



**Agenda  
Audit and Assurance Committee  
Thursday 14 March 2024**

**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 29 November 2023  
(Pages 1 - 6)**

Interim General Counsel

**The Committee is asked to approve the minutes of the meeting of the Committee held on 29 November 2023 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.**

**Audit, Risk and Assurance Items**

**5 Risk and Assurance Quarter 3 Report 2023/24 (Pages 11 - 44)**

Director of Risk and Assurance

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

**6 Independent Investment Programme Advisory Group Quarterly Report** (Pages 45 - 48)

General Counsel

**The Committee is asked to note the Independent Investment Programme Advisory Group's Quarterly Report and the management response.**

**7 Places for London Assurance Update** (Pages 49 - 58)

Director of Risk and Assurance

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

**Accounting and Governance**

**8 Critical Accounting Policies** (Pages 59 - 62)

Chief Finance Officer

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

**9 Personal Data Disclosure to Police and Other Statutory Law Enforcement Agencies (2022)** (Pages 63 - 70)

Director of Security, Policing and Enforcement

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

**10 Enterprise Risk Update - Governance and Controls Suitability (ER10)**  
(Pages 71 - 74)

Interim General Counsel

**The Committee is asked to not the paper and the exempt supplementary information on Part 2 of the agenda.**

**11 Finance Control Environment Trend Indicators (Pages 75 - 80)**

Chief Finance Officer

**The Committee is asked to note the paper and the Financial Control Environment Trend Indicators dashboard.**

**12 Register of Gifts and Hospitality for Members and Senior Staff  
(Pages 81 - 88)**

General Counsel

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

**13 Members' Suggestions for Future Discussion Items (Pages 89 - 92)**

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.**

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

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

**15 Date of Next Meeting**

Wednesday, 5 June 2024 at 10.00am (provisional).

**16 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**

**17 Risk and Assurance Quarter 3 Report 2023/24** (Pages 93 - 126)

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

**18 Places for London Assurance Update** (Pages 127 - 130)

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

**19 Enterprise Risk Update - Governance and Controls Suitability (ER10)**  
(Pages 131 - 138)

**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 29 November 2023**

#### Members

Mark Phillips (Chair)  
Kay Carberry CBE  
Dr Mee Ling Ng OBE

#### Executive Committee

Andrea Clarke	Interim General Counsel
Rachel McLean	Chief Finance Officer

#### Staff

Emily Clark	Direct Tax Manager (for Minute 69/11/23)
Patrick Doig	Group Finance Director and statutory Chief Finance Officer
Jill Elliott	Head of Internal Audit
Charles Frost	Indirect Tax Manager (for Minute 69/11/23)
Jules Gascoigne	Chief Information Security Officer (for Minute 70/11/23)
Siwan Hayward OBE	Director of Policing, Security and Enforcement (for Minute 70/11/23)
Lorraine Humphrey	Director of Risk and Assurance
Patrice Locker	Head of Enterprise Risk
Richard Mullings	Head of Counter-Fraud and Corruption
James Norris	Head of Project Assurance
Mike Shirbon	Head of Quality, Safety and Security Assurance
Christopher Tann	Head of Financial Accounting and Tax
Vicky Taylor	Senior Governance and Business Change Manager (for Minute 70/11/23)
Sue Riley	Secretariat Officer

#### Also In Attendance

Janet Dawson	Partner, Ernst & Young
Alison Munro	Chair, Independent Investment Programme Advisory Group
Chloe Wilkinson	Senior Manager, Ernst & Young

### **58/11/23 Apologies for Absence and Chair's Announcements**

The Chair welcomed everyone to the meeting, including Andrea Clarke who was attending her first meeting of the Committee as Interim General Counsel. An apology for absence had been received from Anurag Gupta. The meeting was quorate.

The meeting was broadcast live to TfL's YouTube channel, 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.

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 the appropriate member of the Executive Committee after the meeting.

Following the meeting there would be the annual informal briefing on security updates. Members were also scheduled to meet with the Director of Risk and Assurance.

### **59/11/23    Declarations of Interest**

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

### **60/11/23    Minutes of the Meeting of the Committee held on 20 September 2023**

**The minutes of the meeting of the Committee held on 20 September 2023 were approved as a correct record, and the Chair was authorised to sign them.**

### **61/11/23    Matters Arising and Actions List**

Andrea Clarke introduced the item, which set out progress against actions agreed at previous meetings of the Committee.

Oral updates were provided on the following actions:

47/09/23 (2) Effectiveness Review of External Auditors – An action plan had been agreed with Ernst & Young with a view to resolving all outstanding issues.

48/09/23 Risk and Assurance Quarter 1 Report 2023/24 – Qualification checks for new recruits were the responsibility of each hiring manager within the respective Directorate. An external provider was available to carry out checks at an additional cost and a risk-based approach was applied in each case.

**The Committee noted the updated Actions List.**

### **62/11/23    External Audit Plan TfL, TTL and Subsidiaries - Year Ending 31 March 2024**

Patrick Doig and Janet Dawson introduced the item informing the Committee of the Ernst & Young plan for the audit of the financial statements of TfL, Transport Trading Limited and its subsidiaries for the year ending 31 March 2024

**The Committee noted the paper.**



## **63/11/23 Auditor's Annual Report - Year Ended 31 March 2023**

Patrick Doig and Janet Dawson introduced the report prepared by Ernst & Young summarising its conclusions on the Annual Statement of Accounts and Value for Money for the year ended 31 March 2023. The report was issued at the conclusion of the annual audit process.

Public Sector Audit Appointments Limited recently published data that only one per cent of all public sector organisations met the end of year accounts deadline, which included TfL. The Committee acknowledged the high level of professionalism of staff in completing the accounts on time for such a large and complex organisation.

**The Committee noted the report.**

## **64/11/23 EY Independence Letter - Non-Audit Services for the Period 1 April to 31 October 2023**

Patrick Doig and Christopher Tann introduced the item on any independence matters including existing non-audit services performed, and the fees charged, by Ernst & Young (EY) for the period ending 31 October 2023.

There was a new requirement for EY, outlined in the letter, that sought agreement from the Committee to its conclusions on independence for provision of future non-audit services provided to TfL. This would be a matter to be considered by the Committee.

**The Committee noted the paper and agreed with EY's conclusion that the provision of the future services referred to in the appended letter would not create a threat to the firm's independence as auditor of Transport for London or that any identified threat was at an acceptable level or, if not, would be eliminated, or reduced to an acceptable level; and agreed with the provision of those services.**

## **65/11/23 Risk and Assurance Quarter 2 Report 2023/24**

Lorraine Humphrey and Jill Elliott introduced the report, which set out the work completed by the Risk and Assurance Directorate during Quarter 2 of 2023/24 (25 June to 16 September 2023), including work in progress and planned activities. Patrice Locker, Richard Mullings, James Norris and Mike Shirbon were also in attendance.

It was agreed that a review of the poorly controlled audit reports would be carried out to see if any trends could be identified in the Chief Finance Officer's area.

**[Action: Rachel McLean]**

In relation to poorly controlled audit reports, an update would be provided on timelines for closing out actions.

**[Action: Lorraine Humphrey]**

Further detail, including an update on progress to move from current to target assessment for each Enterprise Risk, would be included in future reports.

**[Action: Patrice Locker]**

Staff were encouraged to chase up outstanding customer response forms by telephone.

The Elizabeth Line Delivery Group, chaired by the Commissioner, continued to meet regularly to ensure that all functions were embedded within TfL's business as usual, as part of the continued transition arrangements. Reports were also considered by the Programmes and Investment Committee on Rail for London renewals.

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

### **66/11/23 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, including re-occurring themes.

IIPAG had identified programme slippage, overprogramming and difficulty in measuring project performance against baseline as areas of challenge within TfL. This had been partly due to the uncertainty of future funding for TfL.

**The Committee noted the Independent Investment Programme Advisory Group's Quarterly Report and the management response.**

### **67/11/23 Places for London Assurance Update**

Lorraine Humphrey presented the item, which provided an update on progress with assurance activity across Places for London during Quarter 2 of 2023/24 (25 June to 16 September 2023).

Recent changes in the property market had made the housing targets more challenging and the residential strategy and strategic plan would need to be reviewed.

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

### **68/11/23 Legal Compliance Report (1 April 2023 – 30 September 2023)**

Andrea Clarke presented the item which summarised legal and compliance information provided by each TfL Directorate for the period 1 April 2023 to 30 September 2023. Updates were also provided for ongoing matters carried over from the previous reports where applicable.

Any identifiable trends would be highlighted in future reports and any trends in relation to managing Employment Tribunal claims (particularly in relation to diversity and inclusion) would be provided to the Safety, Sustainability and Human Resources Panel.

**[Action: Andrea Clarke]**

**The Committee noted the report.**

## **69/11/23 Annual Tax Compliance Update**

Patrick Doig and Christopher Tann presented the annual tax compliance update. Charles Frost and Emily Page were also in attendance.

There were no significant issues impacting TfL arising from the Chancellor's Autumn Statement.

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

## **70/11/23 Enterprise Risk Update – Significant Security Incident Including Cyber Security (ER4)**

Siwan Hayward OBE and Jules Gascoigne presented the item, which set out how the Enterprise Risk was defined within the current threat environment and the preventative and reactive controls and actions in place to manage TfL's response. Vicky Taylor was also in attendance.

The interdependent links between the range of current threats was highlighted. Several successful simulation and incident response exercises had been undertaken.

It was noted that all staff had a role to play in security and work to actively increase awareness, understanding and competence through security training, briefings and acting on security communications.

A creative approach was being taken to address staff skill shortages in relation to cyber security.

Following the meeting, the Committee would receive its annual security update.

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

## **71/11/23 Financial Control Environment Trend Indicators**

Patrick Doig presented the quarterly Financial Control Environment Trend Indicators dashboard.

**The Committee noted the paper and the Financial Control Environment Trend Indicators dashboard.**

## **72/11/23 Register of Gifts and Hospitality for Members and Senior Staff**

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

**The Committee noted the paper.**

### **73/11/23 Members' Suggestions for Future Discussion Items**

Andrea Clarke introduced the current forward plan for the Committee.

**The Committee noted the forward plan.**

### **74/11/23 Any Other Business the Chair Considers Urgent**

There was no other urgent business to discuss.

### **75/11/23 Date of Next Meeting**

The next scheduled meeting of the Committee would be held on Thursday, 14 March 2024 at 10.00am.

### **76/11/23 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 2023/24; Places for London Assurance Update; Annual Tax Compliance Update; and Enterprise Risk Update – Significant Security Incident Including Cyber Security (ER4).**

The meeting closed at 12.15pm.

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

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

## Audit and Assurance Committee



**Date:** 14 March 2024

**Item:** Matters Arising and Actions List

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

#### **1 Summary**

- 1.1 This paper informs the Committee of progress against actions agreed at previous meetings and any use of delegated authority via Chair's Action since the last meeting. There has been no use of Chair's Action.
- 1.2 Appendix 1 sets out the progress against actions agreed at previous meetings.

#### **2 Recommendation**

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

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

Appendix 1: Actions List

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

Minutes of previous meetings of the Audit and Assurance Committee.

Contact Officer: Andrea Clarke, Interim General Counsel  
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## Audit and Assurance Committee Actions List (to be reported to the meeting on 14 March 2024)

### Actions from the meeting held on 29 November 2023

Minute No.	Item/Description	Action By	Target Date	Status/Note
65/11/23 (1)	<p><b>Risk and Assurance Quarter 2 Report 2023/24: Poorly Controlled Audit Reports</b></p> <p>A review of the poorly controlled audit reports would be carried out to see if any trends could be identified in the Chief Finance Officer's area.</p>	Rachel McLean	March 2024	For the current financial year 2023/24 there have been no poorly controlled internal audits issued in the Chief Finance Officer's area. In the previous financial year 2022/23 there was one poorly controlled audit which related to the development of the new Assets Under Construction process and we have found no evidence of any trends as part of the review.
65/11/23 (2)	<p><b>Risk and Assurance Quarter 2 Report 2023/24: Poorly Controlled Audit Reports</b></p> <p>In relation to poorly controlled audit reports, an update to be provided on timelines for closing out actions.</p>	Jill Elliot	March 2024	<b>Complete.</b> The report on the agenda incorporates timelines for closing any open actions.
65/11/23 (3)	<p><b>Risk and Assurance Quarter 2 Report 2023/24: Enterprise Risks</b></p> <p>Further detail, including an update on progress to move from Current to Target assessment for each Enterprise Risk, to be included in future reports.</p>	Patrice Locker	March 2024	<b>Complete.</b> The Enterprise Risks have been reviewed with Risk Owners and the top three mitigations move from current to target assessment have been confirmed.

68/11/23	<b>Legal Compliance Report</b> Any identifiable trends to be highlighted in future reports and any trends in relation to managing Employment Tribunal claims (particularly in relation to diversity and inclusion) to be provided to the Safety, Sustainability and Human Resources Panel.	Andrea Clarke	June 2024	Scheduled for the report to be presented at the June 2024 meeting.
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**Actions from previous meetings:**

Minute No.	Item/Description	Action By	Target Date	Status/Note
49/09/23 (2)	<b>IIPAG Quarterly Report: Cost Benchmarking</b> The Bank Station Capacity Upgrade project to be used as a pilot project, in collaboration with the Programme Management Office, for cost benchmarking.	Michael Cooper/ Alison Munro	Ongoing.	A verbal update will be provided at the meeting.
47/09/23 (1)	<b>Effectiveness Review of External Auditors: Annual Questionnaire</b> The annual questionnaire to be adapted next year as more suited to Members.	Chris Tann	September 2024	The questionnaire will be reviewed, with input from the Committee Chair, before being issued in 2024.



## Audit and Assurance Committee

**Date: 14 March 2024**

### **Item: Risk and Assurance Quarter 3 Report 2023/24**

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**This paper will be considered in public**

#### **1 Summary**

- 1.1 This paper informs the Committee of the work completed by the Risk and Assurance Directorate during Quarter 3 of 2023/24 (17 September to 9 December 2023) (Q3) and other information about the Directorate's activities. This paper excludes work undertaken on Places for London as that is covered elsewhere on the agenda. It also seeks approval of the Audit Plan included at Appendix 1.
- 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 paper and the exempt supplementary information on Part 2 of the agenda and approve the Audit Plan set out in Appendix 1.**

#### **3 Director Update**

- 3.1 This is the third quarterly report for 2023/24 setting out the work undertaken by the various teams within the Risk and Assurance Directorate.
- 3.2 Internal Audit delivered 10 audits in Q3 and detail is included at Appendix 2. Five audits were found to be 'adequately controlled' and one memo was issued. One report, Cycle Hire Bad Debt Recovery, was 'poorly controlled'.
- 3.3 Three reports issued were still at draft report stage with the overall rating to be agreed, two related to the impact of extreme weather and one to documentation and records management for procurement and contracts.

- 3.4 The pace of delivery has picked up with a number of audits in reporting stage at the end of Q3 in addition to those issued. There have been some changes to the internal audit plan in terms of delivery dates due to specific requests from the business for new pieces of work. We are still on track to deliver our end of year target and delivery is being closely monitored.
- 3.5 Internal Audit have completed 37 audits in the last 12 months compared with 40 for the previous 12 months. The distribution of audits by Enterprise Risk and Chief Officer is generally consistent. We have issued two 'poorly controlled' audits over the last 12 months which is the same as the preceding 12 months. Audits rated as 'requires improvement' are consistent at 43 per cent, with those 'adequately controlled' improving from 18 per cent to 30 per cent. The number of memos issued has reduced from 35 per cent to 22 per cent as a result of issuing more reports with an audit rating and tracked management actions.
- 3.6 The Quality, Safety and Security Assurance (QSSA) team delivered 12 second line audits in Q3 of which one was rated as 'poorly controlled' and four were rated as 'requires improvement'. All have agreed actions plans in place:
- (a) London Underground (LU) Track Work Bank Management ('poorly controlled');
  - (b) LU Track Supervisory and Management Inspections ('requires improvement');
  - (c) Payment Card Industry Data Security Standard (PCI DSS) Compliance: Taxi and Private Hire ('requires improvement');
  - (d) PCI DSS Compliance: Victoria Coach Station ('requires improvement'); and
  - (e) Project Management of Redundant Assets ('requires improvement').
- 3.7 The delivery of QSSA audits in the last 12 months has been relatively consistent compared with the 12 months prior to that: 90 and 94 audits respectively. A notable difference when comparing the last two years by Enterprise Risk is nine fewer audits were completed against ER1 (Inability to deliver safety objectives and obligations) and nine more audits were completed against ER6 (Deterioration of operational performance). Distribution of audits by Chief Officer is generally consistent across the last two years.
- 3.8 Comparing the last two years there has been a decrease in the number of QSSA audits concluded as 'poorly controlled' from six to two. However, there has been an increase in the number of 'requires improvement' audits. Recent PCI DSS audits have continued the trend of an increased number of 'requires improvement' conclusions. Common themes from the PCI DSS audits are employee training, asset records and maintenance of roles and responsibilities during organisational change. Annual training is monitored via TfL's internal e-learning site and reminders are provided by email to ensure colleagues remain up to date with requirements. We therefore expect the number of PCI DSS audits classified as 'requires improvement' to decrease as these actions take effect.

3.9 During Q3, the Counter-fraud and Corruption (CFC) team received 252 referrals, all of which were assessed and disseminated within the 10 working days target. As a result of the referrals, 11 new full fraud cases are under investigation and a further 25 have been made miscellaneous cases that require the team to carry out further enquiries to assess whether any should become a full case. Seven full cases were closed during Q3.

3.10 A breakdown of current full fraud cases by Chief Officer area and their status is shown in the table below:

Chief Officer Area	Start Q3	New Q3	Closed Q3	Under investigation by CFC	With Line Management	With Law Enforcement
<b>Operations</b>	<b>19</b>	<b>5</b>	<b>2</b>	<b>3</b>	<b>10</b>	<b>9</b>
<b>Capital</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Customer and Strategy</b>	<b>13</b>	<b>4</b>	<b>3</b>	<b>7</b>	<b>1</b>	<b>6</b>
<b>People</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1</b>
<b>General Counsel</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Finance</b>	<b>1</b>	<b>2</b>	<b>2</b>	<b>1</b>	<b>0</b>	<b>0</b>
<b>Total</b>	<b>34</b>	<b>11</b>	<b>7</b>	<b>11</b>	<b>11</b>	<b>16</b>

3.11 The CFC team continues to refer offenders for prosecution. A former employee of a supplier was sentenced for an offence of fraud by abuse of position for processing fraudulent refunds through the online Oyster refunds system whilst working in their role as a Customer Service agent. They were sentenced to six months imprisonment, suspended for two years, to undertake 300 hours of unpaid work in the next 12 months, and to pay compensation of £8,831. This compensation, when received, will be paid to the supplier because of TfL receiving full compensation from the supplier, under contractual terms.

3.12 During Q3 we had two new starters, one auditor in QSSA and one internal secondment to fulfil the new Fraud Researcher/Analyst role in the CFC team.

## 4 Internal Audit Plan

4.1 The internal audit plan has been developed to show the work that we intend to carry out in the first six months of 2024/25. The Committee is asked to approve the Plan set out in Appendix 1.

4.2 The plan is subject to regular review and provides the level of flexibility to meet any changes to the organisation's assurance needs. The detailed plan also shows the areas where second line assurance activity will be carried out by the other assurance teams, both within Risk and Assurance and the Independent Investment Programme Advisory Group (IIPAG)

## 5 Risk Management

- 5.1 Understanding and managing risk at all levels within TfL is essential to ensure that we can mitigate the risks as far as is practical and understand our exposure. The Risk and Assurance Directorate supports the business with Enterprise Risk management at Enterprise (Level 0), Strategic (Level 1) and Tactical (Level 2).
- 5.2 The following Level 0 Enterprise Risk reviews were facilitated by the team in Q3:
  - (a) Changes in customer demand (ER9); and
  - (b) Governance and control suitability (ER10).
- 5.3 An update on ER10 is elsewhere on the agenda for this meeting.
- 5.4 A further workshop is planned in Quarter 4 of 2023/24 to complete the risk assessment for ER6 (Deterioration of operational performance), which was presented to the Customer Service and Operational Performance Panel meeting at its meeting on 5 March 2024.
- 5.5 The development of Level 1 risks is progressing well. Safety and Green risks have been presented at their respective Executive Committee sub-groups and there has been good discussion around how these risks will be presented at future meetings. Development of the Colleague, Investment Delivery, Governance and Security Level 1 risks is also progressing and will be completed in Quarter 1 of 2024/25.
- 5.6 The Level 1 risk mapping exercise has commenced, and all Level 1 risks will be mapped to Level 0 risks. During this exercise, duplicates will be identified and opportunities explored to combine/merge risks as appropriate.
- 5.7 Following the IIPAG recommendation to strengthen second line assurance of high value procurement actions, the Project Assurance (PA) team is continuing to undertake detailed procurement reviews. For a significant contract relet in the Technology and Data area, PA has undertaken three separate reviews at key points in the tender process with all three reviews indicating that planning and management of the tender was to a high standard.
- 5.8 A review of documentation and processes associated with a new framework in the LU track infrastructure area is continuing. Reviews at various points in the documentation production process have identified a number of key areas that have required improvement, which the team responsible are in the process of addressing and PA will monitor through to conclusion. Undertaking this type of assurance continues to add value to the procurement process, reducing the risk profile of significant procurements and providing reassurance to senior management that the processes are robust or that areas of improvement are identified and addressed.
- 5.9 A list of the Level 0 risks is included as Appendix 3.

## **6 Internal Control**

- 6.1 Effective internal control is essential to ensure that TfL realises its stated aims and objectives. This is achieved through an internal control system that promotes adherence with policies and procedures, the safeguarding of assets, the prevention and detection of fraud and error, and the accuracy and completeness of financial and non-financial records. The Risk and Assurance teams assess the appropriateness and effectiveness of, and compliance with, internal controls.
- 6.2 We confirmed that adequate and effective controls are in place to cover the programme management of the Our TfL Programme (OTP). The OTP team is aware of the risks associated with the delivery of the programme and is taking action to resolve them.
- 6.3 Members of the CFC team delivered a presentation to the Taxi and Private Hire Assessment team (around 100 attendees) about the impact of insider fraud. The presentation was designed to raise awareness of the sophisticated methods used by insiders to gather personal data and information from TfL, for the purposes of misusing that data to commit fraud.

### **Finance and Procurement**

- 6.4 Our review of SAP Ariba Guided Buying found that the management of the Guided Buying module is working as efficiently as expected and allows for effective control and monitoring of transactions. We also found that most of the monitoring controls for the long-term funding settlement requirements and assumptions were adequately designed and operating effectively.
- 6.5 We undertook a mid-year review of the TfL Scorecard because there have been changes to some of the metrics since last year and we wanted to identify any potential issues in good time to take remedial action. We found that there were adequate controls in place for the central coordination and local business unit procedures over the collection and processing of data for purpose of calculating and reporting TfL Scorecard measures. Findings relating to issues in local processes are being addressed.

### **Safety**

- 6.6 In Q3 no QSSA audits against ER1 were concluded as 'requires improvement' or 'poorly controlled'. There has been a slight reduction in the number of ER1 audits compared with the previous year (from 55 to 46), largely while the Safety Health and Environment (SHE) Management System was being revised.

## **7 Governance**

- 7.1 Governance is the combination of processes and structure that the Board puts in place to inform, direct, manage and monitor TfL's activities to ensure the achievement of objectives. The Risk and Assurance teams look at how this is supported and works in practice at an organisational level.

- 7.2 We continue to find weaknesses in records management. We found that records management is not clearly defined across the Procurement and Commercial team and there is no clear view of the procurement and contract documentation held across systems and drives. We also found that SAP Ariba is not being consistently used as the single repository for all procurement and contract records.
- 7.3 Improvements in the governance of myJourney (TfL's platform for career conversations, development, feedback, and performance and readiness reviews) were identified which included the streamlining of the change process and the need for a formal process for continuous improvement.

### **Assurance and Investment Programme**

- 7.4 The primary source of assurance for the delivery of the TfL Investment Programme continues to be through the work of the PA team and IIPAG. PA and IIPAG consider that there is sufficient scrutiny of the Investment Programme in TfL through the various programme meetings as well as the Executive Committee Investment sub-group, and at the Programmes and Investment Committee.
- 7.5 The PA team has continued its programme of targeted assurance reviews including the annual programme submission to 6 December 2023 meeting of the Programmes and Investment Committee, plus other targeted assurance and ongoing continuous assurance activity. From this work recommendations have been made and themes identified and collated and are reported to the Programmes and Investment Committee.
- 7.6 During targeted assurance reviews for the Programmes and Investment Committee, a core line of inquiry continues to be the review of progress in fully transitioning to the new Programme structure for the Investment Programme approved in May 2023. Recommendations have been made in a number of Programme reviews related to improvements to transition arrangements and have been discussed at senior governance meetings. Updates will be provided to the Programmes and Investment Committee.
- 7.7 Assurance reviews indicate that, while risk and opportunity management is generally undertaken to an acceptable level, assumptions management by projects and programmes appears to be an area of weakness. Projects rely heavily on a series of assumptions that underpin delivery strategies, schedule and cost, and the delivery of benefits. There have been several situations in recent reviews where projects are relying on a series of assumptions that were inaccurate. A recent example includes assumptions that were made around the timing of an infrastructure renewal by another business area which was an enabler for a key enhancement project. This has resulted in reactive action needing to be undertaken to mitigate the impacts. The PA team is placing an enhanced focus on assumptions management particularly the validating and tracking assumptions and the link to robust schedule and forecast.

7.8 IIPAG has worked with PA on programme reviews and reviews of higher value projects. They have continued to progress their programme of cross-cutting reviews this quarter. The Delivery of Renewals Part 1 review was completed with findings reported to the Programmes and Investment Committee of 6 December 2023. The Effectiveness of Pathway Gates Part 1 (covering Projects) review is underway and the annual review of the effectiveness of first and second line assurance has commenced. A follow up on open actions from a number of reviews in the Procurement and Commercial area conducted between January 2022 and February 2023 has been undertaken. This indicates that 11 of IIPAG's 19 recommendations have been closed out. Respective areas of TfL continue to work to address recommendations from these and other completed cross-cutting work.

## **8 Programme Changes**

8.1 Two internal audits were cancelled in Q3 at the request of the business. There is a wider review of debt management across TfL and it was agreed to cancel the Ultra Low Emission Zone debt management process audit until the conclusions of the wider review are known. The London Transport Museum consultancy review was cancelled at their request as their own work under the 'get stuff done' initiative identified that this was not the right time to do the review.

8.2 All cancellations and deferrals are undertaken in consultation with the relevant business teams. QSSA cancelled two audits in Q3:

(a) Supplier Audit: Mental Health Services cancelled as there are monthly performance reviews to assure the provision against the contract; and

(b) Surface Transport Fire Risk Assessments – This was previously audited in 2021/22 and it was agreed that a re-visit was not required so soon.

8.3 One QSSA audit was deferred to next year's audit plan:

(a) Planning for SHE Improvements – This has been deferred to prevent duplication with other TfL safety improvement programmes.

## **9 Management Actions/Recommendations**

9.1 A breakdown of overdue management actions and recommendations across Chief Officers and the Risk and Assurance teams is included as Appendix 4.

9.2 Appendix 5 provides an analysis on a rolling four quarter basis of management actions from Internal Audit and QSSA work and PA recommendations.

## **10 Customer Feedback**

10.1 In Q3, the QSSA team received three customer feedback responses out of 12 sent out, with a 95.8 per cent satisfaction score. In the last 12 months, 29 responses were received out of 61 issued with an average 97.4 per cent satisfaction score. Internal Audit issued four customer feedback forms, two were returned with an average score of 87.5 per cent.

## 11 Mayoral Directions

- 11.1 The Mayor has the power 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.
- 11.2 The Mayor makes Mayoral Directions through Mayoral Decisions, which are published on the Greater London Authority's (GLA) 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.
- 11.3 Since the last report to the Committee there has been one new Mayoral Direction to TfL.

<a href="#">MD3221</a>	<b>March 2024 fare change</b>
18/01/24	The Mayor issued a direction to TfL in relation to implementing the March 2024 fare change. The changes included freezing TfL-regulated fares set by the Mayor, which would be funded by increasing TfL's retained business rates income.

### List of appendices to this report:

- Appendix 1: Internal Audit plan 2024/25
- Appendix 2: Internal Audit reports issued in Q3 2023/24
- Appendix 3: Level 0 Enterprise Risks
- Appendix 4: Overdue Actions and Recommendations by Team
- Appendix 5: Analysis of Management Actions and Recommendations by Category and Team

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 2024/25 Internal Audit Plan: April 2024 to September 2024

Enterprise Risk 1	Inability to deliver safety objectives and obligations		
Audit Title	Rationale and Outline Audit Scope		Chief Officer/directorate/ client
<b>Medical Assistance Programme</b>  (Business led)	Why now?	The Medical Assistance Programme can provide early intervention in sickness management by funding investigations and/or treatment, which can reduce the time it takes for an employee to return to work. The programme was last audited in 2019 and was rated as requires improvement.	Lilli Matson (Chief Safety, Health and Environment Officer)
	Audit objective	To provide assurance on the adequacy and effectiveness of key controls for managing the Medical Assistance Programme.	
<b>Bus Safety Programme</b>  (Risk driven)	Why now?	TfL missed its 2022 Vision Zero target of reducing the number of people killed on or by a bus by 75 per cent compared to the 2005-2009 baseline. The Bus Safety Programme is an important contributor to TfL achieving its targets and it is therefore essential that it is delivered effectively.	Glynn Barton (Interim Chief Operating Officer)
	Audit objective	To provide assurance on the adequacy and effectiveness of key controls to deliver the Bus Safety Programme.	
<b>Quality, Security and Safety Assurance will deliver a portfolio of second line reviews relating to safety assurance in addition to the SHE and Engineering assurance teams.</b>			

Enterprise Risk 2	Attraction, retention, wellbeing and health of our employees		
Audit Title	Rationale and Outline Audit Scope		Chief Officer/directorate/ client
<b>Learning and Development</b>  (Risk driven)	Why now?	The TfL Learning and Development team supports learning opportunities to help increase the capability of all employees. Wherever possible, the team will provide internal solutions to meet learning needs, however, often, access to specialist learning from external providers is required. TfL's Learning Advisors manage the procurement of external learning solutions via a framework agreement.	Rebecca Crowther (Interim Director of Business Services)
	Audit Objective	To provide assurance on the adequacy and effectiveness of framework agreements with external suppliers of specialist learning.	
<b>Action on Inclusion Strategy</b>  (Risk driven)	Why now?	<p>Action on Inclusion is TfL's long-term promise to its people, setting out how it can create a truly inclusive organisation reflective of the city it serves. Action on Inclusion has clear actions and ambitions to address the issues that are important to staff and how it will make positive changes across the organisation.</p> <p>Everyone has a part to play in creating this change by becoming an active ally. The leadership team will be accountable for role modelling allyship behaviours and for driving positive changes in their business areas to deliver on the actions and ambitions set out in the strategy.</p>	Patricia Obinna (Director of Diversity and Inclusion)
	Audit Objective	To provide assurance on how effectively the Action on Inclusion strategy is being embedded and realised.	

Enterprise Risk 3	Environment including climate adaptation		
Audit Title	Rationale and Outline Audit Scope		Chief Officer/directorate/ client
<b>Carbon reduction management</b>  (Risk driven)	Why now?	It is essential that TfL reduce both operational and project/programme carbon to meet the Mayor's net zero target by 2030. There will be a series of audits that will look at how the processes and guidance for reducing whole life carbon have been embedded (in projects and operations) and how we ensure that this delivers effective, lower carbon, lower cost solutions. Our work will focus on operational carbon reduction and will complement the work being done by Independent Investment Programme Advisory Group on carbon management in programmes/projects.	Lili Matson (Chief Safety, Health and Environment Officer)
	Audit Objective	To provide assurance on the adequacy and effectiveness of controls in place to reduce operational and capital carbon emissions.	
<b>Impact of extreme weather - Elizabeth line</b>  (Risk driven)	Why now?	This is the final audit in a series undertaken on extreme weather across TfL. The Elizabeth line currently has its own weather plans and responses to extreme weather that are not covered by the TfL Network Management Control Centre.	Howard Smith (Director of the Elizabeth line)
	Audit Objective	To provide assurance on the adequacy and effectiveness of controls in place to deal with the impact of extreme weather on the Elizabeth line.	

Enterprise Risk 4	Significant Security Incident including cyber security		
Audit Title	Rationale and Outline Audit Scope		Chief Officer/directorate/ client
<b>Datacentre network refresh</b>  (Business led)	Why now?	<p>Datacentre network equipment is either out of support or will be out of support within the next 12 months. This equipment needs to be replaced to maintain the availability and security of the business services being delivered. Inability to replace this critical infrastructure could lead to network failures and or security breaches which cannot be escalated to the manufacturer.</p> <p>Legacy equipment accounts for significantly more consumption of power and rack space than replacement equipment. Replacement would also have the advantages of lower energy consumption and freeing up rack space.</p>	Shashi Verma (Chief Technology Officer)
Audit Objective	To assess and evaluate the adequacy of plans to replace out of support network infrastructure in datacentres.		
<b>Obsolescence of critical software assets</b>  (Risk driven)	Why now?	<p>Several instances of Unix, Windows and Oracle DB are out of support. These assets need to be replaced to maintain the availability and security of the business services being delivered.</p> <p>Inability to replace these critical software assets could lead to loss of productivity, reputation, safety and/or revenue because of the inability to effectively deliver mission critical services.</p>	Shashi Verma (Chief Technology Officer)
Audit Objective	To assess and evaluate the adequacy of plans to replace unsupported software assets.		

<b>Review of station cabinets containing Wi-Fi equipment</b>  (Business led)	Why now?	Prior to the 2012 Olympic Games, station cabinets containing network switches were installed by Technology and Data in London Underground (LU) stations to provide Wi-Fi in stations. The networks and hosting team in Technology and Data have expressed concerns around the physical security and environmental controls for the technology within the cabinets.	Shashi Verma (Chief Technology Officer)
	Audit Objective	To provide assurance on the adequacy and effectiveness of the controls in place to ensure the integrity of the technology used to provide Wi-Fi in stations. This will include strategy, environment, security and access controls.	
<b>Effectiveness of monitoring and patching of TfL's supply chain (Capita)</b>  (Core)	Why now?	Any Technology and Data managed or contracted system may experience a cyber security incident resulting in, among others, operational, financial and reputational loss. Capita is responsible for the management of TfL's network infrastructure.	Shashi Verma (Chief Technology Officer)
	Audit Objective	To assess and evaluate the adequacy and effectiveness of the key controls, in relation to the monitoring and patching of the network infrastructure managed by Capita on behalf of TfL.	
<b>Business Continuity</b>  (Core)	Why now?	It is important that TfL has robust Business Continuity plans in place, and these are embedded across the organisation. This area has not been reviewed by Internal Audit since the coronavirus pandemic.	Carl Eddleston (Director of Network Management and Resilience)
	Audit Objective	To provide assurance on the adequacy of TfL's Business Continuity process.	

**Quality, Security and Safety Assurance will deliver a portfolio of second line compliance engagements relating to the Payment Card Industry Data Security Standard.**

Enterprise Risk 5	Efficient and high performing supply chains and effective procurement		
Audit Title	Rationale and Outline Audit Scope		Chief Officer/directorate/client
<b>Procurement of the new advertising contract – phase 2</b>  (Risk driven)	Why now?	This is a high financial value procurement which may lead to challenges by bidders. It is important to ensure that risks to challenges are minimised by continuing to provide real-time assurance on the procurement to ensure it complies with TfL policies as well as procurement legislation.	Emma Strain (Customer Director)
	Audit Objective	To provide assurance on the procurement of the new advertising contract (real-time audit).	
<b>Procurement of the Professional Services Framework (real time audit) – phase 1</b>  (Risk driven)	Why now?	This suite of frameworks can be used across TfL, Greater London Authority and London boroughs and covers a variety of Project Management and Consultancy Services including Railway Engineering, Health and Environmental Services and Transport Planning. The first of the procurements is scheduled to commence in Quarter 1 of 2024/25. It is essential that procurement is conducted in an open, fair and transparent manner minimising risks to challenge. The audit will follow the procurement timeline in real-time.	Jonathan Wharfe (Director of Procurement and Commercial – Operations)
	Audit Objective	To ensure the adequacy and effectiveness of the procurement of the Professional Services Framework.	

<b>Readiness for the new Procurement Act</b>  (Risk driven)	Why now?	The Government is reforming United Kingdom procurement rules via the new Procurement Act 2023. It will reform the way public authorities purchase goods, services and public works. The Cabinet Office has confirmed that it is now looking at a go-live date of October 2024. It is important that TfL is prepared and has sufficient time to address any issues identified.	Luke Jarvis (Director of Procurement and Commercial – Capital)
	Audit Objective	To provide assurance over Procurement and Commercial's readiness for complying with the new Procurement Act 2023.	
<b>Management of conflicts of interest for procurements</b>  (Risk driven)	Why now?	It is very important to ensure that conflicts of interest are managed effectively during procurements to minimise challenges from suppliers.	Jonathan Wharfe (Director of Procurement and Commercial – Operations)
	Audit Objective	To provide assurance on the adequacy of controls for managing conflicts of interest during the procurement process.	Luke Jarvis (Director of Procurement and Commercial – Capital)
<b>Supplier contract management audits 1 and 2</b>  (Risk driven)	Why now?	<p>Good contract management is vital to ensure value for money and a good service from TfL's suppliers. This includes the management of sub-contractors by the main contractor.</p> <p>This is part of the suite of contract management audits to be carried out across TfL as part of the annual audit plan.</p>	Jonathan Wharfe (Dir Procurement and Commercial – Operations)  Luke Jarvis (Director of Procurement and Commercial – Capital)
	Audit Objective	To provide assurance on the effectiveness of sub-contractor contract management.	

Enterprise Risk 7	Financial Sustainability		
Audit Title	Rationale and Outline Audit Scope		Chief Officer/directorate/ client
<b>TfL Scorecard - Year-End</b>  (Core)	Why now?	<p>The TfL Scorecard is the organisations primary tool for tracking progress against its strategic objectives. S tructured to align to the vision, values and strategy, it plays an important role in keeping the organisation on track.</p> <p>The Senior Manager Reward Framework is TfL’s performance-based pay framework for Senior Managers. The framework is used to reward individual contribution on an annual basis using a non-consolidated performance award element. The TfL Scorecard results determine the budget across delivery business and Professional S ervices.</p>	Patrick Doig (Group Finance Director)
	Audit objective	To provide assurance that the 2023/24 year-end results on the TfL Scorecard are being accurately reported.	
<b>Management of sectors - Arches (Places for London)</b>  (R isk driven)	Why now?	There are around 850 commercial railway arches valued at over £220m. It is essential that the management of this sector is effective to ensure that it yields the expected returns of over £11.6m per year. This constitutes for over 10 per cent of Places for London’s portfolio value and 18 per cent of rental income. The current focus is to re-purpose and redevelop key arch estates. Assurance at this time would be valuable as Places for London are looking to grow this sector, address the historical underspend on maintenance through significant	Dan Lovatt (Director of Asset Management) (Places for London)



		capital investment to modernise and improve the estate, and for it to have a greater impact on their portfolio.	
	Audit objective	To provide assurance that the management of the Arches Sector is effective.	
<b>London River Service revenue</b>  (Core)	Why now?	London River Services generates revenue by charging a fee to commercial companies for the use of its piers. The fee amount is based on passenger numbers and Oyster card payments. This is one of the business areas that is audited on a cyclical basis to ensure that the financial controls are operating as intended. The last audit was carried out in 2014 and was rated as requires improvement.	Trish Ashton (Director of Rail and Sponsored Services)
	Audit Objective	To provide assurance on the adequacy and effectiveness of key controls for the financial management of River Operators' accounts.	
<b>Use of consultants</b>  (Risk driven)	Why now?	TfL use consultants for a variety of reasons across its business areas at significant cost to the organisation. TfL need to ensure that the use of consultants represents good value for money through clear contract arrangements, deliverables and timescales.	Patrick Doig (Group Finance Director)
	Audit objective	To provide assurance on the adequacy and effectiveness of the arrangements in place to appoint, manage and ensure that outcomes are clear and delivered.	
<b>Payroll</b>  (Core)	Why now?	This is one of the core areas of the business which are audited on a cyclical basis. These tend to be key financial, people and procurement controls. This	Rebecca Crowther (Interim Director of Business Services)

		area was last audited in 2018 and was rated as requires improvement.	
	Audit Objective	To provide assurance on the adequacy and effectiveness of key controls within the payroll process.	
<b>Supplier bank accounts</b>  (Core)	Why now?	There are continuous attempts at 'account diversion fraud', both successful and unsuccessful, whereby a fraudster submits a request to change a supplier's bank account details so that subsequent payments to the supplier go to the fraudster. This area was last audited in 2014 and was rated as requires improvement.	Rebecca Crowther (Interim Director of Business Services)
	Audit Objective	To provide assurance on the adequacy and effectiveness of key controls for supplier bank accounts.	
<b>Department of Culture Media and Sport (DCMS)/Wolfson Museums and Galleries Improvement Fund</b>  (Business led)	Why now?	In line with the conditions of the grant, this audit will certify costs in respect of funding towards the Covent Garden Photography Gallery.	Elizabeth McKay (London Transport Museum Director)
	Audit Objective	To certify costs claimed in respect of funding from DCMS/Wolfson Museums and Galleries Improvement Fund comply with conditions of this grant.	
<b>Arts Council England (ACE): Museum Estate and Development Fund Round 1</b>  (Business led)	Why now?	In line with the conditions of the grant this audit will certify costs in respect of funding towards the Covent Garden lift and chiller works.	Elizabeth McKay (London Transport Museum Director)
	Audit Objective	To certify costs claimed in respect of funding from ACE comply with conditions of this grant.	

<b>Procurement at the London Transport Museum (LTM)</b>  (Business led)	Why now?	LTM manage their procurements mostly through SAP Ariba, however a separate procurement system is utilised to support their niche retail operations. It is important LTM procurement activities are conducted in line with existing TfL policies, to ensure adequate management of suppliers and contracts.	Elizabeth McKay (London Transport Museum Director)
	Audit Objective	To provide assurance on the adequacy and effectiveness of controls for procurements conducted by LTM. This will include compliance with TfL policy, management of suppliers and contracts.	
<b>Enterprise Risk 8</b>	<b>Delivery of TfL key investment programmes and projects</b>		
<b>Value Management (VM)</b>  (Risk driven)	Why now?	The concept of value is based on balancing the meeting of TfL's objectives and the resources required to achieving them. As funding is reduced, TfL must find ways of doing more with the funding available. VM provides an avenue to do this in a cost-effective way.	Stuart Harvey (Chief Capital Officer)
	Audit Objective	To provide assurance on the adequacy and effectiveness of processes in place governing the use of VM in the Capital Programme.	
<b>Project Assurance and Quality, Security and Safety will deliver a portfolio of second line assurance reviews in addition to work undertaken by SHE and PMO teams.</b>			

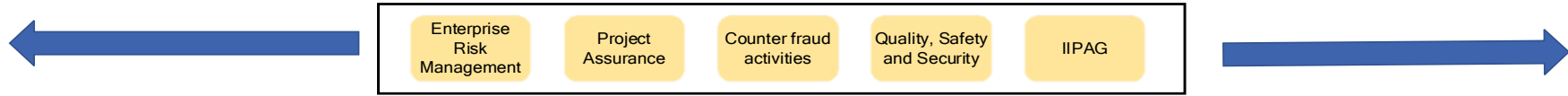
Enterprise Risk 10	Governance and Controls Suitability		
<p><b>Privacy and data protection: Automated Number Plate Recognition (ANPR) cameras</b></p> <p>(Risk driven)</p>	Why now?	<p>TfL's use, management and control of ANPR cameras in road user charging and enforcement operations is an area not audited before. Recordings are also provided to TfL staff to facilitate responses to Subject Access Requests, as well as requests from law enforcement.</p> <p>Closed Circuit Television (CCTV) recordings are classified as personal data under General Data Protection Regulation (GDPR) and the Data Protection Act 2018, and therefore, are subject to compliance with the associated requirements, as well as other relevant laws and code of practice. 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 is necessary to retain the data by law. A breach of GDPR can result in significant fines and reputational damage.</p>	<p>Shashi Verma (Chief Technology Officer)</p> <p>Richard Bevins (Head of Information Governance and Data Protection Officer)</p>
	Audit objective	To provide assurance that TfL's use, management and control of ANPR cameras are in accordance with the relevant TfL policies, laws and codes of practice.	
<p><b>Temporary agency recruitment</b></p> <p>(Core)</p>	Why now?	These 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.	Rebecca Crowther (Interim Director of Business Services)
	Audit objective	To provide assurance on the adequacy and effectiveness of key controls in place for temporary agency workers.	

<b>Enhanced Station Accounting Facility</b>  (Business Led)	Why now?	<p>The delivery of an electronic accounting system for ticket offices, forms part of the Prestige contract and gives us a much more modern system of accountancy.</p> <p>The Enhanced Station Accounting Facility (ESAF) is the accountancy process for stations. It replaced the previous manual accountancy system carried out by all LU ticket offices. The one big advantage is that this is a virtually paperless ticket office process, with staff spending less time on onerous “back office” processes. ESAF takes away the need to “balance” accounts.</p>	Nick Dent (Director of Customer Operations – LU)
	Audit objective	To provide assurance on the adequacy and effectiveness of key controls governing the ESAF in LU.	
<b>Cubic risk management</b>  (Business Led)	Why now?	Under the Revenue Collection Contract (RCC), Cubic is responsible for the management of risk management activities on behalf of TfL. Risk management aims to provide a clear overview and strategy to mitigate risks impacting services provided under the RCC.	Shashi Verma (Chief Technology Officer)
	Audit objective	To assess and evaluate the adequacy and effectiveness of key controls, in relation to risk management undertaken by Cubic on behalf of TfL.	

Phase 1 April 2024 - September 2025

Potential Phase 2 October 2024 - March 2025

Future look April 2025 - September 2025



	Phase 1 April 2024 - September 2025				Potential Phase 2 October 2024 - March 2025			Future look April 2025 - September 2025			
Core work	TfL scorecard - year end	ACE/DCMS funded projects	Temporary agency recruitment	Monitoring and patching of TfL's supply chain	TfL joiners, movers and leavers	Debt collection contracts	Compliance with new pensions code	Segregation of duties - procurement	Procurement and Commercial segregation of duties	Management of key suppliers	Core work
	Business Continuity	London river service revenue	Payroll	Supplier bank accounts	Adequacy of JV reporting (Places)	Freedom of information process	General Ledger	Case management	General ledger	Graduates and apprentices	
Risk-driven	Bus safety programme	Learning and development	Carbon management	Extreme weather - Elizabeth Line	SAP Ariba	Bus service delivery model follow up	Safety complaints follow up	LTM condition of assets	Privacy and Data Protection: LTM museum and Acton depot	Data disclosure unit for body worn cameras	Risk-driven
	Review of station cabinets	Procurement of the new advertising contract P2	Readiness for the new procurement act	Obsolescence of critical software assets	Use of body worn cameras	Artificial Intelligence	Cloud systems: Pensions	Employee value proposition	Carbon management	Embedding safety culture	
	Procurement of the professional services contract P2	Privacy and data protection: ANPR cameras	Management of conflicts of interest in procurement	Supplier contract management audits 1 and 2	ESG planning	Procurement of the new advertising contract P3	Procurement of the professional services contract P3	Environmental evaluation	Use of G Cloud	Management of key suppliers	
	Management of Arches (Places)	Use of consultants	Action on inclusion strategy	Value management	Asset renewal/replacement prioritisation	Construction skills scheme (Places)	LTM procurement	Governance in Procurement and commercial	Financial controls in (Places)	Delivery of predicted revenue (Places)	
	JV partner selection EV hubs procurement (Places)				LTM revenue generation	Charging between TfL and Places for London					
	Medical Assistance programme	Datacentre network refresh	Cubic risk management	Delivery of operating model review (Places)	Asset management Maximo	Ransomware project	Review of Capita's Operational Performance (RUC)	Asset investment Prioritisation	Sale of roadside assets	Engineering recharge hours	
	Enhanced station accounting facility	LTM procurement			Payments technology refresh			Novacraft Control Environment - Photocards			
Business-led	Key	Internal Audit	T&D Audit							Business-led	

## Internal Audit Final and Draft Reports Issued in Quarter 3 2023/24

## Appendix 2

- Eight final reports (excluding Places for London) were issued during the quarter.

Enterprise Risk	Directorate	Ref	Audit title	Summary of Findings	Conclusion
<b>ER2 Attraction, retention, wellbeing and health of our employees</b>	Chief People Officer	23 003	myJourney	myJourney is TfL's platform for career conversations, development, feedback, and performance and readiness reviews. It is widely available to TfL staff as a result of an effective communication strategy that accompanied its introduction in late 2021. This resulted in a take-up of the system, which is now an integral part of the talent strategy. While the system supports the performance, talent and development processes, and action has been taken to address issues identified with myJourney, there are areas where improvements can be made. myJourney's governance processes need to be improved to ensure that the system effectively supports TfL's Talent Strategy.	Adequately Controlled
<b>ER2 Attraction, retention, wellbeing and health of our employees</b>	Chief Customer and Strategy Officer	23 002	Attraction and Retention of Staff in Technology and Data	The most significant findings related to the need for Technology and Data to define and document its local attraction and reward roadmap, aligned with TfL policies and local initiatives. Further, Technology and Data needs to determine its resourcing model, clearly defining how each capability should be resourced (including improvements to local headcount planning and forecasting processes).	Memo
<b>ER5 Efficient and high performing supply chains and effective procurement</b>	Chief Finance Officer	23 008	SAP Ariba-Guided Buying	The considerable changes across Finance over the last few years have resulted in accountability and responsibility for SAP Ariba being spread across several teams. The management of the SAP Ariba (Guided Buying module) is working as efficiently as expected and allows effective control and monitoring of transactions. We will do a further audit of this area in 12 months' time once the use of SAP Ariba Guided Buying is fully embedded.	Adequately Controlled

Enterprise Risk	Directorate	Ref	Audit title	Summary of Findings	Conclusion
<b>ER7 Financial resilience</b>	Chief Finance Officer	23 011	Government Funding Conditions	We found that most of the monitoring controls for the Long-term Funding Settlement requirements and assumptions were adequately designed and operating effectively. To date, most requirements have been delivered in line with expected timescales. There are several initiatives still to be fully delivered and a need for continued monitoring of funding assumptions.	Adequately Controlled
<b>ER7 Financial resilience</b>	Chief Finance Officer	23 048	TfL Scorecard - Mid-year	There are adequate controls in place for the central coordination and local business unit procedures over the collection and processing of data for purposes of calculating and reporting on the TfL Scorecard 2023/24 measures. Some weaknesses have been identified within the local business processes which will be addressed.	Adequately Controlled
<b>ER7 Financial resilience</b>	Chief Operating Officer	23 014	Cycle Hire Bad Debt Recovery	Improvements need to be made to central oversight and accountability over cycle hire for debt management and recovery processes. This has resulted in a lack of assurance as to their effectiveness in management and mitigation of associated risks.	Poorly Controlled
<b>ER10 Governance and controls suitability</b>	Chief People Officer	23 019	Our TfL Programme (OTP)	OTP is a large and complex portfolio of initiatives covering all of TfL. There are considerable challenges to ensure that the OTP is successfully implemented. We found that, to date, controls and processes are in place to cover the various aspects of programme management. We concluded that these processes are adequately controlled. There are risks to the success of the OTP which the team is aware of and action is being taken to address them. The programme will continue to require management liaison between different TfL teams to ensure its success.	Adequately Controlled
<b>ER10 Governance and controls suitability</b>	Chief Finance Officer	23 033	Documentation and records management for procurements and contracts	Effective records management supports efficient information access. It is important that procurement and contract records are readily available to ensure prompt response to any external challenge. Records management responsibility is not clearly defined across Procurement and Commercial, and there is not a clear view of the procurement and contract documentation held	Requires Improvement



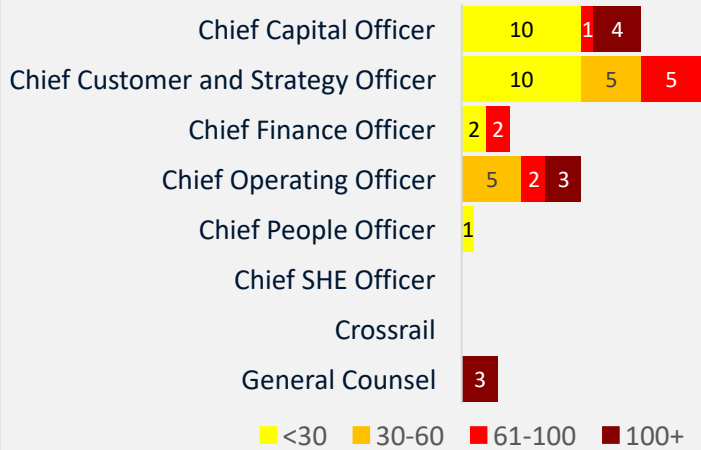
Enterprise Risk Directorate Ref		Audit title	Summary of Findings	Conclusion
			across systems and drives. SAP Ariba is not consistently being used as the single repository for all procurement and contract records.	

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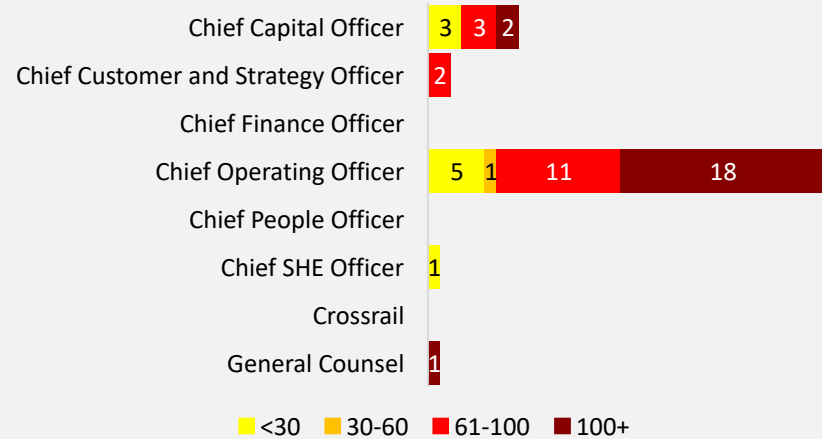
<b>Risk No.</b>	<b>Risk</b>	<b>Owner</b>	<b>Panel and Committee</b>
ER1	Inability to deliver safety objectives and obligations	Chief Safety, Health and Environment Officer	Safety, Sustainability and Human Resources Panel
ER2	Attraction, retention, wellbeing and health of our employees	Chief People Officer	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 including cyber security	Chief Operating Officer	Audit and Assurance Committee
ER5	Efficient and high performing supply chains and effective procurement	Chief Finance Officer	Finance Committee
ER6	Deterioration of operational performance	Chief Operating Officer	Customer Service and Operational Performance Panel
ER7	Financial Resilience	Chief Finance Officer	Finance Committee
ER8	Delivery of key investment programmes and projects	Chief Capital Officer	Programmes and Investment Committee
ER9	Changes in customer demand	Chief Customer and Strategy Officer	Finance Committee
ER10	Governance and control suitability	General Counsel	Audit and Assurance Committee

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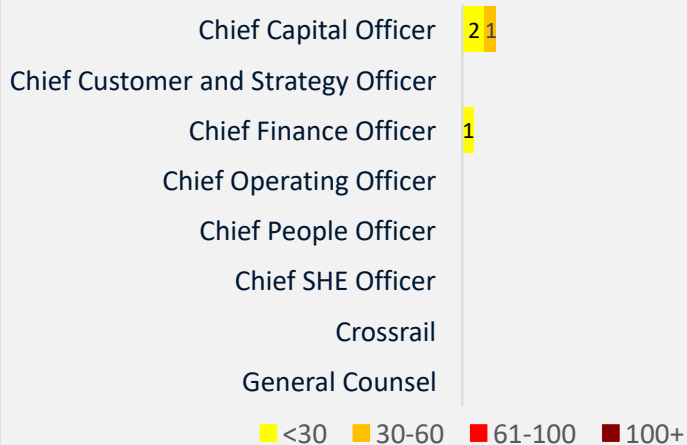
Internal Audit Overdue Action by Days



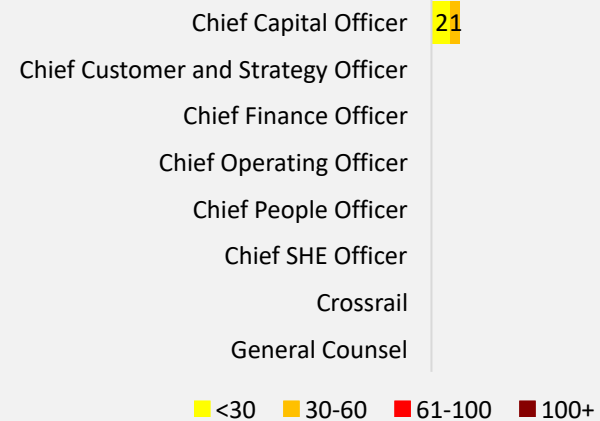
Quality Safety Security Overdue Action by Days



Project Assurance Overdue Recommendations by Days

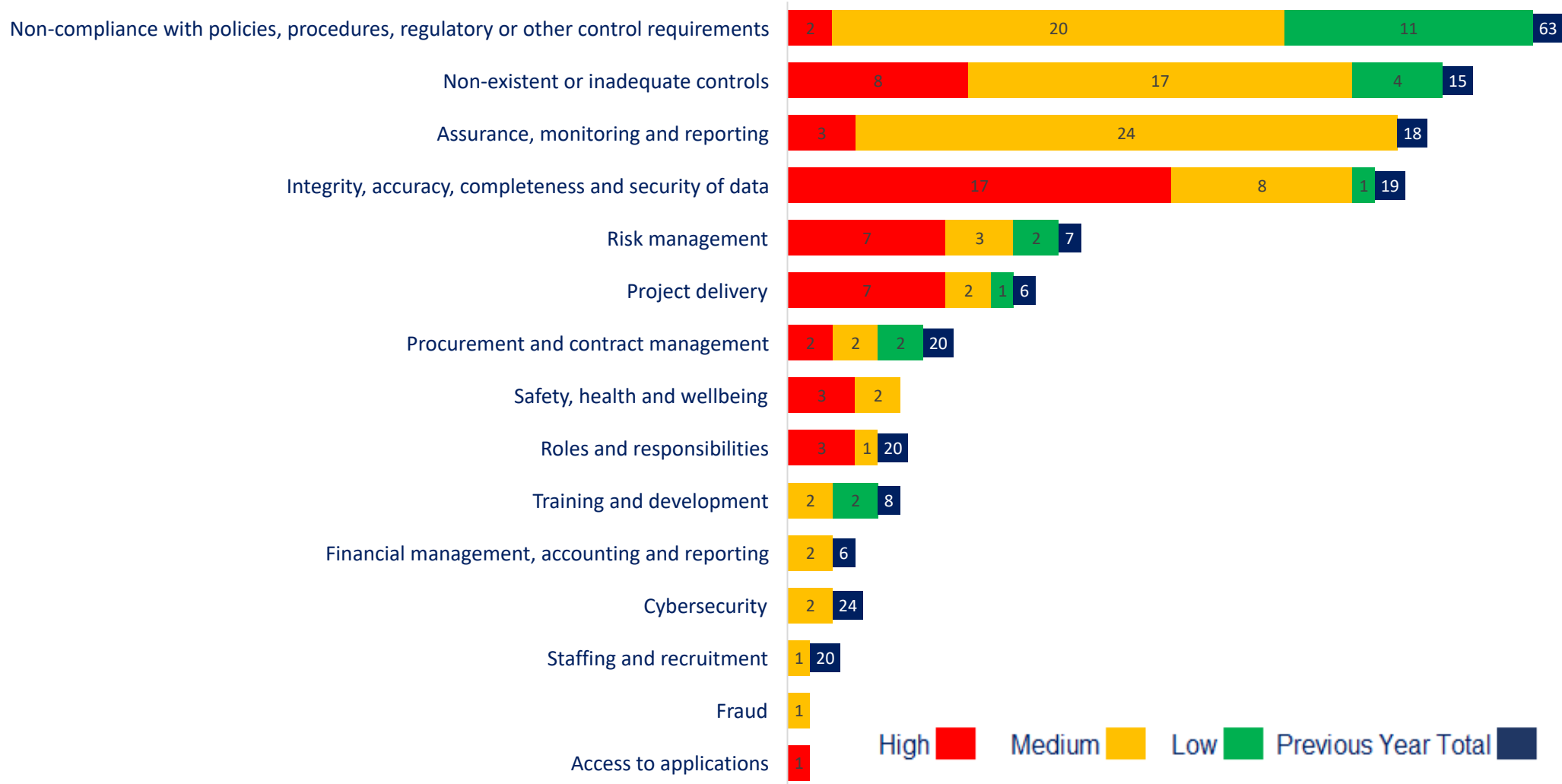


IIPAG Overdue Recommendations by Days

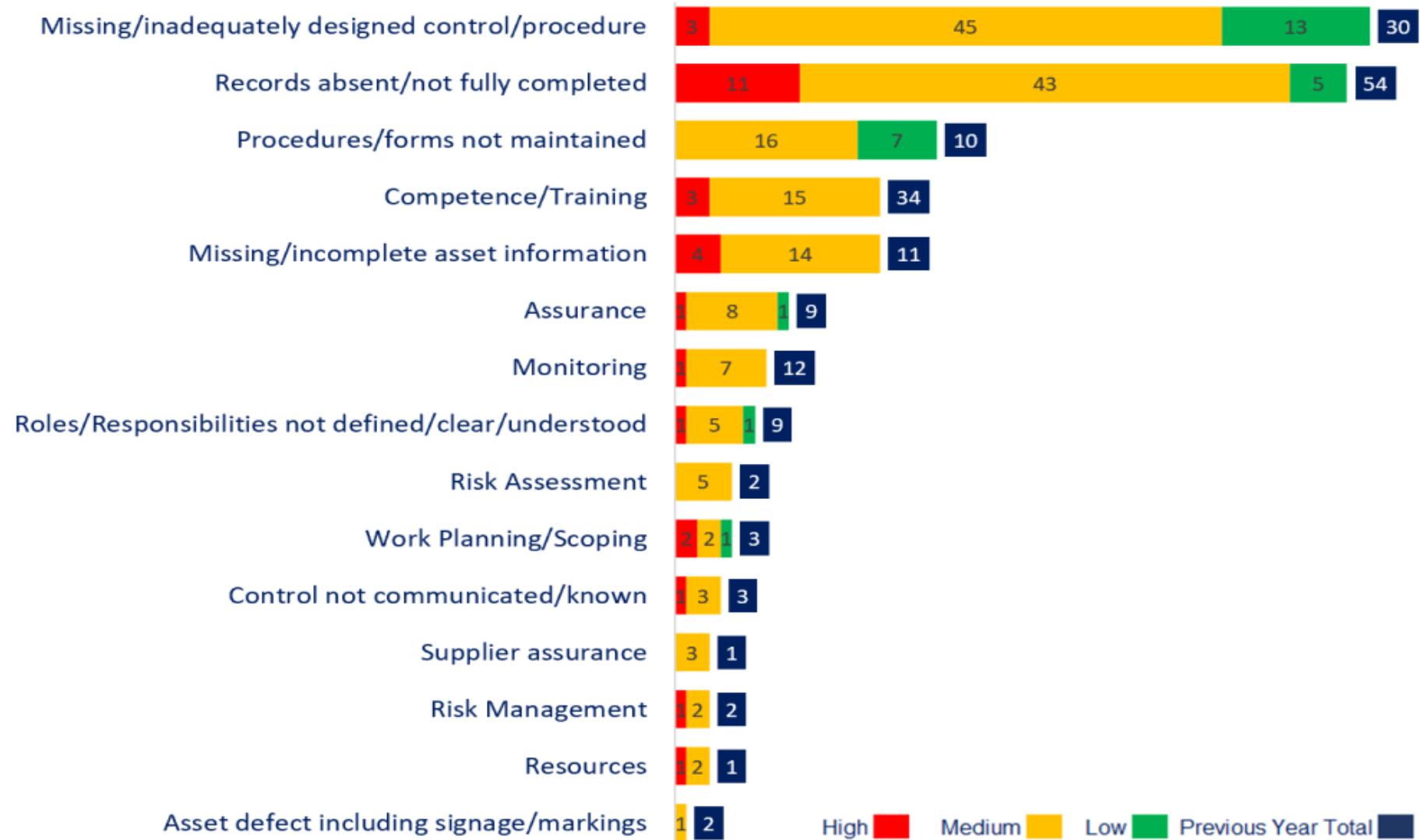


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Internal Audit Findings Categories by Priorities 4 Quarters vs Previous Year

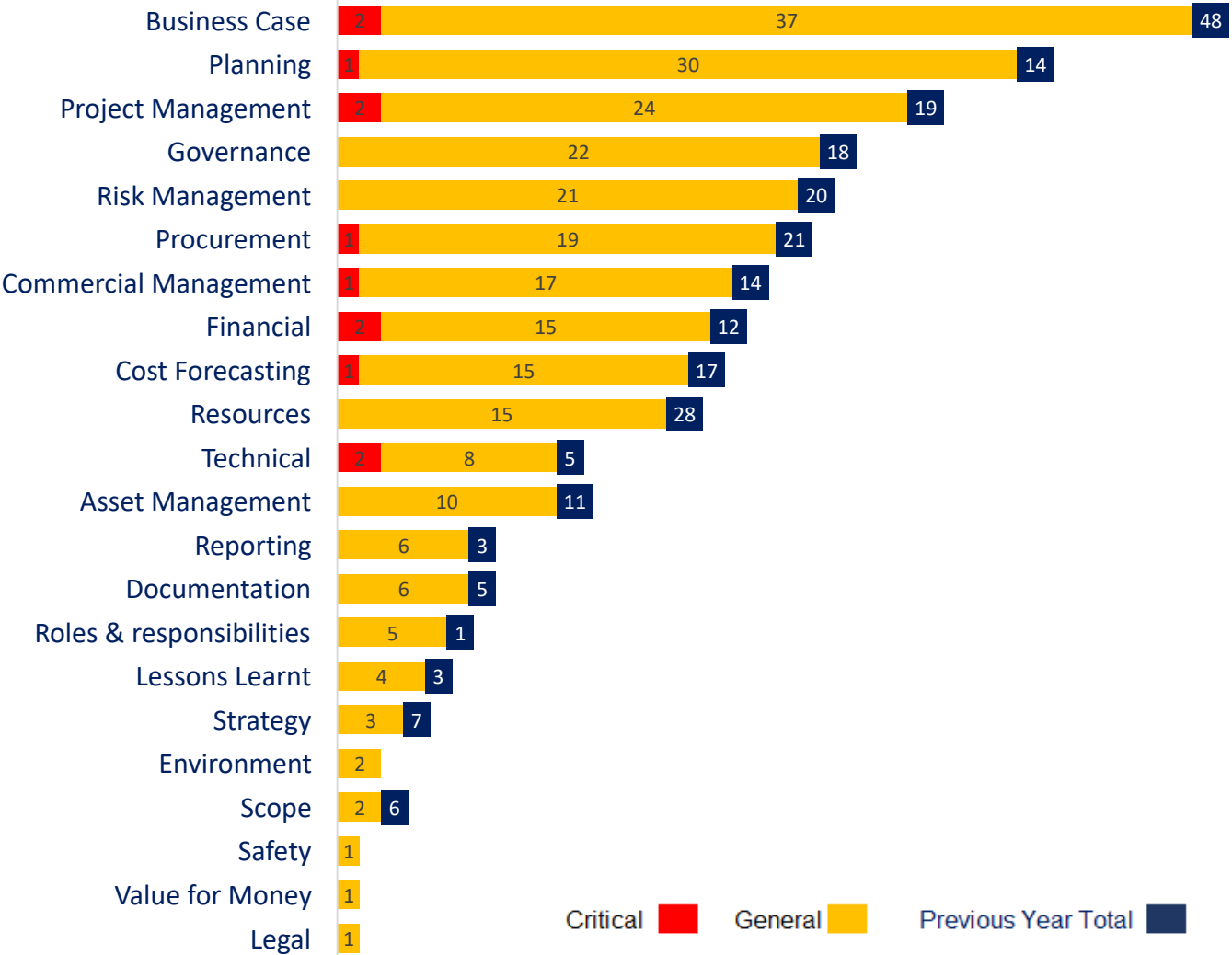


# Quality, Safety and Security Assurance Findings Categories by Priorities – 4 Quarters vs Previous Year





# Project Assurance Findings by Themes by Type - 4 Quarters vs Previous Year



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## Audit and Assurance Committee



**Date:** 14 March 2024

**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 February 2024. It describes the work undertaken since the last report presented to the Committee in November 2023.

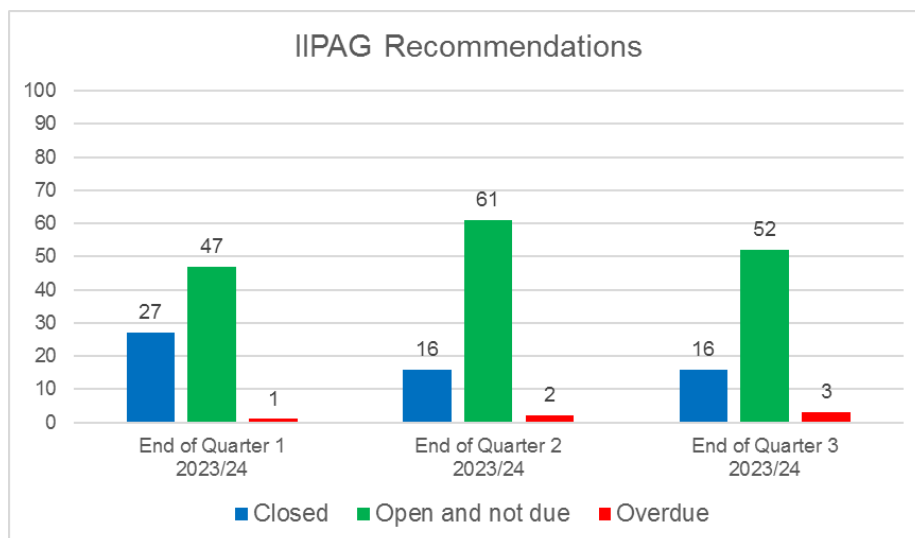
### 2 Recommendation

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

### 3 IIPAG Quarterly Report

3.1 Under its Terms of Reference IIPAG is required to produce quarterly reports of its advice on strategic and systemic issues, progress against actions and recommendations, and the effectiveness of the first and second lines of project and programme assurance. IIPAG’s Quarterly Report for February 2024 is included as Appendix 1.

3.2 Figure 1 sets out the status of the IIPAG recommendations at the end of each of the last three quarters. The three overdue recommendations shown at the end of Quarter 3 of 2023/24 (17 September to 9 December 2023) are not critical issues.



**Figure 1: Status of IIPAG Recommendations**

- 3.3 From the assurance reviews undertaken during Quarter 3 IIPAG made 23 recommendations, two of which were critical issues. All of the recommendations were agreed with the respective project teams.

## **4 Management Response to IIPAG Quarterly Report**

### **Programme Structure**

- 4.1 Since the approval by the Programmes and Investment Committee of the new structure for Programmes in May 2023, Programmes have progressively migrated to the new arrangements. Activity has been ongoing in individual Programmes and at a strategic level to ensure that the new structure will work as effectively as possible. IIPAG and Project Assurance have made a number of useful recommendations in recent reviews aimed at bringing greater clarity to the operation of each Programme, and these are in the process of being actioned.
- 4.2 Refinements to the governance arrangements at Officer level for the new Programmes have recently been agreed, which will bring greater consistency of reporting and oversight. Development of the new Programmes are reviewed regularly at Director level meetings.

### **Resources**

- 4.3 The availability of staff resources is a recognised area of concern and is the subject of regular detailed monitoring and reporting by the Programme Management Office to a number of senior forums including Director level meetings. Specialist technical resources, for example, business, system and solution architects, within Technology and Data are a particular constraint, and this is kept under regular review. Resourcing will continue to be monitored on an ongoing basis with mitigation plans updated regularly to reflect this dynamic issue.

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

Appendix 1: Independent Investment Programme Advisory Group - Quarterly Report  
February 2024

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

None

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## Independent Investment Programme Advisory Group – Quarterly Report February 2024

---

### 1. Introduction

- 1.1. This report to the Committee describes the Independent Investment Programme Advisory Group (IIPAG) activities in December 2023 – January 2024. We have made no new strategic recommendations.

### 2. IIPAG Activity

- 2.1. We have undertaken three programme level reviews in this period covering:
- (i) Environment;
  - (ii) Technology;
  - (iii) Network Development and Third Party Pipeline.
- 2.2. We also continue to provide third line assurance for the Elizabeth Line and are currently undertaking an assurance review of the signalling software release for the new rolling stock specifically checking for any unexpected behaviours.
- 2.3. As in the last quarter, a common theme from the programme reviews has been the need to fully establish the overall governance and management of the new programmes, and to maximise any opportunities that the new structure offers. Last quarter we noted the need for a conscious management effort to embrace and integrate new elements into the overall management of a portfolio, with appropriate governance and clarity of roles and responsibilities. This issue emerged in the recent reviews as well. In at least one case dedicated resource is needed to define and lead the change to the new arrangements.
- 2.4. Two of the three reviews we undertook also raised significant concerns about resourcing. For one programme lack of resources is already affecting delivery, and for the other it poses a significant risk to delivery. Shortages in some specialist technology roles, both internally and in the supply chain, are having a real impact on delivery, but we also noted pressures in other areas including sponsorship and project management.

### 3. Cross-cutting work

- 3.1. We have recently completed a review of progress with improvements in Procurement and Commercial, which have been derived from the earlier Procurement and Commercial Improvement Programme and the ongoing business change workstreams. We are pleased to note that progress is being made on the IIPAG recommendations that came out of three separate IIPAG reviews, and that 11 out of 19 have been closed out. A number of others are due to be closed at the

end of the financial year. The Procurement and Commercial area is continuing to progress work on improvements to estimating and cost management, both of which were key concerns of IIPAG. We continue to encourage action around supplier relationship management and a commercial strategy process.

3.2. We have two reviews underway:

- (i) A review of the Pathway process for projects;
- (ii) Our annual review of the effectiveness of the first and second lines of defence.

3.3. We are also drawing up Terms of Reference for two further cross-cutting reviews:

- (i) A review of how TfL takes account in the investment programme of targets to reduce carbon emissions;
- (ii) Our second piece of work on renewals (following our earlier review of the Delivery of Renewals). This second piece will look at the earlier stages of prioritisation and workbanks.

3.4. We are also considering TfL's progress in implementing the recommendations of IIPAG's 2021 review of value for money, which may lead to further follow-up work.

Alison Munro  
Chair, IIPAG

February 2024

## Audit and Assurance Committee



Date: 14 March 2024

Item: Places for London Assurance Update

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### This paper will be considered in public

#### 1 Summary

- 1.1 This paper reports on progress with assurance activity across Places for London during Quarter 3 of 2023/24 (17 September to 9 December 2023) (Q3).
- 1.2 A paper is included on Part 2 of the agenda which contains exempt supplementary information. The information is exempt by virtue of paragraph 3 of Schedule 12A of the Local Government Act 1972 in that it contains information relating to the business affairs of TfL. Any discussion of that exempt information must take place after the press and public have been excluded from this meeting.

#### 2 Recommendation

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

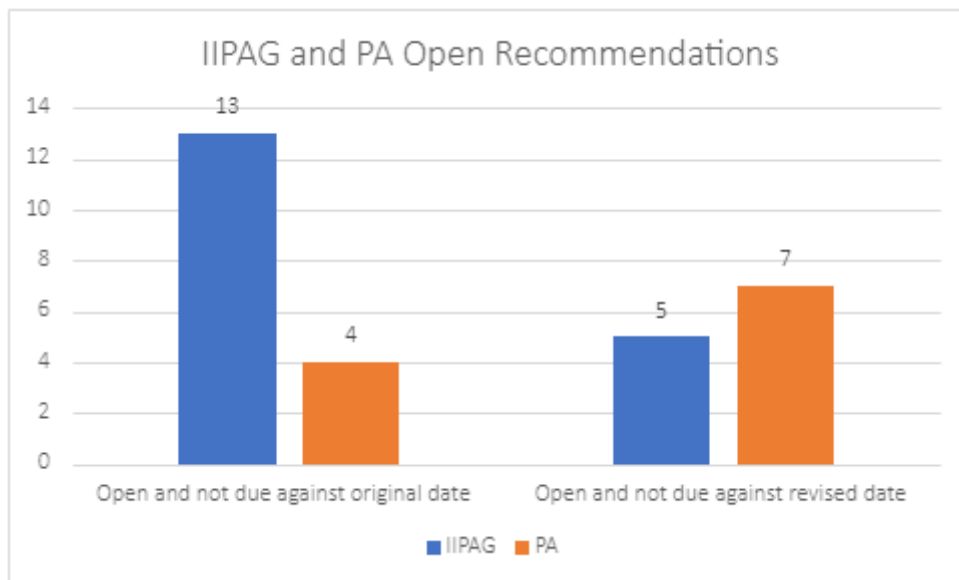
#### 3 Background

- 3.1 The Places for London Integrated Assurance Framework is based on a Three Lines of Assurance model comprising:
  - (a) Line 1– Management functions of Places for London and key interfaces;
  - (b) Line 2 – Project Assurance (PA) and Quality, Safety and Security Assurance (QSSA); and
  - (c) Line 3 – TfL Internal Audit and a sub-group of the Independent Investment Programme Advisory Group (IIPAG-Places).
- 3.2 This paper reports specifically on Line 2 (PA), Line 3 (Internal Audit) and Line 3 (IIPAG-Places) assurance progress and provides an update on Enterprise Risk management. Work in progress for Line 2 and Line 3 is set out in Appendix 1 and work starting in Quarter 4 (10 December 2023 to 31 March 2024) (Q4) is set out in Appendix 2.

#### 4 Line 2 (Project Assurance) Assurance

- 4.1 PA continues to provide assurance on an ongoing basis as well as carrying out targeted assurance reviews (TARs) on key areas. We have had excellent engagement from the Places for London team in all assurance activities which is appreciated.

- 4.2 The two planned Q3 TARs have been moved into Q4. The property development pipeline and prioritisation process was moved to follow the business plan update and the review of the operational works relating to the Southwark over-station development has been rescheduled to align with project procurement activities.
- 4.3 Alongside IIPAG-Places, PA has been undertaking continuous assurance on the Electric Vehicle Charging Hubs programme, focussing on policy, business model and investment case, resourcing and procurement activities.
- 4.4 The PA team is pleased to note progress in first line assurance activities, including the establishment of the Programme Management Office. We will continue to work closely with the Places for London team and comment on emerging first line assurance proposals.
- 4.5 PA has completed a review of all PA and IIPAG-Places recommendations made over the last 12 months. In summary, eight recommendations were closed in Q3. A total of 29 recommendations, from both PA and IIPAG-Places TARs, were still open at the end of Q3 with none overdue (see Figure 1 below).



**Figure 1 – IIPAG and PA Open Recommendations (end of Q3)**

## **5 Line 3 (Internal Audit) Assurance**

- 5.1 The draft audit reports for Revenue Collection and Debt Management, and the Due Diligence Process (new tenants) were issued at the beginning of September 2023. The auditor will finalise these in Q4. More detail of audit activities is contained in Appendices 1 and 2. There were no overdue actions from previous audits at the end of Q3.

## **6 Line 3 (IIPAG-Places) Assurance**

- 6.1 IIPAG-Places work for Q3 and Q4 is set out in Appendices 1 and 2. Q3 activity focussed on completing a review of asset disposal targets within the Capital Receipts programme. Terms of Reference have also been prepared for a review of the investment appraisal and investment metrics. IIPAG-Places is pleased that



the Finance team is undertaking a review of the process and assurance activities have been deferred to align with the outputs of this review.

- 6.2 The review of asset disposal targets is now complete. IIPAG-Places examined deliverability and risks of generating the forecast capital receipts targets. IIPAG-Places' assessment is that external market conditions and internal system issues present ongoing risks to deliverability which require considered management action.
- 6.3 IIPAG-Places is still engaged in a continuous assurance role in looking at the Electric Vehicle Charging Hubs programme and the Limmo partner procurement strategy.

## **7 Enterprise Risk Management**

- 7.1 The review of the third Level 0 (L0) risk (Places-L0-1) 'Failure to prevent safety incidents or meet safety commitments' is now complete and was presented to the Land and Property Committee in December 2023.
- 7.2 Details of the seven Places for London L0 risks are set out in Appendix 3.

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

- Appendix 1: Places for London Integrated Assurance and Audit Schedule – Work in Progress
- Appendix 2: Places for London Integrated Assurance and Audit Schedule – Forward Plan
- Appendix 3: Places for London Level 0 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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## Places for London Integrated Assurance and Audit Schedule – Work in Progress

## Appendix 1

Priority	Topic	Evidence of Need	Type	Who	When	Objectives
1	Revenue collection/debt management	<ul style="list-style-type: none"> <li>• Debt recovery activities are an important part of managing the revenue stream.</li> <li>• There have been increasing levels of arrears in recent years.</li> </ul>	Audit	Internal Audit (IA)	Ongoing	<ul style="list-style-type: none"> <li>• To provide assurance over the effectiveness and adequacy of the debt collection process.</li> </ul>
2	Due diligence process (new tenants)	<ul style="list-style-type: none"> <li>• Tenants need to be financially secure so that they do not default on rent payments. They need to be fully vetted to ensure this is the case.</li> <li>• A new vetting process was introduced over a year ago and has yet to be tested for effectiveness.</li> </ul>	Audit	IA	Ongoing	<ul style="list-style-type: none"> <li>• To provide assurance on the adequacy and effectiveness of the due diligence process for bringing new tenants on board.</li> </ul>
3	Property disposal strategy	<ul style="list-style-type: none"> <li>• Disposals are a significant part of generating funds to support the capital investment programme.</li> <li>• Disposal activities have not been progressing as forecast.</li> </ul>	Targeted	Independent Investment Programme Advisory Group (IIPAG)	Complete	<ul style="list-style-type: none"> <li>• To assess the impact on the capital investment programme.</li> <li>• To provide assurance over the effectiveness and adequacy of the process for identifying and executing disposals.</li> </ul>
4	Electric vehicle charging hubs	<ul style="list-style-type: none"> <li>• Programme is preparing to procure a delivery partner.</li> </ul>	Continuous	Project Assurance (PA)/IIPAG	Ongoing	<ul style="list-style-type: none"> <li>• To assess key decisions including business model and investment appraisal.</li> <li>• To consider readiness to go to market.</li> </ul>

Priority	Topic	Evidence of Need	Type	Who	When	Objectives
5	Limmo development	<ul style="list-style-type: none"> <li>• Complex site with significant constraints.</li> <li>• Programme is preparing a procurement strategy.</li> </ul>	Continuous	IIPAG/PA	Ongoing	<ul style="list-style-type: none"> <li>• To provide assurance on the procurement strategy.</li> </ul>
6	Continuous assurance activities	<ul style="list-style-type: none"> <li>• A number of functions and strategies are emerging, such as first line assurance.</li> <li>• There are a number of large, complex development programmes and sites.</li> </ul>	Continuous	PA	Ongoing	<ul style="list-style-type: none"> <li>• To increase understanding of the Places for London business.</li> <li>• To highlight areas for targeted assurance.</li> </ul>

## Places for London Integrated Assurance and Audit Schedule – Forward Plan

## Appendix 2

Quarter 4 of 2023/24 (10 December 2023 to 31 March 2024) (Q4); and Quarter 1 of 2024/25 (1 April to 22 June 2024) (Q1)

Priority	Topic	Evidence of Need	Type	Who	When	Objectives
1	Southwark over-station development (OSD) – Operational scope	<ul style="list-style-type: none"> <li>Any delay to works to relocate/remove operational infrastructure could delay the OSD.</li> </ul>	Targeted	Project Assurance (PA)	2023/24 Q4	<ul style="list-style-type: none"> <li>To assess potential risk to the OSD programme.</li> </ul>
2	Pipeline development and delivery strategy	<ul style="list-style-type: none"> <li>Robust development/delivery pipeline and prioritisation process is essential for successful delivery of residential targets.</li> </ul>	Targeted	PA	2023/24 Q4	<ul style="list-style-type: none"> <li>To consider the appropriateness of pipeline development and delivery strategy.</li> <li>To assess the robustness of the prioritisation process.</li> </ul>
3	Asbestos management	<ul style="list-style-type: none"> <li>This is part of a programme of asbestos audits across TfL following a revision to the TfL Standard. Not previously assured in Places for London.</li> </ul>	Targeted	Quality, Safety and Security Assurance	2023/24 Q4	<ul style="list-style-type: none"> <li>To check compliance with revised TfL Standard and compliance with regulatory requirements.</li> </ul>

Priority	Topic	Evidence of Need	Type	Who	When	Objectives
4	Void management	<ul style="list-style-type: none"> <li>Commercial and residential properties should be occupied at all times to maximise income. There needs to be an effective process in place to minimise the period of time that properties are empty between tenants.</li> </ul>	Audit	Internal Audit	2023/24 Q4	<ul style="list-style-type: none"> <li>To provide assurance on the adequacy and effectiveness of controls to manage property voids.</li> </ul>
5	First line assurance	<ul style="list-style-type: none"> <li>Proposals for first line assurance are being developed, including the introduction of a Programme Management Office.</li> </ul>	Targeted	PA	2024/25 Q1	<ul style="list-style-type: none"> <li>To assess the appropriateness of the proposed improvements to first line assurance.</li> </ul>
6	Investment appraisal and project financial hurdles	<ul style="list-style-type: none"> <li>Large projects and investments are appraised using financial hurdles.</li> <li>Places for London is undertaking a review of the investment appraisal process and hurdle rates.</li> </ul>	Targeted	Independent Investment Programme Advisory Group (IIPAG)	2024/25 Q1	<ul style="list-style-type: none"> <li>To consider proposals to update the investment appraisal process, new hurdle rates and their application and governance regarding exemptions.</li> </ul>
7	Key investment decisions	<ul style="list-style-type: none"> <li>Second and third line assurance as required to support authority requests/ investment decisions.</li> </ul>	Continuous	PA/ IIPAG	Ongoing	<ul style="list-style-type: none"> <li>To provide a recommendation on key decisions and investment requests to support decision makers.</li> </ul>

Risk	Risk Title
Places-L0-1	Failure to prevent safety incidents or meet safety commitments
Places-L0-2	Attraction, retention, health, wellbeing and capability of our employees
Places-L0-3	Financial sustainability
Places-L0-4	Stakeholders and partnerships
Places-L0-5	Environment including climate adaptation
Places-L0-6	Inability to react to external market forces
Places-L0-7	Efficient and high performing supply chains and effective procurement

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## Audit and Assurance Committee

Date: 14 March 2024

Item: Critical Accounting Policies



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### This paper will be considered in public

## 1 Purpose

- 1.1 This paper provides an update to the Committee on TfL's critical accounting policies to be applied in TfL's Statement of Accounts for the year ending 31 March 2024.
- 1.2 This annual 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 2024.

## 2 Recommendation

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

## 3 Background

- 3.1 TfL's Statement of Accounts (the Accounts) is prepared in accordance with the provisions of the Local Audit and Accountability Act 2014 and the Accounts and Audit Regulations 2015. The form and content followed in preparing the 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 2023/24 Code has been prepared on the basis of accounting standards and interpretations in effect for accounting periods commencing on or after 1 April 2023.
- 3.3 This paper deals with changes to the critical accounting policies as they relate to the Accounts for the year ending 31 March 2024.

## 4 Assessment on Developments in 2023/24 Code and IFRS

- 4.1 The 2023/24 Code and IFRS introduce a small number of amendments to the accounting requirements, which are outlined in paragraphs 4.2 to 4.7 below. These amendments are not expected to have a material impact on the Accounts for the year ending 31 March 2024.

## **CIPFA Code update - Service Concession liability for authorities that choose to voluntarily adopt IFRS 16**

- 4.2 In April 2023, CIPFA released an update to the 2022/23 Code in relation to the treatment of service concession liability – Private Finance Initiative (PFI) or Public-Private Partnership (PPP) liabilities – by authorities that choose to voluntarily adopt IFRS 16 Leases in 2022/23. This update provides an option for local authorities to defer implementation of IFRS 16 to PFI and PPP arrangements until 2023/24.
- 4.3 TfL already accounted for PFI arrangements under IFRS 16 in 2022/23, therefore there is no reporting impact for TfL in 2023/24.

## **Retirement of IFRS 4 and replacement by IFRS 17 Insurance Contracts**

- 4.4 IFRS 17 applies to contracts outside of the insurance industry and defines an insurance contract as “a contract under which one party (the issuer) accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder.”. Companies should identify contracts that might meet this definition, while considering mandatory exemptions and elections. The standard does not cover insurance contracts held by a policyholder, and providing financial guarantee and warranties are also outside the scope of IFRS 17.
- 4.5 The CIPFA 2023/24 code has not explicitly adopted this change.

## **Amendments to International Accounting Standard (IAS) 1: Disclosure of Accounting Policies**

- 4.6 IAS 1 has been amended to require entities to disclose their material accounting policies instead of their significant accounting policies. The standard also clarifies that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and do not need to be disclosed.
- 4.7 The Code has been amended to reflect changes to IAS 1, which help preparers to provide more focused and proportionate information on accounting policies.

## **Amendments to IAS 8: Definition of an Accounting Estimates**

- 4.8 Amendments to the IAS clarify that accounting estimates are monetary amounts in the Accounts subject to measurement uncertainty. The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that an entity develops an accounting estimate to achieve the objective set out by an accounting policy.
- 4.9 The Code has been amended to reflect changes to IAS 8, which clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of error.

## **Amendments to IAS 12: Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction**

- 4.10 The amendments prescribe how entities account for deferred taxes on certain transactions, which narrows the scope of the initial recognition exemption so entities will need to recognise a deferred tax asset and a deferred tax liability arising from transactions that give rise to equal and offsetting temporary differences.
- 4.11 The CIPFA 2023/24 code does not cover IAS 12 in detail.

## **Amendments to IAS 12: International Tax Reform**

- 4.12 The International Accounting Standards Board introduced amendments to IAS 12 which clarify its application to income taxes arising from tax law enacted (or substantively enacted) in respect of OECD/G12 transfer pricing rules. These amendments give companies temporary relief from accounting for deferred taxes arising from the international tax reform. Entities will be required to provide new disclosures about their potential exposure to the top-up tax at the reporting date in periods in which a tax law is enacted but the top-up tax does not yet apply.
- 4.13 The CIPFA 2023/24 code does not cover IAS 12 in detail.

## **5 Future Changes to IFRS**

- 5.1 Other standards and interpretations mandatory for years commencing on or after 1 January 2024, include the following amendments which are expected to have limited impact on the Accounts for the year ending 31 March 2025:
- (a) amendments to IAS 1: Classification of liabilities as Current or Non-current and Non-current Liabilities with Covenants;
  - (b) amendments to IFRS 16: Lease Liability in a Sale and Leaseback; and
  - (c) amendment to IAS 7 and IFRS 7: Financial Instruments - Disclosures of Supplier Finance Arrangements.
- 5.2 Responsibility of monitoring companies' climate related financial disclosures has transferred to the IFRS Foundation. The International Sustainability Standards Board, which operates under the oversight of the IFRS Foundation, issued IFRS S1 (General Requirements for Disclosure of Sustainability-related Financial Information) and IFRS S2 (Climate-related Disclosures), which is expected to be adopted in the UK in the future years. These standards fully incorporate recommendations from Taskforce on Climate-Related Financial Disclosures.
- 5.3 Other standards and interpretations mandatory for years commencing on or after 1 January 2025, include amendments to IAS 21: Lack of Exchangeability – The Effects of Changes in Foreign Exchange Rates. These new standards/amendments are expected to have limited impact on the Accounts for the year ending 31 March 2026.

**List of appendices to this report:**

None

**List of Background Papers:**

None

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## Audit and Assurance Committee

**Date:** 14 March 2024

**Item:** Personal Data Disclosure to Police and Other Statutory Law Enforcement Agencies (2023)

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### 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

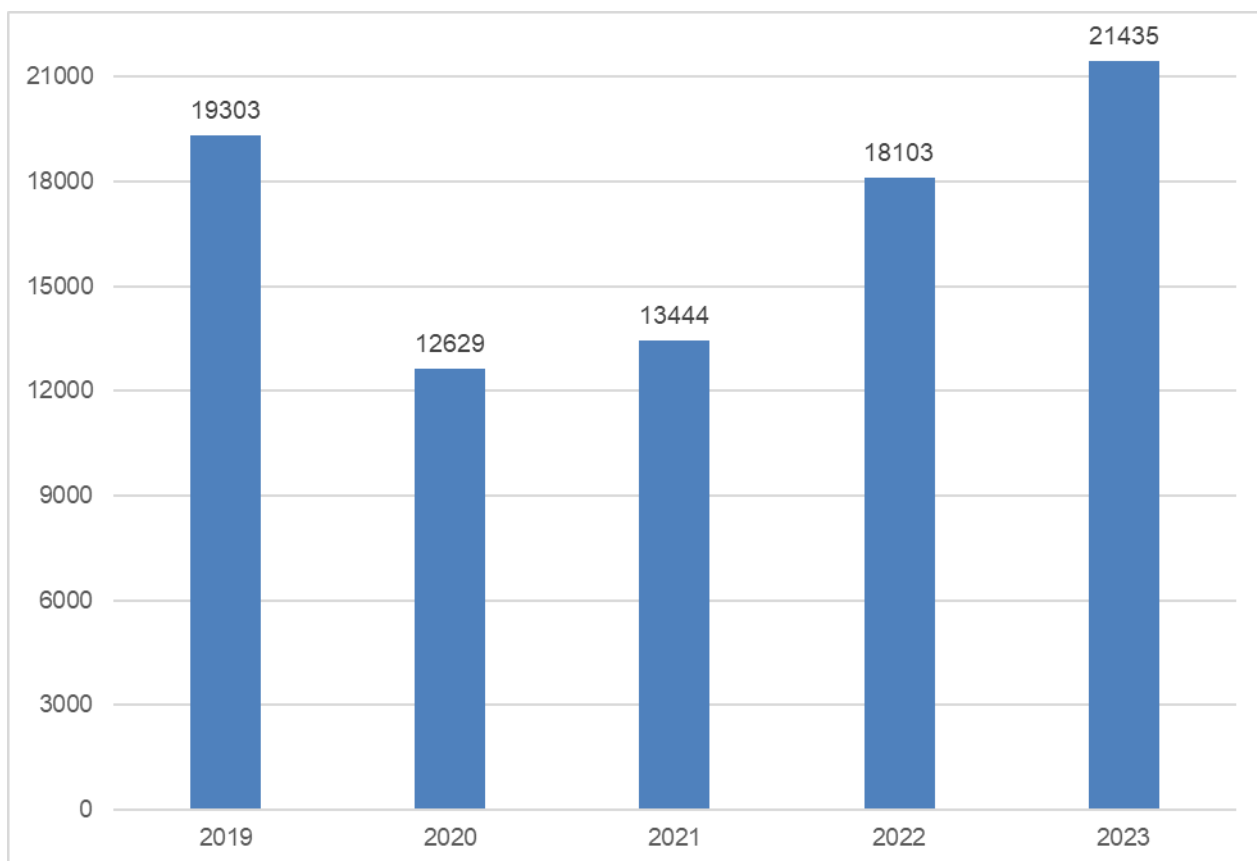
- 3.1 TfL, and its operators, provide valuable support to the police and other SLEAs' efforts to prevent, investigate and detect crime, safeguard the most vulnerable and assist in bringing offenders to justice. This is done through our significant investment in dedicated policing for our public transport networks and London's, strong partnership working and through the provision of personal data that we and our operators hold. This support is vital to the Mayor's commitment to improve the safety and security of London.
- 3.2 We hold a range of information about our customers and employees which is of significant value to our partners in the police and in other law enforcement agencies for the prevention and detection of crime and in safeguarding the most vulnerable in our society. In disclosing personal data to the police and other statutory law enforcement bodies without the subject's consent, we must comply with our duties under data protection legislation. We rely on the exemption under Schedule 2 Part 1 and Schedule 2 Part 2 of the Data Protection Act 2018 in relation to the disclosures 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 of the data disclosed in 2023 against trends from the previous four years.
- 3.4 Our 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>.

- 3.5 Our Compliance, Policing, Operations and Security (CPOS) Directorate manages 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 our data without increasing costs to us we established a pioneering partnership unit in 2010 with officers from the British Transport Police (BTP) and the Metropolitan Police Service (MPS) attached to us, working under the direction of a TfL manager and subject to regular review. 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 across the organisation. These business areas disclose data in accordance with our policy and are subject to regular review to ensure compliance:
- (a) for London Underground (LU), LU is the Data Controller and BTP is the data processor of CCTV for crime-related purposes. BTP host an integrated centre for CCTV from across the railways at Ebury Bridge which includes feeds from the majority of LU stations.
  - (b) requests for information on taxi and private hire licensees, held by our 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 London River Services are responded to directly.
- 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, there is a tangible and significant threat to life, or a threat to the transport system.

## **4 Overview of Data Requests and Disclosures**

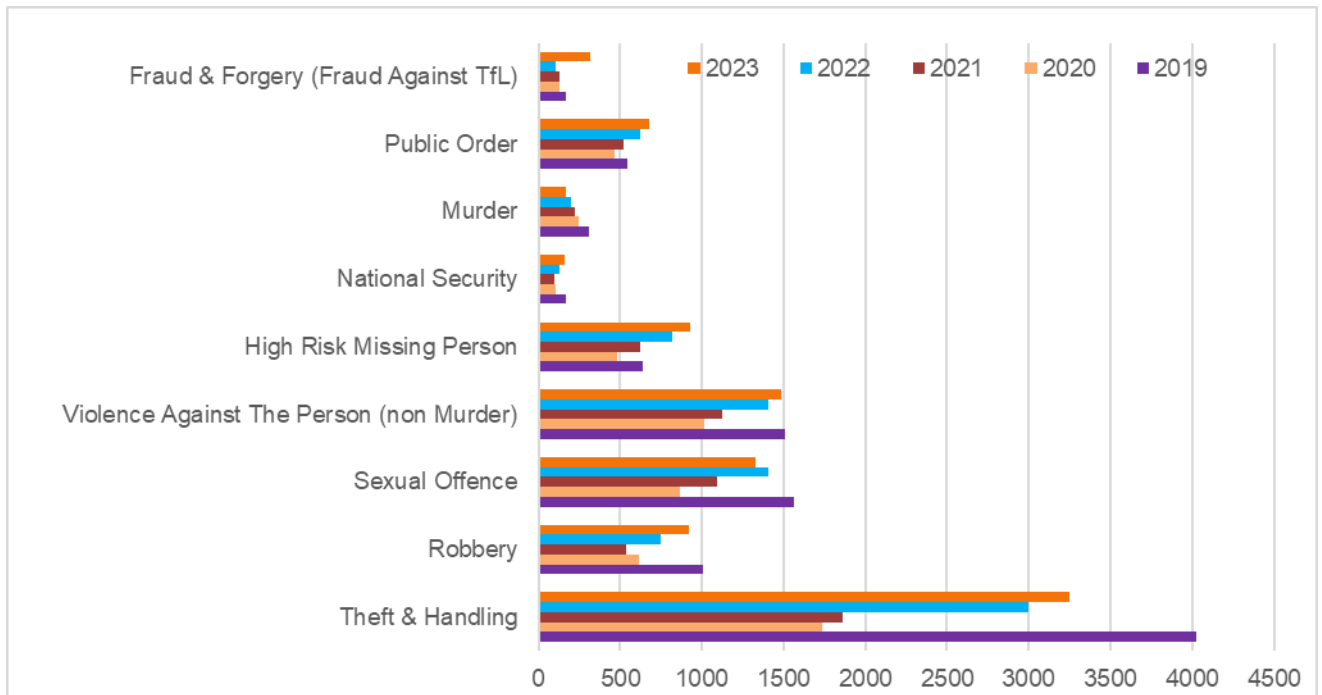
- 4.1 Chart 1 shows the volume of all police and SLEA data requests for ticketing data, Body Worn Video (BWV) and LU CCTV for the last five full calendar years. The total number of data requests made in 2023 was 21,435; a 18 per cent increase on 2022 (3,332 additional requests). Of the requests, 10,841 were for ticketing data, 10,594 were for LU CCTV and 360 for BWV.

Chart 1: Breakdown of request (by volume) for ticketing 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 our 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. Overall TfL public transport crime trends largely reflect national crime trends rising from the lower volumes recorded during the pandemic.
- 4.3 We continued to provide valuable support to the MPS' efforts to help locate highly vulnerable people. TfL data was requested in the investigation of 929 high risk missing persons: 13 per cent higher (109 additional requests) than the previous year. Our support for high risk missing person cases is an important and increasing part of our Data Disclosures Unit's (DDU) workload. The team continues to work very closely with the police to improve processes to ensure that data is turned around as quickly as possible.
- 4.4 We dealt with 165 requests relating to murder and fatality investigations. These are often complex cases that require a significant amount of work by the DDU. We are acutely aware of how important the timely disclosure of ticketing data and CCTV is for investigating and solving these crimes and will do all we can to support police. Our bus operators should also be recognised for the vital support they provide to the police in these circumstances – often outside of business areas.
- 4.5 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



4.6 Most requests in 2023 (3,252 requests/30 per cent of total) were related to theft and handling offences. This reflects the fact that theft remains the highest volume crime on our public transport networks.

4.7 There was a 30 per cent increase in requests for BWV footage captured by our frontline customer-facing colleagues in 2023 compared with 2022 (360, an additional 83 requests). The increase is in line with the wider rollout of BWV to more operational colleagues as part of our efforts to tackle work-related violence and aggression. The overwhelming majority of requests related to the investigation of incidents against TfL colleagues.

4.8 Table 1 shows a breakdown of data requests by requesting agency (by percentage) for 2023.

Table 1: Data requests by requesting agency:

SLEA	No of requests	2023 (%)	2022 (%)
BTP	11,528	54%	48%
MPS	9,051	42%	49%
Non-police bodies that have a statutory role in crime prevention and detection	334	1.5%	<1%
Other police forces	266	1%	1%
National Security	158	<1%	<1%
City of London Police	51	<1%	<1%
Bus Company (for personal injury/insurance claims)	47	<1%	<1%



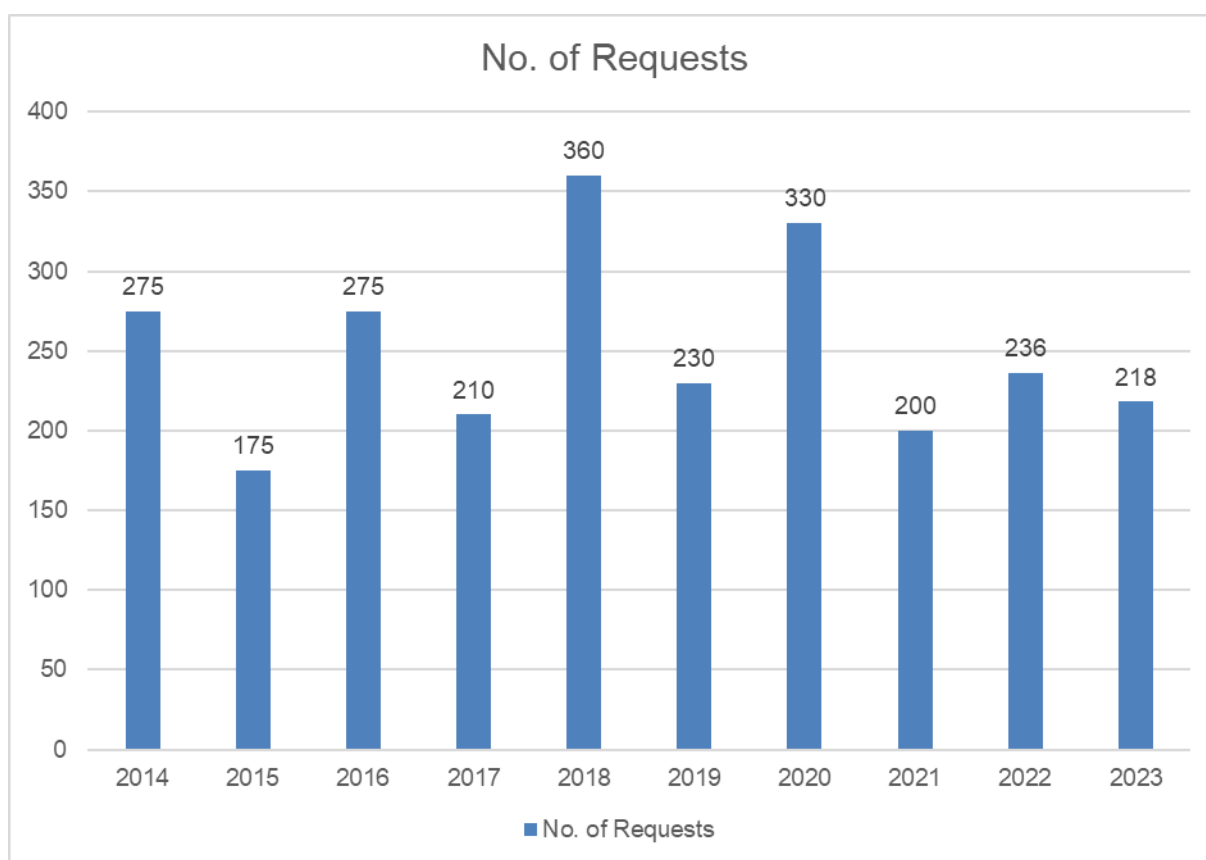
- 4.9 There have been several high-profile police investigations that have been dealt with by CPOS that have subsequently resulted in custodial prison sentences or life saving intervention. Data released by the DDU helped to lead to:
- (a) a high-risk missing person who had threatened to throw themselves off a bridge being identified quickly. The journey data we provided to the police assisted them in identifying a bus the person had boarded and they were able to locate them and provide safeguarding intervention;
  - (b) a suspect being arrested, charged and subsequently jailed for a minimum of 19 years for a murder linked to a Santander Cycle Hire bike; and
  - (c) a suspect being identified, charged and convicted for a stabbing of a victim, who was known to the suspect, on a route 94 bus. The offender pleaded guilty at court was jailed for a minimum term of 25 years and 6 months.
- 4.10 In addition to the requests to us for personal data, the MPS made 13,889 requests directly to our bus and rail operators for CCTV. This included 202 requests for CCTV relating to murder investigations, 2,685 for violence against the person offences, 1,715 for robbery, 1,650 for road traffic collisions and 1,241 for sexual offences. The requests were to support investigations of both transport and non-transport related crimes and incidents.
- 4.11 While this paper focusses on the disclosure of personal data to the police and other law enforcement agencies, it is important to recognise TfL's wider role in helping to identify the buses that may be relevant to a police investigation. This assistance helps to narrow the police investigation and minimise the amount of personal data that is requested.
- 4.12 During the past three calendar years, we have received two production or court orders. The first order was for data that had been deleted in line with our data destruction policy of 12 months so was not available. The second order was for data for an investigation received from the MPS of a grievous bodily harm offence. The data request was initially refused due to the wide scope of the request for all registered bank cards or Oyster cards that were validated on a specific bus within a timeframe. The data was released once the order was received.
- 4.13 We processed 1,953 bank card data requests in 2023, which equates to 18 per cent of the total number of requests. Fewer than five per cent of bank cards are registered with TfL. Where a suspect is identified using an unregistered bank card, the police need to contact the bank for details of the cardholder.
- 4.14 There are tight controls and auditing processes in place for the processing of bank card data enquiries. This includes an annual review of the processes, and compliance with those is undertaken by TfL, MPS and our merchant acquirer. A report is submitted to the merchant bank which has always found us to be compliant in our processing of bank card data.

## 5 Taxi and Private Hire Requests

5.1 There were 218 data requests for information on taxi and private hire drivers and vehicles in 2023.

5.2 All private hire operators have a condition on their licences to report all alleged or suspected criminal conduct to the police in an appropriate and timely way to ensure that the incident is investigated. 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. Any suspicious activity identified through their own assurance systems is also reported to us as the licensing authority and to the police for investigation. Operators can report these issues to the police more easily now through an online reporting tool.

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.

Table 2: Data requests by requesting agency:

SLEA	No of Requests	2023 %	2022 (%)
MPS	131	60%	68 %
Other police forces	60	28%	26%
National Crime Agency	17	8%	4%
City of London Police	6	3%	1%
BTP	3	1%	1%
Non-police bodies that have a statutory role in crime prevention and detection	1	<1%	0%

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

Table 3: Breakdown of requests by Private Hire and Taxi

Type of Driver	No of Requests	2023 (%)	2022(%)
Private Hire	158	73%	54%
Other	25	12%	27%
Taxi	22	10%	16%
Dual Licence	11	5%	3%
Operator	2	1%	0%

5.5 The above statistics refer to both electronic and telephone data requests. However, the Taxi and Private Hire telephone lines were closed from March 2020 due the pandemic and as such requests for taxi or private hire information or confirmation have now significantly shifted to email, being sent to the relevant CJSM email account.

## 6 Conclusion

6.1 TfL data released to the police and other SLEAs for the investigation, prevention and detection of crime on our transport network and across London continues to prove to be a vital crime prevention tool. We continue to make a significant contribution to safety and security in London with our 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:** 14 March 2024

**Item:** Enterprise Risk Update – Governance and Controls Suitability (ER10)

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### This paper will be considered in public

#### 1 Summary

- 1.1 As part of Transport for London's (TfL) risk management process, Enterprise Risk 10 – Governance and Controls Suitability (ER10) is allocated to this Committee for its review and oversight.
- 1.2 ER10 assesses whether TfL's governance and controls are fit for purpose and if they provide adequate support to meet the changing demands on TfL and expectations of our stakeholders.
- 1.3 This paper provides an overview of ER10 and how it is managed. The top three key mitigations to move from Current to Target position for ER10 are: Privacy and Security; TfL's Management System; and Governance Framework including TfL's Board, Committees and Panels. Further detail of these mitigations is set out in section 4.1 below.
- 1.4 An appendix is included on Part 2 of the 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 on Part 2 of the agenda.**

#### 3 Current Status

- 3.1 The current probability of the risk occurring remains Low due to the design and effectiveness of the controls and arrangements in place, including dedicated teams that oversee TfL's governance arrangements, controls and their suitability. The probability is also Low based on the greater scrutiny and regulation of data controls and data loss and compliance with procurement processes. Our target is to reduce the probability to Very Low.
- 3.2 The overall risk score remains Medium but with key mitigations our target is to reduce risk exposure to Low.

- 3.3 The overall control effectiveness rating for ER10 is Adequately Controlled as controls are designed correctly and are in place and further actions have been identified to improve the effectiveness of certain controls. The probability and impact of the risk and the control measures to address it are regularly reviewed and are always reassessed following any significant issues arising relating to governance or any actions arising from a related audit report.
- 3.4 The key causes that relate to risk exposure are: not being aware of or following appropriate processes, or processes being inadequate or not available; failure to seek appropriate approvals for decisions; not keeping up to date with changes that affect our governance arrangements (e.g. changes in legislation and compliance with legal requirements); failure to comply with and update strategic controls; and ineffective controls or failure of control measures.
- 3.5 The potential consequences of this risk materialisation have been identified as: reputational damage; transactions and projects operating without appropriate approval or oversight; possible financial loss from third parties; regulatory action and/or penalties due to breach of regulations; and safety, health or environmental damage due to incidents/ accidents occurring as a result of inappropriate or ineffective governance and decision making.
- 3.6 Financial impact remains Very High based on potentially high fines or costs owed if TfL were to be fined, for example due to a data breach.

## 4 Controls and Mitigation

- 4.1 A large number of actions and controls are in place to mitigate the risk. Overall, the top three mitigations for ER10 are:
- (a) **Privacy and Security:** We have a business-as-usual privacy and data protection compliance programme of activities to maintain and support compliance across TfL with the UK General Data Protection Regulation (GDPR) requirements. There have also been no instances of non-compliance with GDPR that have resulted in enforcement action by the Information Commissioner's Office. We are also working with other areas of the business on the programme of security and information governance mandatory training courses for all staff. As such, this ongoing preventative control has been assessed as effective for both design and operation.
- Since the last update to the Committee, we have added this control and removed the previous Privacy and Data Protection Compliance Programme ongoing preventative control.
- (b) **TfL's Management System (TMS):** The TMS is where all colleagues can find TfL's policies and procedures online and, as part of the Our TfL Programme (OTP), a programme of tactical improvements to strengthen the TMS has been developed and is currently in delivery. We are also continuing with our programme of regular review and update of existing content.

This ongoing preventative control has been assessed as effective for design and partially effective for operation but following completion of improvements identified through OTP we expect to improve this rating to effective.

(c) **Governance Framework including TfL's Board, Committees and Panels:**

A governance framework is in place and audits are undertaken by the Risk and Assurance Directorate to ensure that all areas of TfL are complying with it. Any governance issues identified from audits are reported to the Committee as part of the Quarterly Risk and Assurance Update and, where applicable, as part of the Annual Governance Statement. Delegated decision making and organisational governance is regularly reviewed in light of experience, organisational requirements, changed circumstances and changes in legal requirements or professional standards and guidance.

The Terms of Reference and oversight of TfL Board, Committees and Panels are kept under regular review and changes made when necessary (this included standing down the special purpose Elizabeth Line Committee in July 2023 following close out of the Crossrail project). The recommendations from the externally led Board Effectiveness Review for 2023 were reported to the October 2023 Board meeting and actions are being implemented. An update will be provided as part of the Annual Governance Statement and the governance improvement plan approval paper to the June 2024 meeting of the Committee. Preparations are also taking place for a Board recruitment campaign which will commence in April 2024.

This ongoing preventative control has been assessed as effective for both design and operation. This control now combines the previously separate Governance Framework, and Board, Committees and Panels controls, which were also both effective for design and operation.

4.2 In addition to the three preventive controls set out above, there are 22 further controls – 13 of which are preventative and nine corrective. The nine corrective controls remain effective for both design and operation.

4.3 Since the last update to the Committee, we have added the following six ongoing preventative controls:

- (a) Cyber Security Strategy – this replaces the previous Cybersecurity Programme control and has been assessed as effective for design and partially effective for operation as there is an action to review and update the Strategy;
- (b) Gifts and Hospitality Process and Procedure – this has been assessed as partially effective for both design and operation while we address actions from an internal audit;
- (c) Sufficient Legal Resource – this has been assessed as effective for both design and operation;
- (d) Declarations of Interest Process and Procedure – this has been assessed as effective for both design and operation but we are also looking to source a suitable automated system to record and track declaration responses which will strengthen the process further;
- (e) Risk Management Policy, Procedure and the Enterprise Risk Management Framework – this has been assessed as effective for design and partially

effective for operation but following an update of the policy and procedure by the end of June 2024 we expect to improve this rating to effective; and

- (f) Risk Management Awareness Training – this has been assessed as effective for design and partially effective for operation but following an update of the internal e-learning course by the end of June 2024 we expect to improve this rating to effective.

4.4 The following two ongoing preventative controls are now assessed as effective for both design and operation:

- (a) the Annual Governance Statement, for inclusion in the Annual Report, is recorded as effective as most actions are ongoing and all are being addressed and the statement is signed off by our external auditors each year; and
- (b) TfL's Standing Orders are regularly reviewed and changes made when necessary to ensure the effectiveness of decision making so that decisions are as robust as possible to legal challenge. These were updated in October 2023.

4.5 Of the remaining five preventative controls, all continue to be assessed as effective for both design and operation:

- (a) communication of election guidance across TfL;
- (b) transparency and strategic policy and publications framework;
- (c) annual Board Effectiveness Reviews with an independent review every three years;
- (d) Greater London Authority and London Assembly oversight; and
- (e) delivery of the Integrated Assurance Plan, monitoring of the completion of actions and reporting to the Board's Committees and Panels.

4.6 Level 1 governance risks have been identified and development of these risks are progressing, which will ensure that there is a clear line of sight of governance risk at all levels of the organisation.

**List of appendices to this report:**

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

**List of Background Papers:**

None

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## **Audit and Assurance Committee**

**Date:** 14 March 2024

**Item:** Financial Control Environment Trend Indicators

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

#### **1 Summary**

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

#### **2 Recommendation**

2.1 **The Committee is asked to note the paper and the Financial Control Environment Trend Indicators dashboard.**

#### **3 Background**

3.1 This paper reports on the Quarter 3 Financial Control Environment Trend Indicators, that informs the Committee as to the control environment across TfL's Finance, Business Services and Procurement and Commercial teams.

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

Appendix 1: Financial Control Environment Trend Indicators Dashboard

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

None

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# Financial Control Environment Trend Indicators, Quarter 3, 2023/24

Appendix I

TfL Audit and Assurance Committee  
14 March 2024



# Forecasting accuracy

## Q3, 2023/24

In Quarter 3 2024, we continued to deliver the strategy set out in our 2023 TfL Business Plan and we are making good progress to become operationally financial sustainable this year.

Total revenue is in line with Budget. Passenger income is £64m higher, which is offset by lower revenue top up from Government.

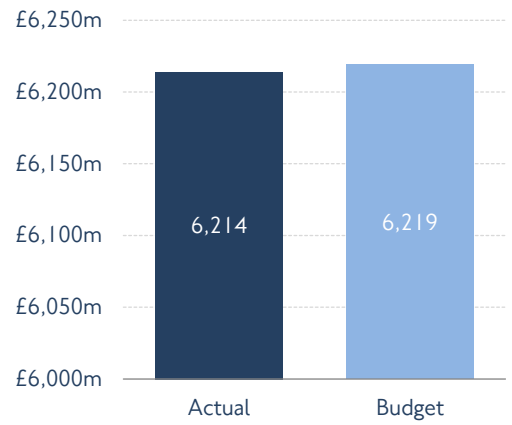
Operating costs are £27m lower than Budget. We are seeing some timing differences on savings delivery and higher ULEZ scrappage payments with the scheme expanded from £110m to £160m, which was confirmed after the Budget was approved – these costs are offset in other revenue groups and some cost pressures from bus operators, through improved performance. These cost pressures have been offset by staff cost savings, one offs, and central contingency – held to mitigate uncertainty on other operating income – which has now been retired.

Capital renewals are £6m lower than Budget, but delivery has been strong during 2023/24 and our current trajectory is to deliver £750m of spend as set out in our 2024 Business Plan. Enhancements spend is £69m lower than Budget and we are expecting to end the year around £80m lower than Budget, following the Government’s decision not to provide additional inflation support for 2023/24,

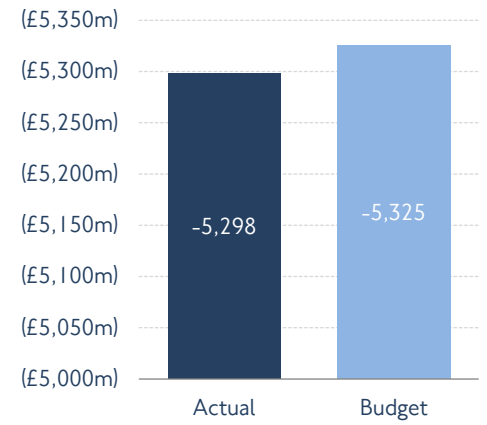
£m	Q1, 2023/24	Q2, 2023/24	Q3, 2023/24
<b>Quarterly forecasting accuracy</b>			
<b>Revenue</b>	£2,006m	£2,069m	£2,139m
Variance to Budget	(£16m)	(£3m)	£14m
Var to Budget %	-1%	0%	1%
<b>Operating costs</b>	(£1,678m)	(£1,777m)	(£1,843m)
Variance to Budget	£33m	£24m	(£30m)
Var to Budget %	2%	1%	-2%
<b>Capital delivery *</b>	(£359m)	(£360m)	(£516m)
Variance to Budget	£34m	£59m	(£17m)
Var to Budget %	9%	14%	-3%
<b>Cash flow</b>	(£40m)	£23m	(£93m)
Variance to Budget	(£40m)	£30m	£12m
Var to Budget %	10373%	-388%	-862%

YTD forecasting accuracy	YTD, 2023/24	Var. to Budget	Var. to Budget %
<b>Revenue</b>			
Actual	£6,214m		
Budget	£6,219m	(£5m)	0%
<b>Operating costs</b>			
Actual	(£5,298m)		
Budget	(£5,325m)	£27m	1%
<b>Capital delivery *</b>			
Actual	(£1,234m)		
Budget	(£1,310m)	£76m	6%
<b>Cash flow</b>			
Actual	(£110m)		
Budget	£4m	(£114m)	-2850%

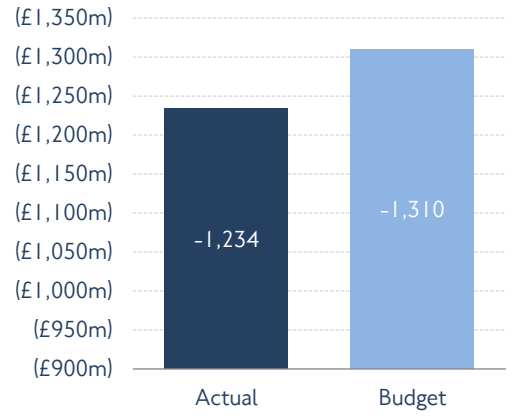
Revenue (£m)



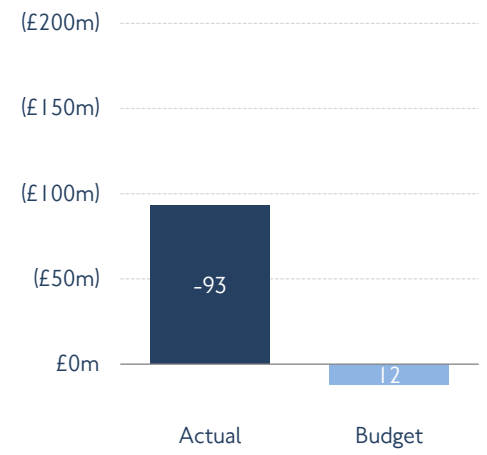
Operating costs (£m)



Capital delivery (£m) \*



Cash flow (£m)



\* Total TfL capital expenditure excludes amounts relating to Crossrail and Places for London

# Procurement & Commercial activity

## Q3 23/24

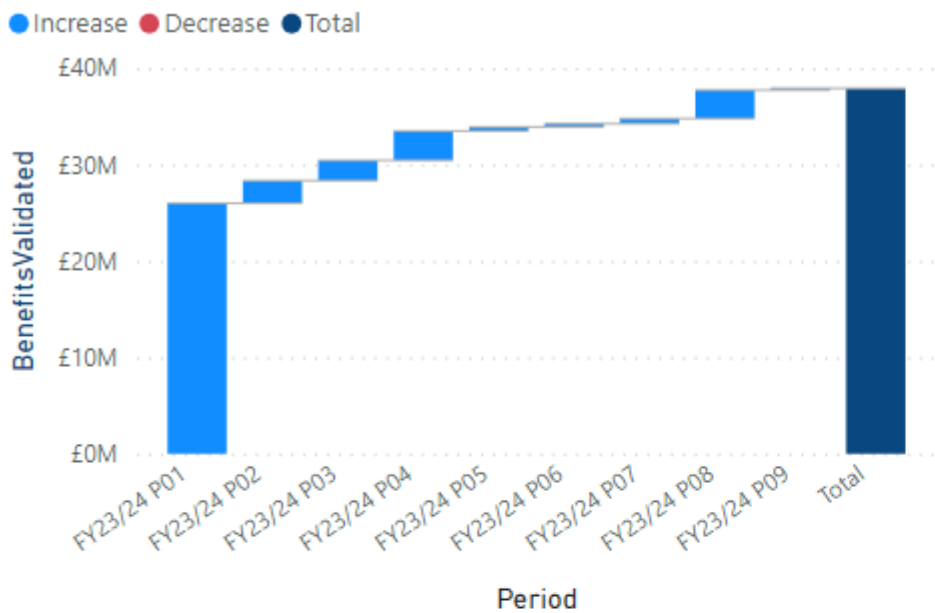
**Benefits Validated per Period:**  
 Cash releasing and cost avoidance benefits validated to the end of Q3 amount to £37.9m. Benefits validated in Q3 totalled £3.6m. It is anticipated that many benefits will be validated in Q4 and the full year forecast is in excess of £100m. The largest Q3 benefit relates to the Extended Line Management System dispatch project (£1.76m).

**Retrospective Spend:**  
 The retrospective spend for the last quarter amounts to £52.3m, with the largest individual supplier being Cubic Transportation Systems receiving £7.4m in retrospective spend. This is down from £100.2m in the previous quarter.

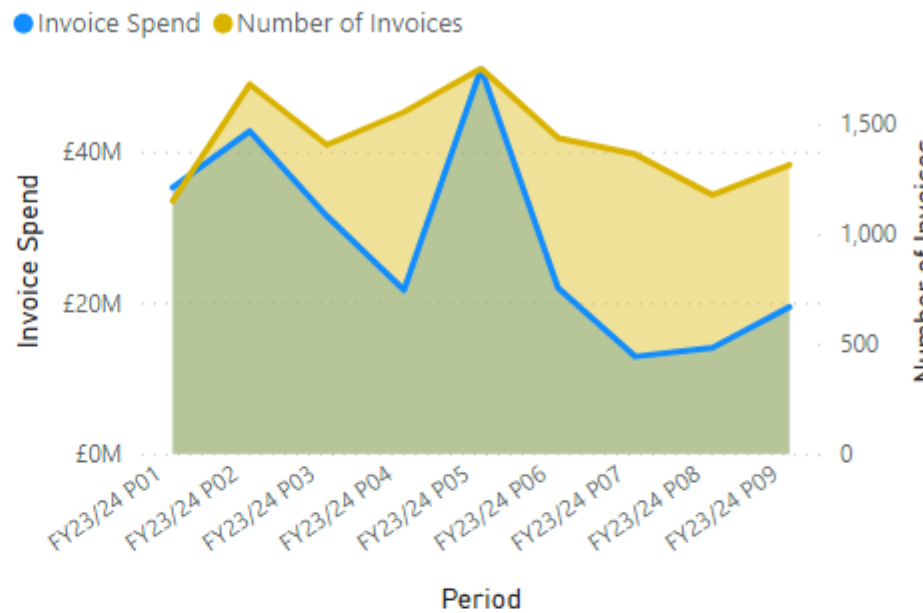
**Over Threshold Single Sources by Value and Volume:**  
 The number of over threshold single sources continues to fluctuate period on period. It is forecast to be just below the 1.2% target by the end of the financial year.

**Compliance with the CAM process**  
 CAM compliance (where CAM submissions are on time and meet the governance requirements ) was at 75% at the end of P09.

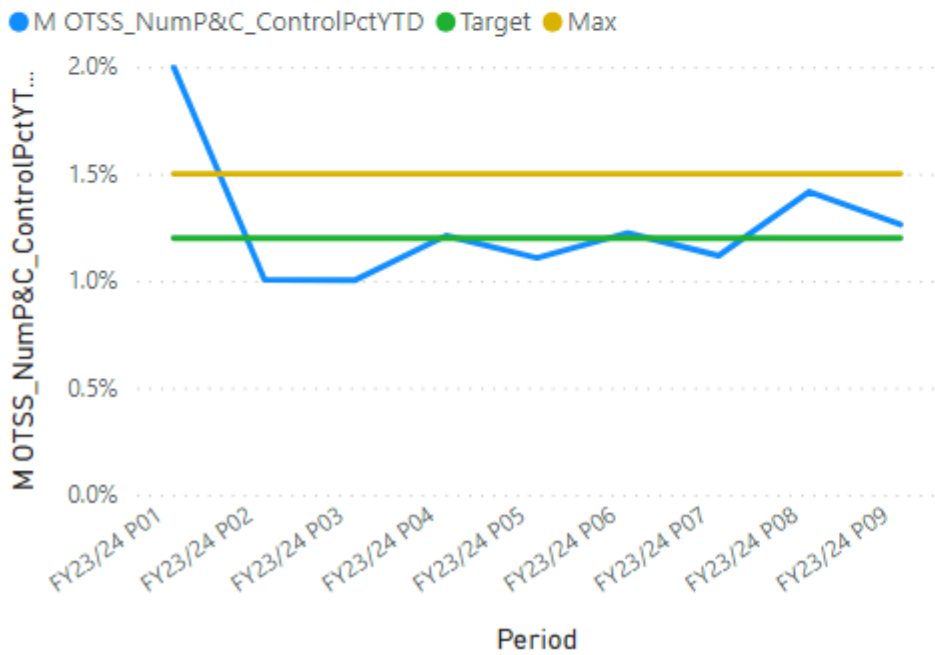
### Benefits Validated Per Period (£M)



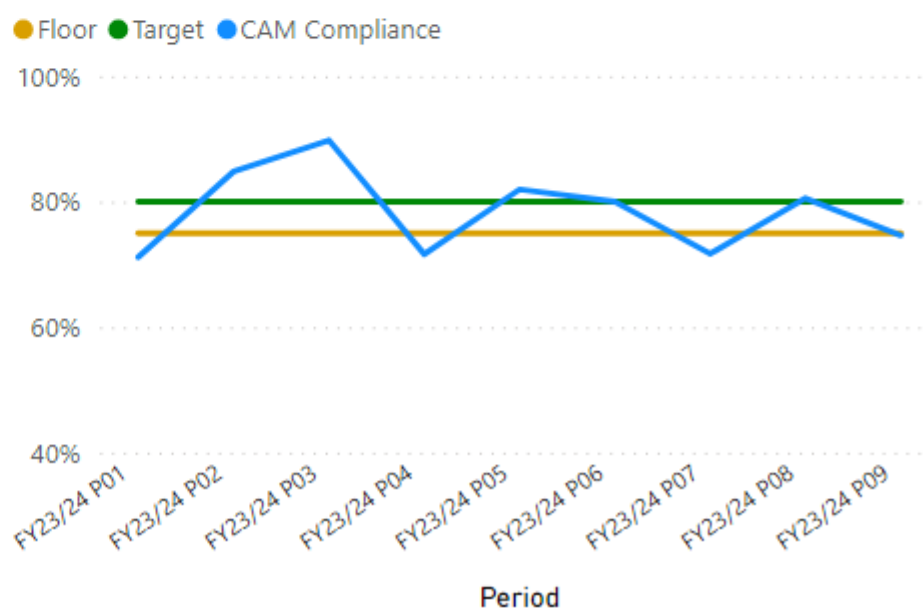
### Retrospective Spend



### YTD over threshold single source % (number)



### Commercial Approvals Meeting Compliance by Period



# Processing payments metrics, Q3 23/24

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

Value of open items > 30 days on the bank reconciliation sits at £3.91m for Q3. The volume of open items in Q3 > 30 days sits at 2184.

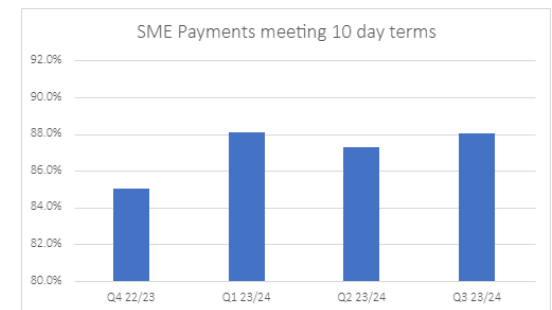
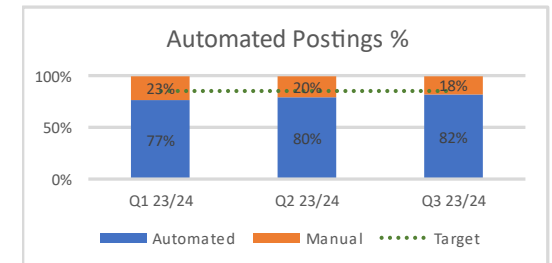
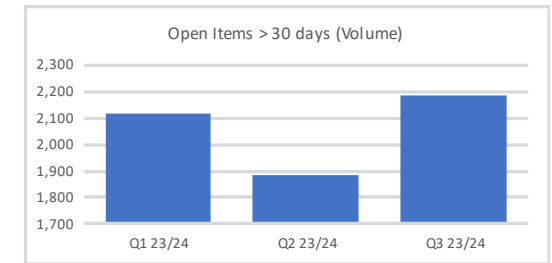
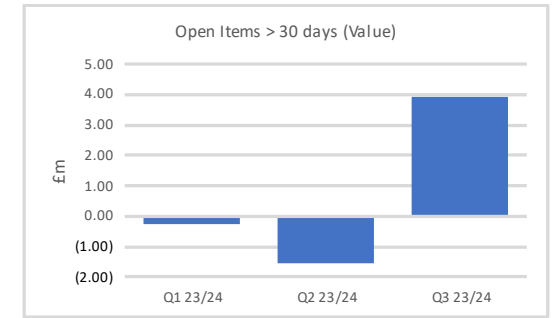
Automated Posting % measures the proportion of transactions which are automatically reconciled in SAP. Manually checking and matching transactions and preparing / posting journals is time consuming and increases the risk of error and inconsistency.

The volume of automatic postings for Q3 is now at 82% following automation scripts which came into effect in P6 .

The percentage of SME payments meeting the 10 day terms has increased this quarter by 0.7% to 88.0%, although still slightly below the 90% target. The results are on an upwards trajectory this quarter, with incremental improvements each period - P9 (89.6%) was the highest return since P5 22/23.

## Quarterly Figures

£m	Q4 22/23	Q1 23/24	Q2 23/24	Q3 23/24
Open Items < 30 days (£m Value)	6.69	8.71	14.78	7.95
Open Items > 30 days (£m Value)	(0.37)	(0.27)	(1.56)	3.91
Open Items < 30 days (Volume)	144	419	224	327
Open Items > 30 days (Volume)	1,504	2,116	1,884	2,184
<b>Automated Postings %</b>				
Automated	21,593	10,558	11,986	12,462
Manual	6,198	2,451	2,454	2,284
Automated	71%	77%	80%	82%
Manual	29%	23%	20%	18%
Target	85%	85%	85%	85%



## Audit and Assurance Committee



**Date:** 14 March 2024

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

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### 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 2023 to 31 January 2024. During that period, there were no declarations by Members and 106 declarations were made by senior staff, of which 47 were declined and 59 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 2023 to 31 January 2024. A total of 106 declarations of offers were made by senior staff in this period and 47 of these were declined, with 59 accepted.
- 4.2 Table 1 provides a summary of the number of offers accepted and declined by senior staff who received more than 10 offers during the period.

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

Name and Role	Offers	Accepted	Declined
Glynn Barton, Interim Chief Operating Officer	12	5	7
Andy Lord, Commissioner	10	0	10
Elizabeth McKay, London Transport Museum Director (stakeholder engagement and networking is key to the work of the Museum)	10	6	4
Alex Williams, Chief Customer and Strategy Officer	13	4	9

- 4.3 Table 2A shows the current period and the previous two periods. Table 2B shows the same reporting periods for the previous year.
- 4.4 For the current reporting period, the number of offers received and the proportion declined are higher than in the same period in 2022. For the years before the Coronavirus pandemic, the number of offers were considerably higher, but with a similar number of offers accepted.
- 4.5 The offers received and accepted are set out in Appendix 1 and have been reviewed to ensure they comply with the policy and guidance and despite the increase in numbers, no concerns have been identified.
- 4.6 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 2A: Figures reported to this meeting**

Three-month period	01/05/23-31/07/23	01/08/23-31/10/23	01/11/23-31/01/24
Total offers	58	75	106
Total declined	38	41	47
Total accepted	20	34	59



<b>Monthly average</b>			
Total offers	19.3	25	35.3
Total declined	12.6	13.6	15.6
Total accepted	6.7	11.3	19.6

**Table 2B: Figures reported to previous meetings and monthly averages**

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

**List of appendices to this report:**

Appendix 1: Gifts and Hospitality Register.

**List of Background Papers:**

Corporate Gifts and Hospitality Register.

Contact Officer: Andrea Clarke, Interim General Counsel  
 Email: [AndreaClarke@tfl.gov.uk](mailto:AndreaClarke@tfl.gov.uk)

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**TfL Gifts and Hospitality Register**  
**TfL Senior Officers - 1 November 2023 to 31 January 2024**

Appendix 1

Name of Officer	Offer Status	Donor/Provider of Gift/Hospitality	Detail of Gift/Hospitality	Reason for Accepting Gift / Hospitality	Date of Event/Hospitality
Alex Williams	Accepted	New London Awards	NLA Annual Lunch and New London Awards Ceremony	Stakeholders and supported by the Mayor of London	15/11/2023
Alex Williams	Accepted	Rail Partners	Railway 200 Launch Event	Networking	14/11/2023
Alex Williams	Accepted	Thales	London Transport Museum Dinner and Auction	To support the LTM charity event and further relationship with Thales	01/11/2023
Alex Williams	Accepted	City of London	The London Government Dinner	Stakeholder	11/01/2024
Andrea Clarke	Accepted	Herbert Smith Freehills	London Transport Museum Dinner and Auction	Business	01/11/2023
Carl Eddleston	Accepted	PA Consulting	PA Consulting - Incentivising resilience roundtable	Networking	17/01/2024
Carl Eddleston	Accepted	Conways	Kier; Angela Moffet - Conway Hospitality	Networking sharing best practices	08/12/2023
Carl Eddleston	Accepted	Colin Thurlbourn - Yunnex	London Transport Museum Dinner and Auction	Networking	01/11/2023
Carl Eddleston	Accepted	Max Sugarman ITS	Deputy for COO - Intelligent Transport Systems UK (ITS UK) Executive Dinner with Shadow Roads Minister Bill Esterson MP	Deputised for COO	16/11/2023
Digby Nicklin	Accepted	Lazards & Co Limited	Real Estate Dinner, Bentley's Oyster Bar & Grill, Swallow Street, London	Industry Networking and Places PR	09/01/2024
Elizabeth Mckay	Accepted	Royal Albert Hall	John Wilson	Networking in the cultural / heritage sector	06/11/2023
Elizabeth Mckay	Accepted	Shaftesbury Capital	Covent Garden Christmas lights switch on	Networking in the cultural / heritage/ local retail and tourism sector	07/11/2023
Elizabeth Mckay	Accepted	Railway 200 /GBRTT	Railway 200 Launch Event	Networking in the transport sector	14/11/2023

Name of Officer	Offer Status	Donor/Provider of Gift/Hospitality	Detail of Gift/Hospitality	Reason for Accepting Gift / Hospitality	Date of Event/Hospitality
Elizabeth Mckay	Accepted	All-Party Parliamentary Group for the Road Passenger Transport Industry, Paul Sainthouse	Women in Bus and Coach - Parliamentary Launch	Networking in the transport sector	20/11/2023
Elizabeth Mckay	Accepted	Lord Henty of Richmond Hill & Phil Swallow	Railway Ball	Networking in the transport sector	24/11/2023
Elizabeth Mckay	Accepted	Shaftesbury Capital	Box of chocolates	Relationship building, reciprocating for our small gifts from the Museum shop	15/12/2023
Emma Strain	Accepted	Capita	Dinner and networking	Stakeholder Relationship/Networking	01/11/2023
Emma Strain	Accepted	PA Consulting	Guest at Railway Ball	Stakeholder Engagement / Networking	24/11/2023
Emma Strain	Accepted	Capita	London Transport Museum Dinner and Auction	Networking, stakeholder engagement	01/11/2023
Emma Strain	Accepted	Wavemaker	Women in Communications and Leadership Charity Gala	Stakeholder Engagement, representing TfL	30/11/2023
Fiona Brunskill	Accepted	Microsoft	London Transport Museum Dinner and Auction	Corporate event in aid of LT Museum	01/11/2023
Glynn Barton	Accepted	Siemens - Sambit Banerjee MD	Railway Ball 2023	TfL Attendance	24/11/2023
Glynn Barton	Accepted	Mitesh Solanki, MD Ringway	CIHT Annual Luncheon	Networking	08/12/2023
Glynn Barton	Accepted	Turner & Townsend	Lord Henty Routemaster Bus Ride	Networking	13/11/2023
Glynn Barton	Accepted	CIHT Annual luncheon - Sue Percy - Chief Exec of CIHT	Annual Luncheon - Chartered Institution of Highways & Transportation	Networking	08/12/2023
Glynn Barton	Accepted	London Transport Museum	LTM Directors Christmas Drinks	Networking	04/12/2023
Howard Smith	Accepted	Bechtel	Dinner & Auction - Railway Children's Ball	Networking	24/11/2023
Howard Smith	Accepted	Siemens	London Transport Museum Dinner and Auction	Networking	01/11/2023

Name of Officer	Offer Status	Donor/Provider of Gift/Hospitality	Detail of Gift/Hospitality	Reason for Accepting Gift / Hospitality	Date of Event/Hospitality
Howard Smith	Accepted	Network Rail	Railway 200 Launch	Networking & upcoming forum to be involved in	14/11/2023
Howard Smith	Accepted	Network Rail	Informal Networking Dinner	Networking	08/11/2023
Jonathan Wharfe	Accepted	PA Consulting	London Transport Museum Dinner and Auction	To support London Transport Museum's charitable work,	01/11/2023
Justine Curry	Accepted	Gowling WLG	London Transport Museum Dinner and Auction	Business	01/11/2023
Lester Hampson	Accepted	Barratt	Barratt dinner - JV partner	JV partner dinner	22/11/2023
Lilli Matson	Accepted	PA Consulting	Dinner & Networking event re PPAs	Networking	15/11/2023
Lilli Matson	Accepted	Bruton Group	Drinks reception at networking event	Networking	28/11/2023
Lorraine Humphrey	Accepted	Mace	Attend networking and charity event. Mace aren't on any frameworks I call off nor can I influence them being awarded any work	Networking	24/11/2023
Louise Cheeseman	Accepted	Diversified Communications	Group One Awards	Keeping good relations with supplier	08/11/2023
Louise Cheeseman	Accepted	Go Ahead London	Stay Safe Competition Dinner	Keeping good relations with the Operator	15/11/2023
Louise Cheeseman	Accepted	CPT	AGM Dinner at the House of Lords	Keeping good relations	13/11/2023
Lucinda Turner	Accepted	City of London	Planning and Transportation Committee Dinner	Networking	01/11/2024
Lucinda Turner	Accepted	London Communications Agency	Women in Planning Dinner	Networking	01/02/2024
Luke Jarvis	Accepted	Siemens	London Transport Museum Dinner and Auction	Deputising for Rachel McLean	01/11/2023
Patrick Doig	Accepted	Siemens	Railway Ball Reception/Dinner	Supplier relationship & Networking	24/11/2023
Patrick Doig	Accepted	KPMG	Working lunch with KPMG to discuss upcoming projects	Working lunch to discuss upcoming projects	17/01/2024
Peter McNaught	Accepted	Sambit Banerjee - Siemens	London Transport Museum Dinner and Auction	Social Networking	01/11/2023
Stephen Field	Accepted	Pauline Sibbit, Partner, Sackers & Partners LLP	London Transport Museum Dinner and Auction	Networking	01/11/2023
Stephen Field	Accepted	Clive Graham, Head of Retirement, WTW	Dinner & Meeting	Networking	02/11/2023
Stephen Field	Accepted	Rash Bhabra, Head of Retirement, GB, WTW	WTW Pensions and Savings Conference 2023	CPD and Networking	29/11/2023

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	Neil Lalley, Principle, XPS	Lunch	Final review meeting for 23 & setting the agenda for 24 followed by lunch	11/12/2023
Stephen Field	Accepted	XPS and Osbourne Clarke	Dinner	Network dinner	17/01/2024
Stephen Field	Accepted	Georgina Waters, MetLife	Working lunch	To meet the MetLife team and to discuss future Insurance strategy for the Pension Fund	11/01/2024
Stuart Harvey	Accepted	Siemens Mobility	Railway Ball Reception/Dinner	To maintain relationship with siemens	24/11/2024
Stuart Harvey	Accepted	Siemens Mobility	London Transport Museum Dinner and Auction	To maintain relationship with siemens	01/11/2023
Thomas Ableman	Accepted	Embassy of the Republic of Estonia	Dinner with Ambassador of Estonia to discuss Estonian Smart Mobility	To explore if there are synergies to be explored with TFL on transport innovation for the upcoming year.	12/12/2023
Thomas Ableman	Accepted	CitySwift	Christmas Hamper with food and beverages included. Items will be distributed to the whole team.	Sent to Pier Walk and received by staff at the loading bay	22/01/2024
Tricia Wright	Accepted	Isio	Lunch post working session with Pensions Advisors	Lunch post working session to include review of work	21/12/2023
Tricia Wright	Accepted	XPS and OC	Dinner post full day working session for networking purposes	Networking	17/01/2024
Will Norman	Accepted	British Land	London Transport Museum Dinner and Auction	Opportunity to meet a wide range of industry professionals and increase awareness of the Mayor's Transport Strategy.	01/11/2023
Will Norman	Accepted	City of London	London Government Dinner	To represent the Mayor and TfL	11/01/2024

## Audit and Assurance Committee



**Date:** 14 March 2024

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

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### This paper will be considered in public

#### 1 Summary

- 1.1 This paper presents the current forward 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 for the forward plan and for informal briefings.**

#### 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 Places for London 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:
- |               |                                |
|---------------|--------------------------------|
| 14 March 2024 | Chief Finance Officer          |
| June 2024     | External Auditors              |
| November 2024 | Director of Risk and Assurance |

## **4 Current Plan**

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

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

Appendix 1: Audit and Assurance Committee Forward Plan

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

None

Contact Officer: Andrea Clarke, Interim General Counsel  
Email: [AndreaClarke@tfl.gov.uk](mailto:AndreaClarke@tfl.gov.uk)



**Audit and Assurance Committee Forward Plan 2024/25****Appendix 1****Membership:** Mark Phillips (Chair), Anurag Gupta (Vice Chair), Kay Carberry CBE, Cllr Ross Garrod and Dr Mee Ling Ng OBE

<b>Standing Items</b>		
Finance Control Environment Trend Indicators	Statutory Chief Finance Officer	Quarterly
Risk and Assurance Quarterly Report	Director of Risk and Assurance	Quarterly
Places for London 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

<b>June 2024</b>		
EY Letter on Independence and Objectivity	EY	Annual
EY Annual Audit Fee	EY	Annual
EY Report to Those Charged with Governance	EY	Annual
Risk and Assurance Annual Report and Assurance	Director of Risk and Assurance	Annual
TfL Annual Report and Statement of Accounts	Chief Finance Officer	Annual
Review of Governance and the Annual Governance Statement	General Counsel	Annual
Legal Compliance Report	General Counsel	Bi-annual

<b>September 2024</b>		
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 Report	EY	Annual
Freedom of Information Update	General Counsel	Annual

## Audit and Assurance Committee Forward Planner 2024/25

November/December 2024		
Annual Tax Compliance	Statutory Chief Finance Officer	Annual
Auditor's Annual Report – Year Ended 31 March 2024	EY	Annual
EY Independence Letter – Non-Audit Services for Period 1 April – 31 October 2024	EY	Bi-annual

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