5.2 In Q3 no reports were issued, one is in progress and there are two audits planned to commence in Quarter 4 of 2022/23 (11 December 2022 to 31 March 2023) (Q4).

Audit Delivery

- 5.3 Audits in progress at the end of Q3 are included as Appendix 1, and work planned to start in Q4 are included as Appendix 2.

Management Actions

- 5.4 The team monitors the implementation of all Internal Audit management actions and confirms whether they have been adequately addressed before closing them. At the end of Q3, there were four actions less than 30 days overdue. All of these are being actively monitored and discussed with the business.

Changes to the Audit Plan

- 5.5 TfL Internal Audit regularly reviews and updates 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 in Q3.

6 Line of Defence 3 (LoD 3 – 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, the Stage 5c full 24 tph service and the transition of responsibilities and functions from Crossrail Limited to TfL, as the project closes out.
- 6.3 In general, the overall assurance framework for Elizabeth line has continued to operate effectively.

List of appendices to this report:

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

List of Background Papers:

None

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Audit and Assurance Committee

Work in progress at the end of Q3 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
ER4 Significant Security Incident	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 Reporting

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Audit and Assurance Committee

Work planned to start in Q4 2022/23

Appendix 2

- There are two audits planned to start in 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 Business As Usual	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: 15 March 2023

Item: Critical Accounting Policies

This paper will be considered in public

1 Summary

- 1.1 This paper updates the Committee on TfL's critical accounting policies to be applied in TfL's Statement of Accounts for the year ending 31 March 2023.
- 1.2 This update reflects any changes to the Chartered Institute of Public Finance and Accountancy (CIPFA)/Local Authority (Scotland) Accounts Advisory Committee (LASAAC) Code of Practice on Local Authority Accounting (the Code) and any other changes to International Financial Reporting Standards (IFRS) which may have an impact on TfL's Statement of Accounts for the year ending 31 March 2023.

2 Recommendation

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

3 Background

- 3.1 TfL's Statement of Accounts is prepared in accordance with the provisions of the Local Audit and Accountability Act 2014 and the Accounts and Audit Regulations 2015 (the Regulations). The form and content followed in preparing the Statement of Accounts are as prescribed in the Regulations and by the Code. The accounting policies followed are also substantially as prescribed by the Code.
- 3.2 The Code is updated annually by the CIPFA/LASAAC Joint Committee, a standing committee of the CIPFA and LASAAC, and is based on European Union adopted IFRS, with adaptations and interpretations considered necessary for the local government context. The 2022/23 Code has been prepared on the basis of accounting standards and interpretations in effect for accounting periods commencing on or after 1 April 2022.
- 3.3 This paper deals with changes to the critical accounting policies as they relate to the Statement of Accounts for the year ending 31 March 2023.

4 UK Climate-related Financial Disclosure Regulations

- 4.1 Mandatory climate-related financial disclosure requirements have been brought into UK legislation for certain large companies from April 2022. The requirements are based on the Task Force for Climate-Related Financial Disclosures (TCFD) recommendations which encourage disclosure across four key areas: governance, strategy, risk management, and metrics and targets.
- 4.2 In January 2022, The Companies (Strategic Report) (Climate-related Financial Disclosure) Regulations 2022 and The Limited Liability Partnerships (Climate-related Financial Disclosure) Regulations 2022 were made law and apply for the year ended 31 March 2023.
- 4.3 TfL has a programme in place to develop its climate change reporting methodology in line with the requirements and reported separately to the Committee in April 2022. Initial improvements were made to TfL's Annual Report and Statement of Accounts for the year-ending 31 March 2022, to make progress on the TCFD requirements ahead of them becoming mandatory.
- 4.4 For the TfL accounts for the year ending 31 March 2023, the complete TCFD requirements will be included in within the Narrative Report alongside the Enterprise Risk Management Framework mitigation disclosures.

5 Assessment on Developments in 2022/23 Code and IFRS

- 5.1 The 2022/23 Code and IFRS introduce a small number of amendments to the accounting requirements, which are outlined in paragraphs 5.2 to 5.7 below. These amendments are not expected to have a material impact on the TfL's Accounts for the year ending 31 March 2023.

5.2 Annual Improvements to IFRS Standards 2018-2020

There are minor changes made to IFRS 1, IFRS 9, IFRS 16 and International Accounting Standards (IAS) 41. None of these changes amend the fundamentals of the relevant standard, the improvements relate to clarifying or enhancing guidance.

5.3 Amendments to IAS 16: Property, Plant and Equipment: Proceeds Before Intended Use

Proceeds from selling the output generated when the item of property, plant and equipment is in the development phase, together with the costs of production, are now recognised in profit or loss.

5.4 Amendments to IAS 37: Onerous Contracts – Costs of Fulfilling a Contract

IAS 37 has been updated to specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (examples would be direct labour or materials) or an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

The 2022/23 Code has not explicitly adopted this change.

5.5 Amendments to IFRS 3: Reference to the Conceptual Framework

There are minor changes to IFRS 3 with the addition of an explicit comment that contingent assets acquired as part of a business combination are not recognised (unlike contingent liabilities).

The 2022/23 Code has not explicitly adopted this change.

5.6 IFRS 16 – Deferral of CIPFA Mandatory Adoption

CIPFA/LASAAC has agreed to defer the adoption of IFRS 16 to the 2024/25 Code, meaning that, for local authorities generally, IFRS 16 will need to be adopted from 1 April 2024. The TfL Group, however, with the agreement from CIPFA/LASAAC, early-adopted IFRS 16 from 1 April 2019, to be consistent with the adoption date under the IFRS standards that are relevant for all its subsidiary entities. TfL also adopted the Code interpretation of IFRS 16 in relation to the accounting requirements for leases at peppercorn or nominal lease payments, or for nil consideration which stipulates that the principles in the Code for the treatment of donated assets be followed.

For 2022/23 the Code has extended the early-adoption option to all parties.

5.7 CIPFA Code – Accounting for Infrastructure Assets – Temporary Solution

A temporary solution has been implemented for years beginning 1 April 2021 to 31 March 2025, which features optional temporary relief to not report gross cost and accumulated depreciation for infrastructure assets. This was due to ongoing issues in local government audits particularly around the derecognition where replacement expenditure was incurred on existing highways infrastructure assets.

This has not been a significant audit issue for TfL and therefore we are not adopting this temporary solution.

6 Future Changes to IFRS

6.1 Other standards and interpretations mandatory for years commencing on or after 1 January 2023, include those listed below. These amendments are expected to have limited impact on the TfL Accounts for the year ending 31 March 2024:

- (a) retirement of IFRS 4 and replacement by IFRS 17 Insurance Contracts;
- (b) initial application of IFRS 17 and IFRS 9 – Comparative Information;
- (c) amendments to IAS 1: Disclosure of Accounting Policies;
- (d) amendments to IAS 8: Definition of an Accounting Estimates; and
- (e) amendments to IAS 12: Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction.

6.2 Other standards and interpretations mandatory for years commencing on or after 1 January 2024, include those listed below. These new standards/amendments are expected to have limited impact on the TfL Accounts for the year ending 31 March 2025:

- (a) amendments to IAS 1: Classification of liabilities as current or non-current;
- (b) amendments to IFRS 16: Lease Liability in a Sale and Leaseback; and
- (c) amendments to IAS 1: Non-current Liabilities with Covenants.

List of appendices to this report:

None

List of Background Papers:

None

Contact: Patrick Doig, Group Finance Director and Statutory Chief Finance Officer
Email: Patrick.Doig@tfl.gov.uk

Audit and Assurance Committee

Date: 15 March 2022

Item: Finance Control Environment Trend Indicators

This paper will be considered in public

1 Summary

1.1 To report to the Committee on the Financial Control Environment Trend Indicators, the dashboard for which is set out in Appendix 1.

2 Recommendation

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

3 Background

3.1 This paper reports on the Quarter 3 Financial Control Indicators, informing the Committee as to the control environment across the Finance, Business Services and Procurement and Commercial functions.

3.2 At the last meeting of the Committee, a request was made to include a metric on payment targets to Small, Medium Enterprises. This metric will be provided at the next meeting of the Committee.

List of appendices to this report:

Appendix 1: Financial Indicators Dashboard

List of Background Papers:

None

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Email: Patrick.Doig@tfl.gov.uk

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Performance Metrics, Quarter 3, 2022/23

Appendix 1

TfL Audit and Assurance Committee
15 March 2023



Forecasting accuracy

Q3, 2022/23

In the year to date, we remain on track to deliver our new Revised Budget that sets us on the path to financial sustainability as set out in the 2023 Business Plan:

Revenue is in line with Revised Budget – journeys continue to recover, with latest journeys at 84% of pre-pandemic levels. Journeys and passenger income are slightly better than the Budget. Extraordinary revenue grant is lower than expected, which we expect to reverse over the next quarter

Core operating costs remain close to Revised Budget. Operating costs are £23m lower than Revised Budget, mainly from timing of, and reduction in, maintenance costs, as well as some one-off upsides

Capital enhancement is within 1% of Revised Budget – due to slippage on third-party funded projects, largely because of factors outside our control

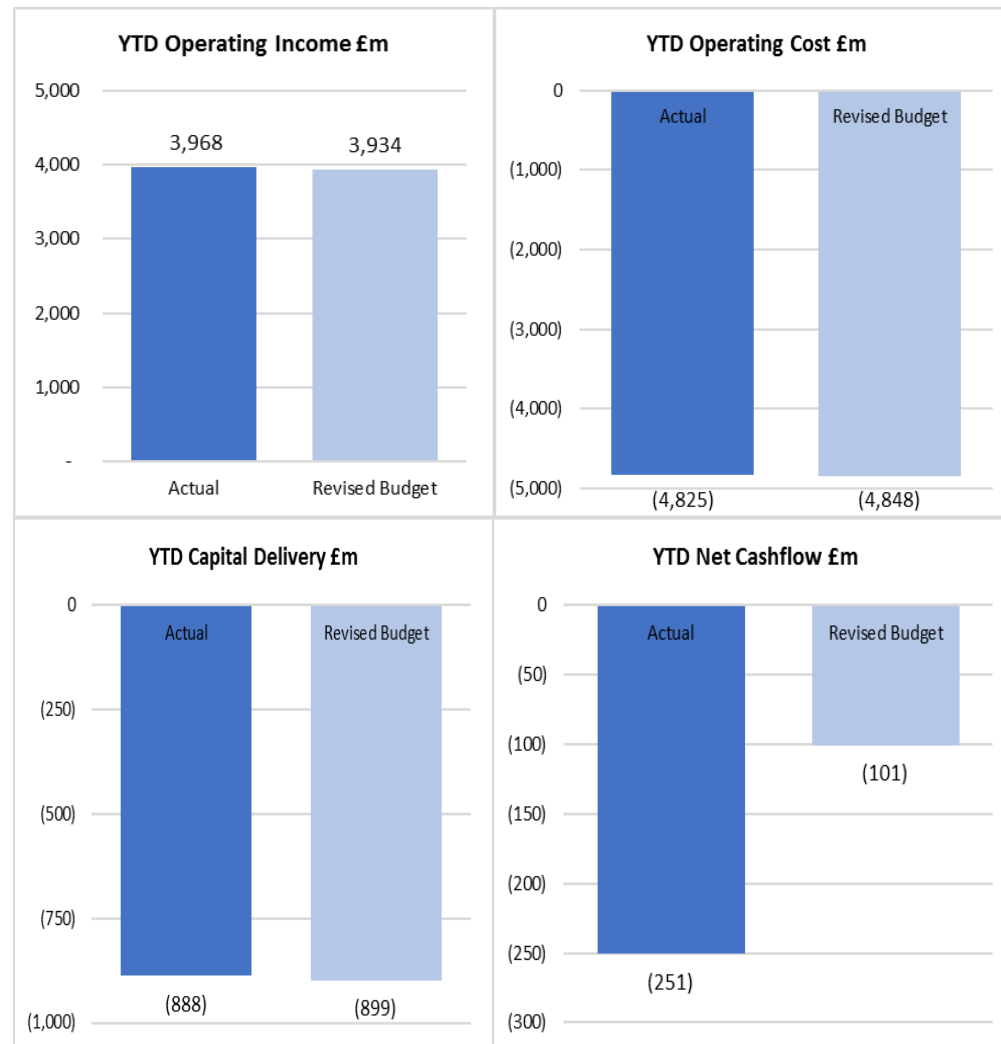
Capital renewals are 2% lower than Revised Budget – our Revised Budget included the ambition to deliver the higher level of renewals of £635m set by the funding settlement. We are actively managing our renewals programme to achieve this.

Quarterly Forecasting Accuracy*

£m	Q4 2022	Q1 2023	Q2 2023	Q3 2023
Operating Income	1,480	1,264	1,274	1,430
Variance to reported Budget	(194)	5	(4)	34
Operating Cost	(2,016)	(1,633)	(1,590)	(1,602)
Variance to reported Budget	(321)	18	51	23
Capital Delivery**	(522)	(293)	(283)	(312)
Variance to reported Budget	(49)	4	29	11
Net Cashflow	(336)	(39)	(187)	(25)
Variance to reported Budget	(31)	(77)	(94)	(150)

YTD Forecasting Accuracy - Q3 2022/23

£m	YTD
Operating Income	
Actual	3,968
Revised Budget	3,934
Operating Cost	
Actual	(4,825)
Revised Budget	(4,848)
Capital Delivery	
Actual	(888)
Revised Budget	(899)
Net Cashflow	
Actual	(251)
Revised Budget	(101)



* Reported Budget - 2021/22 Revised Budget for Q4 2022, the 2022/23 Budget for Q1 – Q2 2023 and the 2022/23 Revised Budget for Q3 2023

** Total TfL capital expenditure excludes amounts relating to Crossrail and TTL Properties Limited

Processing payments, Q3, 22/23

Open items indicate the extent to which the balance on your accounts are accurate, 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.

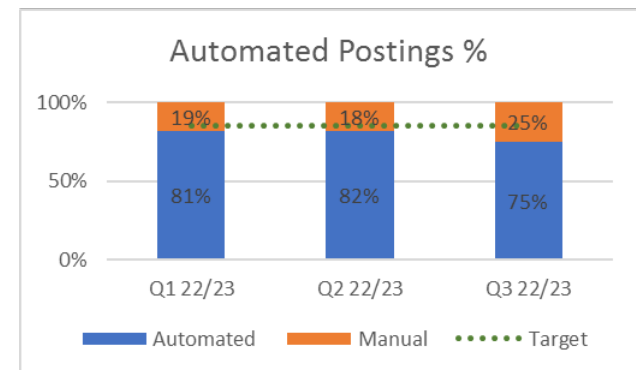
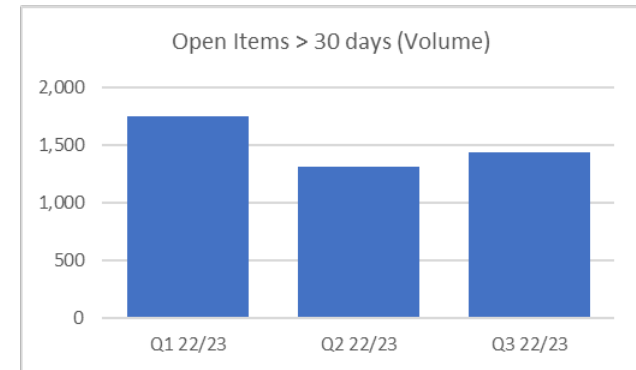
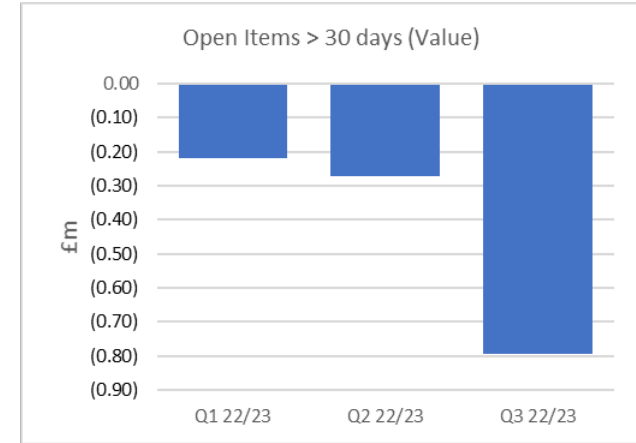
Value of open items > 30 days on the bank reconciliation sits at £790k for Q3. Overall, open items in Q3 with the items less than 30 days open stands at £5.97m a reduction of nearly £4.7m on Q2. The volume of open items in Q3 have remained largely equivalent to Q2.

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 increased sizeably in Q3 to 25% due to the ticketing system in cc1011 for Eventbrite sales failing, resulting in an extra 1010 manual allocations. Until the tender of a new system is complete this activity will continue manually. This is a temporary measure which should be resolved by year end.

Quarterly Figures

£m	Q4 21/22	Q1 22/23	Q2 22/23	Q3 22/23
Open Items < 30 days (£m Value)	(31.03)	(15.53)	(10.66)	(5.97)
Open Items > 30 days (£m Value)	(0.24)	(0.22)	(0.27)	(0.79)
Open Items < 30 days (Volume)	1,227	2,182	1,575	1,494
Open Items > 30 days (Volume)	1,110	1,744	1,312	1,434
Automated Postings %				
Automated	12,690	10,785	10,747	12,143
Manual	2,499	2,004	1,970	3,033
Automated	80%	81%	82%	75%
Manual	20%	19%	18%	25%
Target	85%	85%	85%	85%



Procurement activity

Q3, 22/23

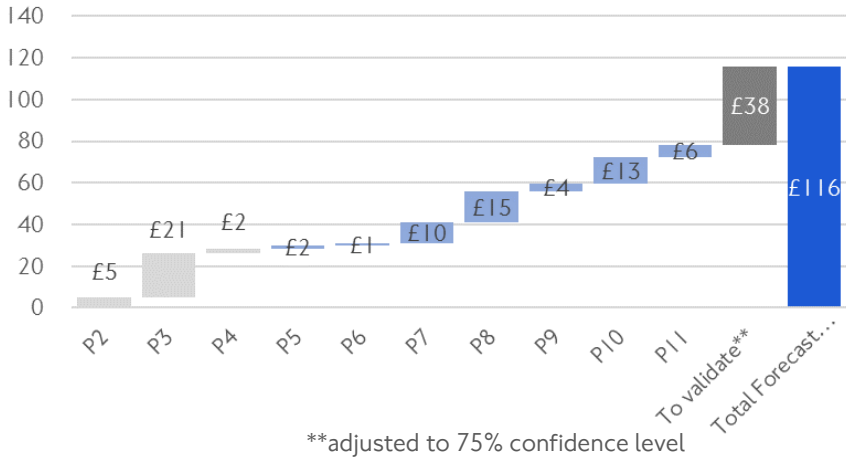
Benefits delivery:
 Floor of £50m in benefits and target of £85m has been set for P&C for FY22/23. £78.3m of benefits have been validated with Finance to the end of P11.

Retrospective spend:
 Highest value amount in Q3 was Metropolitan Police (£7.9m) and Cubic Transportation System Ltd (£5.8m)

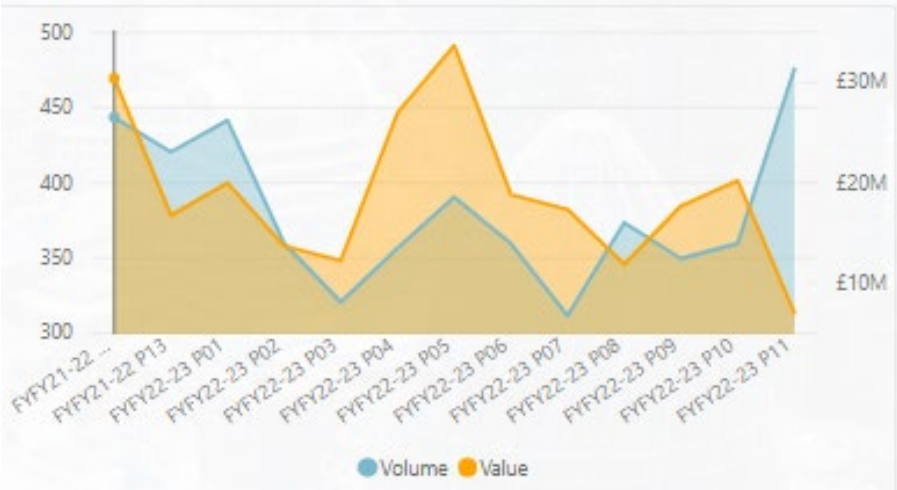
Direct awards by value and volume:
 Highest value direct awards approved in Q3 were L16-22-510 Material Supply Agreement (MSA) for the supply of materials to Stadler Fleet (Derogation - £1m) and 96TS Jubilee overhaul programme lift (JOHPL) – Alstom (single source £646k)

Guided buying:
 Guided buying went live on 30/01. Almost 7000 requisitions have been raised to 21/02. This will enable the ability to track spend against contract once fully embedded.

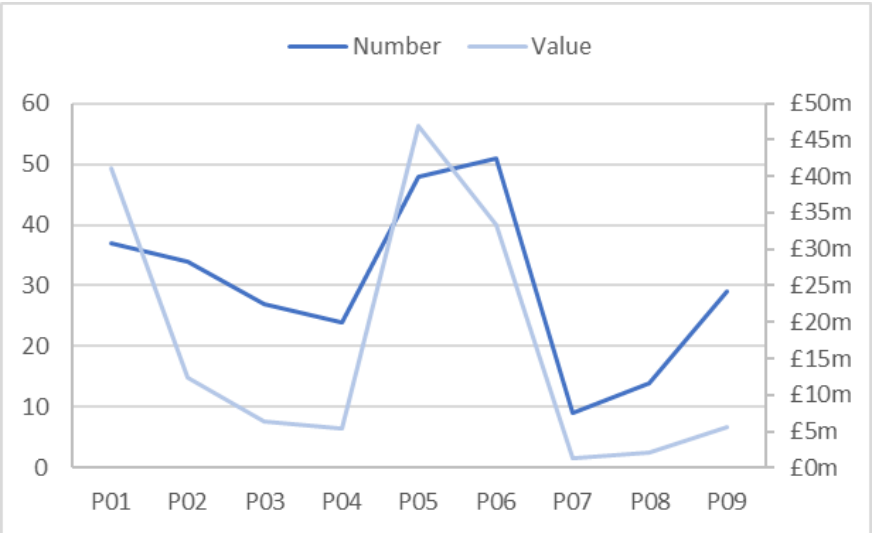
Benefit delivery



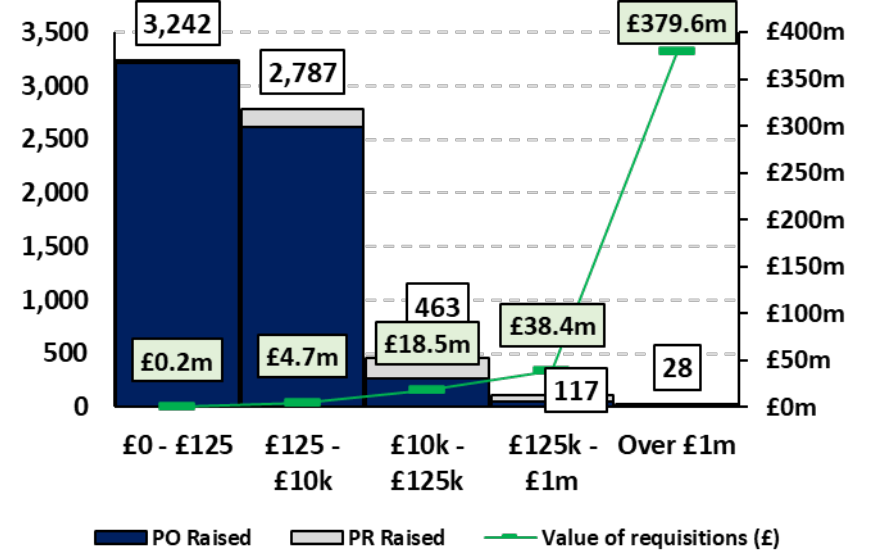
Retrospective spend



Single sources and derogations



Guided buying



Audit and Assurance Committee



Date: 15 March 2023

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 November 2022 to 31 January 2023. During that period, there were no declarations by Members and 64 declarations made by senior staff, of which 30 were declined and 34 were accepted.

2 Recommendation

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

3 Background

- 3.1 TfL's policy on gifts and hospitality applies to TfL Board Members, all staff who work for TfL and staff contracted to work for TfL including on advisory groups or through a third party. It covers both gifts and hospitality offered directly or offered through a spouse or partner.
- 3.2 The policy was reviewed in May 2022 and the guidance and Frequently Asked Questions were updated 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 November 2022 to 31 January 2023. A total of 64 declarations of offers were made by senior staff in this period and 30 of these were declined.
- 4.2 Table 1A shows the current period and the previous two periods. Table 1B shows the same reporting periods for the previous year. An accurate comparison between the May to July periods is difficult due to the impact of ongoing measures to control the coronavirus pandemic in 2021.
- 4.3 For the current reporting period, both the number of offers received and the proportion accepted are higher than in the last period and the previous Christmas-New Year period.
- 4.4 The offers received and accepted are set out in Appendix 1 and have been reviewed to ensure they comply with the policy and guidance and despite the increase in numbers, no concerns have been identified.
- 4.5 Where there are concerns that the policy or guidance is not being followed, these would be raised with the member of staff and their line manager.

Table 1A: Figures reported to this meeting

Three-month period	01/05/22-31/07/22	01/08/22-31/10/22	01/11/22-31/01/23
Total offers	64	25	64
Total declined	44	15	30
Total accepted	20	10	34
Monthly average			
Total offers	21.3	8.3	21.3
Total declined	14.7	5	10
Total accepted	6.7	3.3	11.3

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

Three-month period	01/05/21-31/07/21	01/08/21-31/10/21	01/11/21-31/01/22
Total offers	15	35	52
Total declined	11	23	29
Total accepted	4	12	23
Monthly average			
Total offers	5	12	17
Total declined	3	8	9.5
Total accepted	1.3	14	7.5

List of appendices to this report:

Appendix 1: Gifts and Hospitality Register

List of Background Papers:

Corporate Gifts and Hospitality Register

Contact Officer: Howard Carter, General Counsel
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**Gifts and Hospitality - TfL Senior Leadership Team - Appendix 1
November 2022 to January 2023**

Name of Officer	Offer Status	Donor/Provider of Gift/Hospitality	Detail of Gift/Hospitality	Reason for Accepting Gift / Hospitality	Date of Event/Hospitality
Andy Lord	Accepted	Howgate Sable	Board and Exco Dinner	Networking	08/11/2022
Andy Lord	Accepted	Will Wilson, Siemens	The Railway Ball, black tie	Networking	25/11/2022
Andy Lord	Accepted	City of London - Lord Mayor and Lady Mayoress	The London Government Dinner	Annual networking event	12/01/2023
Andy Lord	Accepted	Andy Roe, LFB Commissioner	Dinner with Met and LFB Commissioners	Networking	24/01/2023
Esther Sharples	Accepted	Morgan Sindall Infrastructure Ltd	London Transport Museum Dinner and Auction	Networking	09/11/2022
Helen Chapman	Accepted	Capita	London Transport Museum Dinner and Auction	Networking	09/11/2022
Howard Smith	Accepted	Alstom	London Transport Dinner & Auction	Networking	09/11/2022
Howard Smith	Accepted	Siemens	Railway Ball	Networking	25/11/2022
Howard Smith	Accepted	T C Chew	Crossrail Project catch up	Valuable discussions	22/11/2022
Joanna Hawkes	Accepted	Philip Cohen, MD Global Banking	ACT Dinner	Business relationship	18/01/2023
Jonathan Wharfe	Accepted	Odgers Berndtson and Berwick Partners	Christmas reception Procurement network event	Networking	06/12/2022
Lisa-Jane Risk	Accepted	Solent University, Southampton	One night's accommodation and breakfast Jurys Inn Southampton	On interview panel to appoint new University Vice Chancellor on 30/11	29/11/2022
Louise Cheeseman	Accepted	Go Ahead London	Annual Inter-Garage Safety Competition	Bus Contractor - keeping relations	23/11/2022
Louise Cheeseman	Accepted	Stagecoach	London Transport Museum Dinner and Auction	Networking	09/11/2022
Louise Cheeseman	Accepted	Dawsons Group	Evening Reception at House of Lords	Keeping good relations	15/12/2022
Matt Brown	Accepted	PRCA	Guest at National PRCA Awards at Hilton Park Lane	Matt is a judge for the PRCA	15/11/2022
Michael Cooper	Accepted	APM Project Management	Awards Dinner/Ceremony	Networking	21/11/2022
Mike Hardaker	Accepted	Morgan Sindall Infrastructure Ltd	London Transport Museum Dinner and and Auction	Networking	09/11/2022
Mike Hardaker	Accepted	Laing O'Rourke	Northern Line Extension Dinner	Networking	10/11/2022
Patrick Doig	Accepted	PA consulting	organised for 'TfL colleagues: past and present'	Networking	15/11/2022
Sam Mullins	Accepted	Deloitte	Deloitte black tie reception - hosted at London Transport Museum	Opportunity to renew their corporate membership with LTM, vital to targets	15/11/2022
Shashi Verma	Accepted	Cubic	Business lunch	Update meeting	23/01/2023
Siwan Hayward	Accepted	PA Consulting	PA Consulting are holding a networking event for past & presents TfL contacts	Networking	15/11/2022

**Gifts and Hospitality - TfL Senior Leadership Team - Appendix 1
November 2022 to January 2023**

Name of Officer	Offer Status	Donor/Provider of Gift/Hospitality	Detail of Gift/Hospitality	Reason for Accepting Gift / Hospitality	Date of Event/Hospitality
Stephen Field	Accepted	Pauline Sibbit, Partner, Sackers	London Transport Museum Dinner and Auction	Networking	09/11/2022
Stephen Field	Accepted	Clair Janaway, Conference & Marketing Executive, SPS conferences	SPS Property, Infrastructure & Real Asset Investment for Pension Funds Conference	CPD and Networking	22/11/2022
Stephen Field	Accepted	Ian Skinner, Partner, WTW	Lunch	Lunch & Annual Review Meeting with WTW	29/11/2022
Stephen Field	Accepted	Rash Bhabra, Head of Retirement, WTW	WTW Pensions and Savings Conference	CPD and networking	01/12/2022
Stephen Field	Accepted	Neil Lalley, Partner, XPS	Meeting and Dinner with XPS Team and Tricia Wright.	Introductory meeting for Tricia Wright to meet with the XPS team.	18/01/2023
Stephen Field	Accepted	Pauline Sibbit, Partner, Sackers & Partners LLP	Review Meeting & Drinks	Review Meeting and Drinks	27/01/2023
Thomas Ableman	Accepted	Siemens	Railway Ball run by Siemens, dinner and drinks	An opportunity to network with key stakeholders in the railway industry	25/11/2022
Thomas Ableman	Accepted	Global	London Transport Museum Dinner and Auction	Networking	09/11/2022
Thomas Ableman	Accepted	PA Consulting	Transport Sustainability Dinner	Key part of role	26/01/2023
Tricia Wright	Accepted	Neil Lalley, Partner, XPS	Meeting and dinner with XPS Pension team and Stephen Field	Introductory meeting to XPS Pension Team via Stephen Field	18/01/2023
Will Norman	Accepted	Mott Macdonald	London Transport Museum Dinner and Auction	Networking	09/11/2022

Audit and Assurance Committee

Date: 15 March 2023

Item: Personal Data Disclosure to Police and Other Statutory Law Enforcement Agencies (2022)

This paper will be considered in public

1 Summary

- 1.1 This paper provides an update to the Committee on the disclosure of personal data to the police and other Statutory Law Enforcement Agencies (SLEAs) for the prevention and detection of crime in London.

2 Recommendation

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

3 Background

- 3.1 TfL, and its operators, provide valuable support to the police and other SLEAs' efforts to prevent, investigate and detect crime, safeguard the most vulnerable and assist in catching and convicting offenders. This is done through TfL's significant investment in roads and transport policing services for London, our strong operational partnerships with London's police services and through the provision of personal data that TfL and its operators hold. This support is vital to the Mayor's aspirations to improve the safety and security of London.
- 3.2 TfL holds a range of information about its customers and employees which is of significant value to our partners in the police and in other law enforcement agencies in the prevention and detection of crime and in safeguarding the most vulnerable in our society. In disclosing personal details to the police and other statutory law enforcement bodies¹ without the subject's consent, TfL must be mindful of its duties under data protection legislation to ensure it is GDPR compliant. We exercise the exemption under Schedule 2 Part 1 and Schedule 2 Part 2 of the Data Protection Act 2018 for the purposes of crime prevention and detection. We consider all requests on a case-by-case basis and release personal data where it is lawful to do so and consistent with our powers.
- 3.3 This paper provides the Committee with a summary picture of the data disclosed in 2022 against trends from the previous four years.
- 3.4 TfL's policy on the disclosure of personal data to the police and other law enforcement agencies can be found at <http://content.tfl.gov.uk/aac-20150309-part-1-item13-policy-on-disclosure-of-personal-data.pdf>.

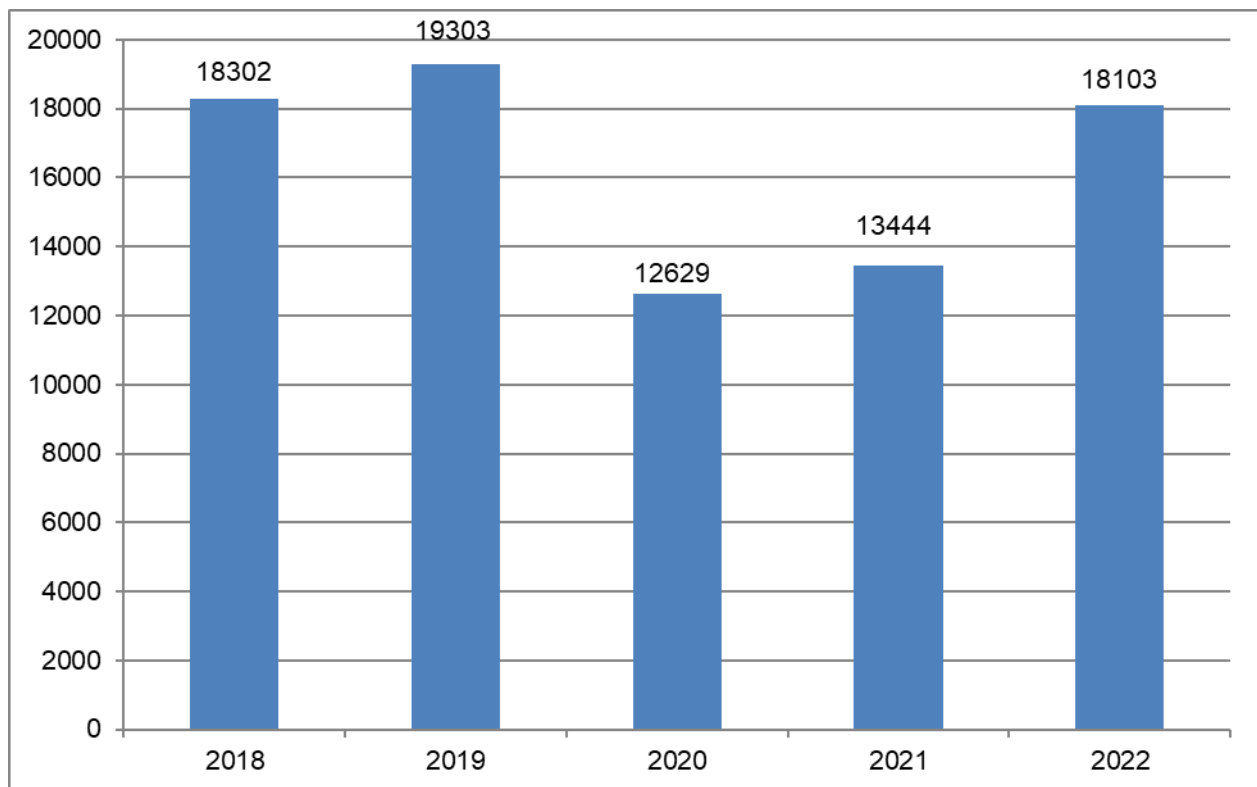
¹ Includes national security and other agencies with a statutory role in crime prevention and detection. Non-police bodies include agencies such as the Driver and Vehicle Standards Agency (DVSA), local authorities, HM Revenue and Customs, and the National Crime Agency.

- 3.5 TfL's Directorate of Compliance, Policing, Operations and Security (CPOS) manage the day-to-day operation of data disclosure, and deal with the bulk of requests for personal data made by the police and other SLEAs.
- 3.6 To resource adequately the growing demand for TfL's data without increasing costs to TfL we established a pioneering partnership unit in 2010 with officers from the British Transport Police (BTP) and the Metropolitan Police Service (MPS) attached to TfL, working under the direction of a TfL manager and subject to regular auditing. In addition, the MPS Roads and Transport Policing Command resource a dedicated unit to liaise with bus operators and assist in the identification and retrieval of bus CCTV for the purpose of crime investigation. TfL's bus operators provide significant support to the police to investigate crimes that occur both on, and off the bus network.
- 3.7 A few other business areas which hold personal data, disclose directly to the police under the guidance of CPOS and General Counsel. This is to avoid the unnecessary transfer of personal data within TfL. These business areas disclose data in accordance with the TfL policy and are subject to regular auditing to ensure compliance:
- (a) Requests for access to CCTV held by London Underground (LU). These requests are currently processed directly by LU where the BTP acts as the data processor;
 - (b) Requests for information on taxi and private hire licensees, held by TfL's Licensing and Regulation Directorate for the investigation of sexual offences and other alleged or suspected criminal activity involving a licensee as a suspect or witness; and
 - (c) Requests for CCTV for bus stations and London River Services.
- 3.8 CPOS operates a 24/7, 365 day call out service to support urgent police requests. This arrangement, funded by the MPS, means that the police can obtain electronic ticketing data and related information for incidents that are deemed of national importance, or where there is a tangible and significant threat to life, or a threat to the transport system.

4 Overview of Data Requests and Disclosures

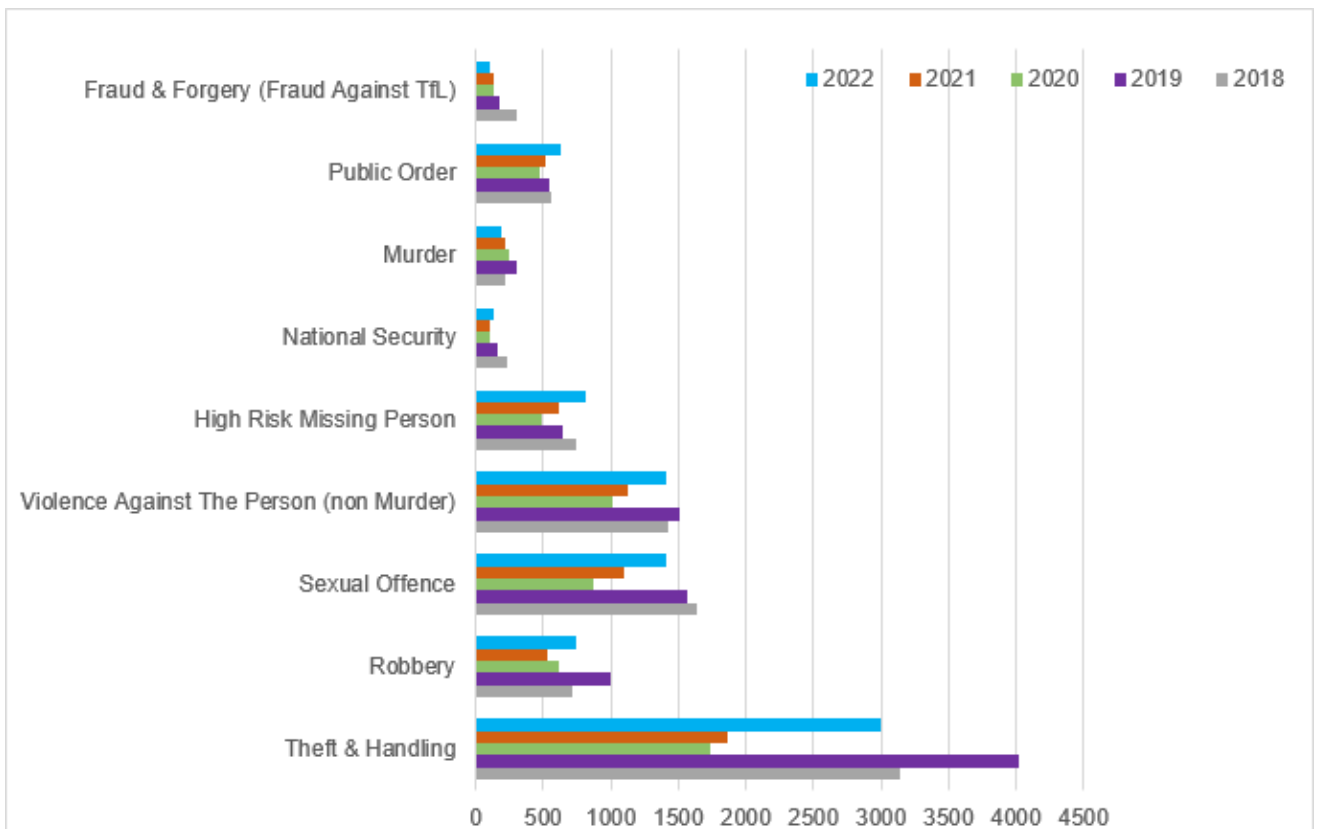
- 4.1 Chart 1 shows the volume of all police and SLEA data requests for ticketing data, Body Worn Video (BWV) or LU CCTV for the last five full calendar years. The total number of data requests made in 2022 was 18,103; a 35 per cent increase on 2021 (4,659 additional requests). Of the requests, 9,805 were for ticketing and bankcard data, 8,298 were for LU CCTV and 277 for BWV.

Chart 1: Breakdown of request (by volume) for ticketing and bankcard data, BWV and LU CCTV data



- 4.2 There are several key factors that influence the number of requests received from the police and other SLEAs each year. These include the level and nature of crime on TfL’s public transport networks as well as wider crime in London, the number of serious safeguarding incidents both on and off the transport network and national security investigations.
- 4.3 TfL continued to provide valuable support to the MPS’ efforts to help locate highly vulnerable people. TfL data was requested in the investigation of 820 high risk missing persons, 32 per cent higher (198 additional requests) than the previous year. TfL’s support for high risk missing persons cases is an important and increasing part of the TfL Data Disclosures Unit’s workload. The Unit continues to work very closely with the police to improve processes to ensure that data is turned around as quickly as possible.
- 4.4 TfL dealt with 196 requests relating to murder and fatality investigations. These are often complex cases that require a significant level of activity by TfL. TfL is acutely aware of how important the timely disclosure of ticketing data and CCTV is for investigating and solving these crimes and will do all it can to support police. TfL’s bus operators should also be recognised for the vital support they provide to the police in these circumstances – often outside of business areas and at their own cost.
- 4.5 In 2022, ridership on TfL’s public transport networks was up by approximately 48 per cent compared with 2021. Crime on TfL’s public transport rose by a 51 per cent compared with 2021. In 2022, there were approximately 37,000 offences recorded by transport policing partners across all of TfL’s networks.
- 4.6 The table below shows the police data requests for personal data held by TfL (ticketing data, CCTV or BWV) by crime or incident type. Categories with fewer than 150 requests are not shown. Requests for taxi and private hire licensee details are reported separately below.

Chart 2: Data requests by crime/incident type



- 4.7 Most requests in 2022 (3,002 requests/31 per cent of totals) were related to theft and handling offences. This reflects the fact that theft remains the highest volume crime on TfL’s public transport networks. The level of theft fell significantly during the coronavirus pandemic when public health measures were in place but is increasing again albeit still below levels prior to the pandemic. Theft on TfL’s transport networks in 2022 was 81 per cent higher than in 2021.
- 4.8 The level of reported sexual offences on TfL’s public transport networks in 2022 increased by 35 per cent. This increase was anticipated because of the significant and ongoing efforts by TfL and its policing partners to tackle sexual harassment across the public transport network. This included the launch of the “zero tolerance to sexual harassment” communications campaign with posters across the network, social media, and editorial content. Police requests for ticketing data, BWV, and LU CCTV for the investigation of sexual offences was up by 29 per cent in 2022 compared to the previous year. We anticipate levels of reported offences to increase with the launch of new bystander campaigns for sexual harassment and hate crime in early 2023.
- 4.9 There were 277 requests (104 per cent increase from 2021 – an additional 141 requests) for BWV footage captured by TfL’s frontline customer-facing staff. The overwhelming majority of requests related to the investigation of work-related violence and aggression incidents against TfL staff.
- 4.10 Table 1 shows a breakdown of data requests by requesting agency (by percentage) for 2022.

Table 1: Data requests by requesting agency

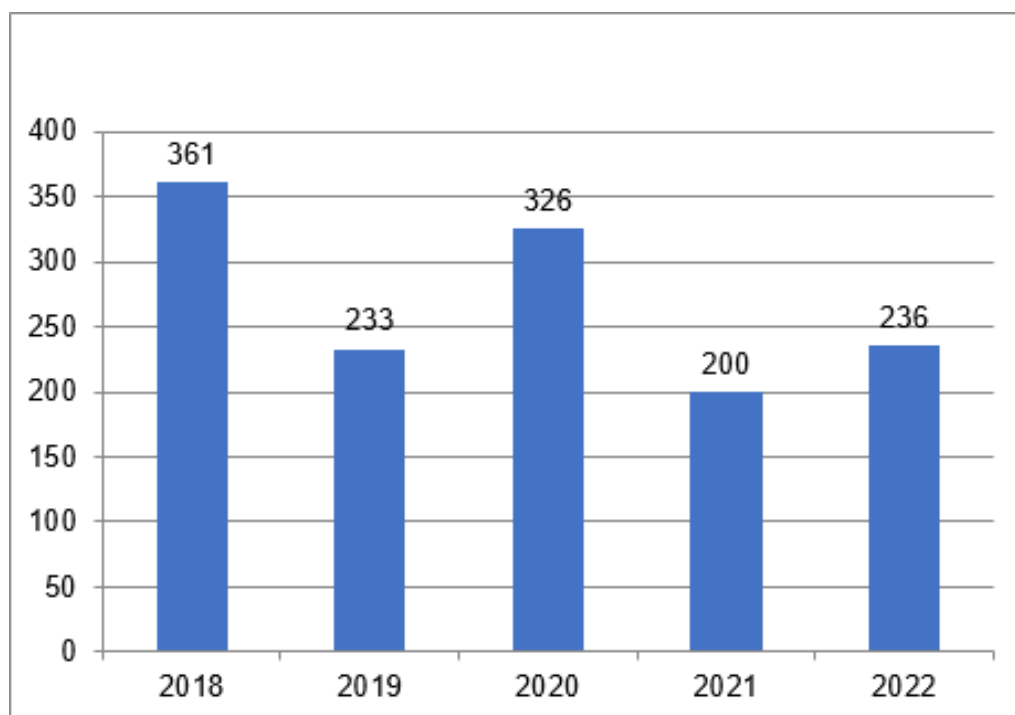
SLEA	No of requests	2022 (%)	2021 (%)
MPS	8,445	49%	50%
BTP	8,298	48%	45%
Other police forces	233	1%	2%
National Security	130	<1%	1%
Non-police bodies that have a statutory role in crime prevention and detection	113	<1%	1%
Bus Company (for personal injury / insurance claims)	58	<1%	<1%
City of London Police	44	<1%	<1%

- 4.11 In addition to the requests to TfL for personal data, the MPS made 11,870 requests directly to our bus and rail operators for CCTV. This included 249 requests for CCTV relating to murder investigations, 2,382 for violence against the person offences, 1,510 for road traffic collisions, 1,251 for robbery and 1,224 for sexual offences. The requests were to support investigations of both transport and non-transport related crimes and incidents. There were 43 requests made by the police for audio recordings from bus drivers relating to bus incidents.
- 4.12 TfL also provides the MPS with data from the Automatic Number Plate Recognition cameras, which support the operation of Road User Charging schemes. This has been done since 2007 for national security purposes and since 2015 for general policing purposes. A Mayoral Decision (MD2977) in 2022 granted TfL the power to give the MPS access to additional cameras installed for the expansion of the Ultra Low Emission Zone (ULEZ) which took place in 2021 and the MPS are currently working to complete their assessment of which additional cameras they want access to and what the privacy and equalities impacts of that would be, for submission to TfL, prior to any access being given.
- 4.13 In 2022, TfL received two production orders to provide data to the police, where the data disclosure team deemed the initial request was excessive. One was for a murder investigation and the police requested personal data from registered travelcards used to identify potential witnesses on a bus. It is TfL's current policy to write to bus passengers who may have witnessed an event in the scope of a police investigation, for the passenger to decide if they want to assist the police rather than TfL disclose their personal details. The police obtained a production order for all passenger details held and the data was released. The second case was for grievous bodily harm, and the police were seeking details on bus passengers as potential witnesses, with an excessive time period. A production order was received, and data released. We also received and processed one production order in 2020 and another in 2021.
- 4.14 TfL deals with approximately 130 bank card data requests per month. This includes requests for journey history data for TfL's public transport networks, Cycle Hire Scheme rentals as well as ULEZ and Road User Charging data requests. Each year, the Data Disclosures Unit Partnership and Performance Manager meets with the PCI Data Compliance Manager to ensure that the relevant bank card processes are up to date and fit for purpose. A report is submitted to TfL's merchant acquirer to validate these processes and any required recommendations are identified and processed.

5 Taxi and Private Hire Requests

- 5.1 There were 236 data requests for information on taxi and private hire drivers and vehicles in 2022 which is a return to levels seen before the pandemic.
- 5.2 In late 2017, TfL and the MPS, issued joint guidance to all London licensed private hire operators on reporting alleged or suspected criminal conduct to the police in an appropriate and timely way. Operators may receive notification of a potential crime as a complaint from a passenger using their services, a driver or another member of the public, or issues may arise through an operators' assurance systems. Operators can now report these issues to the MPS and other police forces more easily through online reporting tools.

Chart 5: Taxi and Private Hire – Breakdown of Requests (by volume)



- 5.3 The majority of requests were received from the MPS. Table 2 shows a breakdown of data requests by requesting agency. Data was disclosed for 57 percent of the requests and data was not held for 43 per cent of requests.

Table 2: Data requests by requesting agency

SLEA	No of Requests	2022 %	2021 (%)
MPS	161	68%	76 %
Other police forces	60	26%	15%
BTP	2	0.8%	1.5%
National Crime Agency	10	4.2%	7 %
City of London Police	3	1%	0%
Non-police bodies that have a statutory role in crime prevention and detection	0	0%	0%

5.4 The breakdown of requests by type of licensee is shown in the table 3.

Table 3: Breakdown of requests by Private Hire and Taxi

Type of Driver	No of Requests	2022 (%)	2021 (%)
Private Hire	127	54%	79%
Taxi	37	16%	10%
Dual Licence	8	3%	1%
Operator	0	0%	0%
Other	64	27%	10%

6 Conclusion

6.1 TfL data released to the police and other SLEAs for the investigation, prevention and detection of crime on the TfL network and across London continues to be a vital crime prevention tool. TfL continues to make a significant contribution to safety and security in London with TfL's data and support leading to the identification, apprehension and prosecution of offenders.

List of appendices to this report:

None

List of Background Papers:

None

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Audit and Assurance Committee



Date: 15 March 2023

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 and Elizabeth line programme assurance, TTL Properties Limited assurance 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 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	Chief Finance Officer
5 June 2023	External Auditors
29 November 2023	Director of Risk and Assurance

4 Current Plan

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

List of appendices to this report:

Appendix 1: Audit and Assurance Committee Forward Plan

List of Background Papers:

None

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Audit and Assurance Committee Forward Plan 2023/24

Appendix 1

Membership: Mark Phillips (Chair), Anurag Gupta (Vice Chair), Kay Carberry CBE and Dr Mee Ling Ng OBE

Standing Items		
Finance Control Environment Trend Indicators	Statutory Chief Finance Officer	Quarterly
Risk and Assurance Quarterly Report	Director of Risk and Assurance	Quarterly
Elizabeth Line Programme Assurance Quarterly Report	Director of Risk and Assurance	Quarterly
TTL Properties Limited Assurance Update	Director of Risk and Assurance	Quarterly
Independent Investment Programme Advisory Group Quarterly Report	Director of Risk and Assurance	Quarterly
Register of Gifts and Hospitality	General Counsel	Quarterly

5 June 2023		
EY Letter on Independence and Objectivity	EY	Annual
EY Annual Audit Fee	EY	Annual
Risk and Assurance Annual Report	Director of Risk and Assurance	Annual
Review of Governance and the Annual Governance Statement	General Counsel	Annual
Legal Compliance Report	General Counsel	Six Monthly

20 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
EY Annual Audit Letter	EY	Annual
Freedom of Information Update	General Counsel	Annual

Audit and Assurance Committee Forward Planner 2023/24

29 November 2023		
Legal Compliance Report	General Counsel	Six Monthly
Annual Tax Compliance	Statutory Chief Finance Officer	Annual
EY Non-Audit Fees	EY	Six Monthly

14 March 2024		
Critical Accounting Policies	Statutory Chief Finance Officer	Annual
Personal Data Disclosure to Police and Other Statutory Law Enforcement Agencies	Director of Security, Policing and Enforcement	Annual

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of the Local Government Act 1972.

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