

**Meeting: Audit and Assurance Committee**

**Date: Wednesday 5 June 2024**

**Time: 10:00am**

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

## Members

Mark Phillips (Chair)  
Anurag Gupta (Vice-Chair)  
Kay Carberry CBE

Dr Mee Ling Ng OBE  
Councillor Ross Garrod

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

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

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

## Further Information

If you have questions, would like further information about the meeting or require special facilities please contact:

Sue Riley, Secretariat Officer; Email: [sueriley@tfl.gov.uk](mailto:sueriley@tfl.gov.uk).

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

Andrea Clarke, Interim General Counsel  
Tuesday 28 May 2024

**Agenda  
Audit and Assurance Committee  
Wednesday 5 June 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 14 March 2024  
(Pages 1 - 6)**

Interim General Counsel

**The Committee is asked to approve the minutes of the meeting of the Committee held on 14 March 2024 and authorise the Chair to sign them.**

**4 Matters Arising, Actions List and Use of Delegated Authority  
(Pages 7 - 10)**

Interim General Counsel

**The Committee is asked to note the Actions List and the use of Chair's Action.**

**5 Review of Governance and the Annual Governance Statement for  
Year Ended 31 March 2024 - To Follow**

Interim General Counsel

**The Committee is asked to note the paper and approve the Annual Governance Statement, as set out in Appendix 1 of the paper, for signing by the Chair of TfL and the Commissioner, for inclusion in the 2023/24 Annual Report and Accounts; and note the progress against the 2023/24 improvement plan, as set out in Appendix 2 to the paper and the plan for 2024/25, as set out in Appendix 3 to the paper.**

**6 Ernst & Young Report to Those Charged with Governance - To Follow**

Chief Finance Officer

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

**7 Update on Key Accounting Issues - To Follow**

Chief Finance Officer

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

**8 EY Letter on Independence and Objectivity (Pages 11 - 14)**

Chief Finance Officer

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

**9 EY Report on Audit and Non-Audit Fees for Six Months Ended 31 March 2024 (Pages 15 - 18)**

Chief Finance Officer

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

**10 Annual Audit Fees 2023/24 (Pages 19 - 20)**

Chief Finance Officer

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

**Audit, Risk and Assurance Items**

**11 Risk and Assurance Annual Report and Assurance Statement 2023/24 (Pages 21 - 30)**

Director of Risk and Assurance

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

**12 Risk and Assurance Quarter 4 Report 2023/24** (Pages 31 - 52)

Director of Risk and Assurance

**The Committee is asked to note the paper and the exempt supplementary information on the changes to Risk Appetite and Tolerance as set out on Part 2 of the agenda.**

**13 Independent Investment Programme Advisory Group Quarterly Report** (Pages 53 - 66)

Interim General Counsel

**The Committee is asked to note IIPAG's Quarterly Report and the management response and approve the IIPAG Workplan for 2024/25.**

**14 Places for London Assurance Update** (Pages 67 - 76)

Director of Risk and Assurance

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

**Accounting and Governance**

**15 Counter-Fraud and Corruption Plan to 2030** (Pages 77 - 80)

Director of Risk and Assurance

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

**16 Legal Compliance Report (1 October 2023 - 31 March 2024)**  
(Pages 81 - 94)

Interim General Counsel

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

**17 Finance Control Environment Trend Indicators** (Pages 95 - 100)

Chief Finance Officer

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

**18 Register of Gifts and Hospitality for Members and Senior Staff**  
(Pages 101 - 106)

Interim General Counsel

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

**19 Members' Suggestions for Future Discussion Items** (Pages 107 - 110)

Interim 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.**

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

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

**21 Date of Next Meeting**

Wednesday, 18 September 2024 at 10.00am.

**22 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 and 5 of Schedule 12A to the Local Government Act 1972 (as amended), in order to consider the following items of business.**

## **Agenda Part 2**

### **23 Update on Key Accounting Issues - To Follow**

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

### **24 Risk and Assurance Quarter 4 Report 2023/24** (Pages 111 - 152)

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

### **25 Places for London Assurance Update** (Pages 153 - 158)

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

### **26 Counter-Fraud and Corruption Plan to 2030** (Pages 159 - 166)

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

## 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, Thursday 14 March 2024**

#### Members

Mark Phillips (Chair)  
Anurag Gupta (Vice Chair) (via Teams to Minute 09/03/24)  
Kay Carberry CBE  
Dr Mee Ling Ng OBE

#### Executive Committee

Andrea Clarke	Interim General Counsel
Rachel McLean	Chief Finance Officer

#### Staff

Patrick Doig	Group Finance Director and statutory Chief Finance Officer
Jill Elliott	Head of Internal Audit
Siwan Hayward OBE	Director of Policing, Security and Enforcement (for Minute 09/03/24)
Lorraine Humphrey	Director of Risk and Assurance
Patrice Locker	Interim 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
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

#### **01/03/24 Apologies for Absence and Chair's Announcements**

An apology for absence had been received from Cllr Ross Garrod. Anurag Gupta, who attended the meeting via Teams and was able to participate in the discussion but did not count towards the quorum, had advised that he would need to leave before the scheduled end of the meeting. The meeting was quorate.

The Chair welcomed everyone to the meeting. 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 an informal briefing on whistleblowing arrangements. Members were also scheduled to meet with the Chief Finance Officer for the annual informal meeting.

## **02/03/24    Declarations of Interests**

Members confirmed that their declarations of interests, as published on [tfl.gov.uk](https://tfl.gov.uk), were up to date.

Since the last meeting, there had been one update to Members declarations: Anurag Gupta has been appointed to the Steering Committee of the UK India Infrastructure Financing Bridge (UKIIB) – a joint initiative of the City of London Corporation and the Government of India's NITI Aayog.

There were no interests to declare that related specifically to items on the agenda.

## **03/03/24    Minutes of the Meeting of the Committee held on 29 November 2023**

**The minutes of the meeting of the Committee held on 29 November 2023 were approved as a correct record, and the Chair was authorised to sign them.**

## **04/03/24    Matters Arising and Actions List**

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

An oral update was provided on the following action by Alison Munro:

49/09/23 (2) – Independent Investment Programme Advisory Group (IIPAG) Quarterly Report: Cost Benchmarking – Alison Munro on behalf of IIPAG and Michael Cooper, Director of Project Management Office, had developed a proposal to pilot Barking Riverside extension rather than the Bank Station Capacity Upgrade project, due to the availability of good quality data, and would report back at a future meeting.

**The Committee noted the updated actions list.**

## **05/03/24    Risk and Assurance Quarter 3 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 3 of 2023/24 (17 December to 9 December 2023), including work in progress and planned activities. Patrice Locker, Richard Mullings, James Norris and Mike Shirbon were also in attendance.



The Counter-fraud and Corruption team continued to receive a high number of referrals, which were reviewed and disseminated within the 10 day target.

As set out in the Audit Plan (Appendix 1 to the paper), a considerable amount of work was scheduled to be carried out across the 10 Enterprise Risks and the bulk of work was now risk driven rather than business led.

As in previous years, this Committee and the Remuneration Committee would oversee the output from the TfL Scorecards 2023/24 audit.

The Project Assurance team would be focusing on assumptions management, which had been identified as a weakness in a number of projects and programmes, particularly revalidating and tracking them over time.

The number of overdue management actions continued to be reduced.

Focus on improving the rates of return on customer feedback forms was ongoing but was an industry wide issue.

In line with requirements of the Institute of Internal Auditors, an external Quality Assurance Assessment was being planned for autumn 2024.

Weaknesses in records management across the organisation continued to be a theme. A programme of tactical improvements to strengthen the TfL Management System was a key project of the Our TfL Programme.

It was agreed that staff would provide further assurance that the ensure that the bus network, as part of Enterprise Risk 1, would include adequate safety controls and mitigations from concession partners. **[Action: Claire Mann]**

An update would be provided on TfL's customer response action plan as a result of significant operational disruptions due to extreme weather, power outages and other similar issues. **[Action: Claire Mann]**

It was confirmed that the planned review of payroll by Internal Audit would not duplicate work done by Ernst & Young in this area, which was more systems based.

All Board Members would be invited to an informal briefing on TfL's risk management in autumn 2024, which would also be linked to new Board Members' induction. **[Action: Secretariat]**

Since the paper was finalised, two further Mayoral Directions to TfL have been published. On 29 February 2024, MD3247 directed TfL to introduce a trial of all-day off-peak fares on Fridays on all TfL rail services and pay-as-you-go fares on National Rail services in London, from Friday 8 March 2024 to Friday 31 May 2024 inclusive. Funding of £24m had been allocated to support the trial. On 4 March 2024, MD3254 amended the existing London Vehicle Scrappage Scheme Delegation and Direction to confirm that TfL is able to use the Scheme to fund the donation and removal of non-compliant vehicles from use in Greater London to Ukraine.

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

## **06/03/24 Independent Investment Programme Advisory Group Quarterly Report**

Lorraine Humphrey introduced the Independent Investment Programme Advisory Group's quarterly report. Alison Munro set out the key areas of the report in detail, including re-occurring themes.

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

## **07/03/24 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 3 of 2023/24 (17 September to 9 December 2023).

Good progress continued to be made in all areas, helped by the recent appointments of a permanent Chief Finance Officer and Governance lead. Internal Audit continued to deliver its audit programme in this area and work had moved to a continuous assurance basis rather than targeted reviews. The Director of Risk and Assurance and the Independent Investment Programme Advisory Group Places for London sub-group met regularly with the Director and Chief Executive, Places for London.

It was agreed that a dashboard of Places for London risks would be included in future reports. **[Action: Patrice Locker]**

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

## **08/03/24 Critical Accounting Policies**

Patrick Doig and Christopher Tann presented the update on TfL's critical accounting policies to be applied in TfL's Statement of Accounts for the year ending 31 March 2024.

TfL would engage tax and accounting specialists as appropriate.

**The Committee noted the paper.**

## **09/03/24 Personal Data Disclosure to Police and Other Statutory Law Enforcement Agencies (2023)**

Siwan Hayward OBE presented the update on the disclosure of personal data to the police and other Statutory Law Enforcement Agencies for the prevention and detection of crime in London.

TfL published this information as part of its commitment to transparency.

TfL's contribution to supporting the wider safety of Londoners as well as the transport network had been recognised by the Board. The disclosure of personal data held by TfL

and its operators and had been critical in the prosecution of Wayne Couzens and the pursuit of Abdul Ezedi.

The Compliance, Policing and Operations Security Directorate continued to process an increasing number of complex requests, particularly in relation to missing persons, and played an important role in safeguarding.

Future reports would include a breakdown of data requests from other statutory enforcement agencies, such as the Home Office and UK Border Control.

The continued decline in taxi and private hire requests was attributed to the introduction of the online licence checker.

The annual report helped identify trends, areas for improvement and forward planning, which was also shared with the relevant agencies. The increase in information and data collection from advancements in technology provided new opportunities for law enforcement, but TfL remained mindful of customer data and prevention of the aggregation of personal and sensitive data in disclosure.

It was agreed that future reports would reference the link between policy areas and disclosure. The overarching policy would be reviewed, and the report would highlight how the policy was used to consider data requests. **[Action: Siwan Hayward OBE]**

The Committee acknowledged the excellent quality of work and service provided by the Compliance, Policing and Operations Security Directorate.

**The Committee noted the paper.**

### **10/03/24 Enterprise Risk Update – Governance and Controls Suitability (ER10)**

Andrea Clarke presented an overview of Enterprise Risk 10 and how it is managed.

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

### **11/03/24 Financial Control Environment Trend Indicators**

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

Improvements continued to be made in meeting procurement and commercial and processing payments targets.

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

## **12/03/24 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.**

## **13/03/24 Members' Suggestions for Future Discussion Items**

Andrea Clarke introduced the item. No additional suggestions were raised for future discussion items on the forward plan or for informal briefings, other than those already noted during the meeting.

**The Committee noted the forward plan.**

## **14/03/24 Any Other Business the Chair Considers Urgent**

There was no other urgent business to discuss.

## **15/03/24 Date of Next Meeting**

The next scheduled meeting of the Committee would be held on Wednesday 5 June 2024 at 10.00am.

## **16/03/24 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 3 Report 2023/24; Places for London Assurance Update; and Enterprise Risk Update – Governance and Controls Suitability (ER10).**

The meeting closed at noon.

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

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

## Audit and Assurance Committee



Date: 5 June 2024

Item: Matters Arising, Actions List and Use of Delegated Authority

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### This paper will be considered in public

#### 1 Summary

- 1.1 This paper informs the Committee of any use of delegated authority by the Committee, through Chair's Action, and progress against actions agreed at previous meetings.
- 1.2 Since the last meeting of the Committee there has been one use of Chair's Action in relation to the 2023/24 TfL Scorecard Assurance Review.
- 1.3 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 at Appendix 1 and the use of Chair's Action.**

#### 3 Use of Chair's Action

- 3.1 Under Standing Order 112, in situations of urgency, the Board delegates to each of the Chairs of any Committee or Panel the exercise of any functions of TfL on its behalf. Any use of Chair's Action is then reported to the next ordinary meeting, and if a matter reserved to the Board, the next ordinary meeting of the Board.
- 3.2 There has been one use of Chair's Action since the last meeting.

#### **2023/24 TfL Scorecard Assurance Review**

- 3.3 The TfL Scorecard is one of the key tools to ensure that the Business Plan is achieved. It focuses on the critical success factors for the year; keeping the organisation on track to deliver the plans. The audited outturn at year end informs the content of the Annual Report and also provides an objective method for measuring success. Alongside TfL's overall financial performance and individual contributions, the scorecard outturns are used to determine whether to make performance awards, and if so their quantum.
- 3.4 On 19 April 2024, the Committee was sent a paper on the audit review of the TfL Scorecard. On 22 April 2024, the Chair of the Committee, in consultation with available members of the Committee, noted the paper and endorsed the sign off the end of year results against the 2023/24 TfL Scorecard.

3.5 The use of Chair's Action was considered appropriate as a decision was required ahead of this meeting of the Committee. The paper relating to this request has been published on [tfl.gov.uk](https://tfl.gov.uk).

**List of appendices to this report:**

Appendix 1: Actions List

**List of Background Papers:**

Minutes of previous meetings of the Audit and Assurance Committee

Chair's Action paper on 2023/24 TfL Scorecard Assurance Review, issued on 19 April 2024

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

## Audit and Assurance Committee Actions List (to be reported to the meeting on 5 June 2024)

### Actions from the meeting held on 14 March 2024

Minute No.	Item/Description	Action By	Target Date	Status/Note
05/03/24 (1)	<p><b>Risk and Assurance Quarter 3 (Q3) Report 2023/24</b></p> <p>To ensure that the acceleration of the decarbonisation of the bus network, as part of Enterprise Risk 1, includes adequate controls and mitigations from concession partners.</p>	Claire Mann	November 2024	An update will be provided to the Safety, Sustainability and Human Resources Panel meeting of 13 November 2024 and shared with Committee Members.
05/03/24 (2)	<p><b>Risk and Assurance Q3 Report 2023/24</b></p> <p>An update to be provided on TfL's customer response action plan as a result of significant operational disruptions due to extreme weather, power outages and other similar issues.</p>	Claire Mann	October 2024	An update will be provided to the Customer Service and Operational Performance Panel meeting of 2 October 2024 and shared with Committee Members.
05/03/24 (3)	<p><b>Risk and Assurance Q3 Report 2023/24</b></p> <p>All Board Members to be invited to an informal briefing on TfL's risk management in the autumn, which would also be linked to new Board Members' induction.</p>	Secretariat	Autumn 2024	In progress.
07/03/24	<p><b>Places for London Assurance Update</b></p> <p>A dashboard of Places for London risks to be included in future reports.</p>	Patrice Locker	5 June 2024 meeting	<b>Completed.</b> Included in the Part 2 report on the agenda for this meeting.
09/03/24	<p><b>Personal Data Disclosure to Police and Other Statutory Law Enforcement Agencies (2023)</b></p> <p>Future reports to reference the link between policy areas and disclosure. The overarching policy would be reviewed, and the report would highlight how the policy was used to consider data requests.</p>	Siwan Hayward	12 March 2025 meeting	Scheduled on the forward plan.

**Actions from previous meetings:**

<b>Minute No.</b>	<b>Item/Description</b>	<b>Action By</b>	<b>Target Date</b>	<b>Status/Note</b>
<b>68/11/23</b>	<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	5 June 2024 meeting	<b>Completed.</b> Information provided in the report on the agenda for this meeting.
<b>49/09/23 (2)</b>	<b>Independent Investment Programme Advisory Group (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	5 June 2024 meeting	<b>Completed.</b> The Project Management Office has undertaken a review of the Barking Riverside Extension Programme in response to this action. The report and findings will be shared with IIPAG who will provide updates through the quarterly IIPAG reports to this Committee.
<b>47/09/23 (1)</b>	<b>Effectiveness Review of External Auditors: Annual Questionnaire</b> The annual questionnaire to be adapted next year as more suited to Members.	Chris Tann	18 September 2024 meeting	The questionnaire will be reviewed, with input from the Committee Chair, before being issued in 2024.



## Audit and Assurance Committee



**Date:** 5 June 2024

**Item:** EY Letter on Independence and Objectivity

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

#### **1 Summary**

1.1 This letter informs the Committee on the independence and objectivity of Ernst & Young LLP (EY).

#### **2 Recommendation**

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

#### **3 Background**

3.1 EY are required to report annually to the Committee on their independence and objectivity, taking into account guidance including the National Audit Office's Code of Audit Practice.

3.2 EY have reviewed their procedures and their letter is attached for the Committee's review.

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

Appendix 1: Letter from EY

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

None

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

Email: [PatrickDoig@TfL.gov.uk](mailto:PatrickDoig@TfL.gov.uk)

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Audit and Assurance Committee  
Company Secretariat  
Transport for London  
11th Floor Yellow Zone  
Palestra  
London  
SW1H 0BD

22 May 2024

Direct line: 020 7951 2195

Email: [jdawson1@uk.ey.com](mailto:jdawson1@uk.ey.com)

Dear Sirs

## Independence and objectivity - Transport for London 2023/24

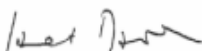
In order to carry out our duties and responsibilities as auditor, we are required to consider our independence and objectivity within the context of the regulatory and professional framework in which we operate. We are also mindful of all stakeholders, including the Public Sector Audit Appointments Ltd (PSAA) and the National Audit Office (NAO). For further details of specific independence requirements for PSAA appointments, refer to the PSAA Terms of Appointment at <http://www.psa.co.uk/appointing-auditors/terms-of-appointment/>.

Appendix 1 to this letter highlights the significant facts and matters that may be reasonably considered to bear upon our objectivity and independence, including any principal threats. It also contains reference to the key policies and processes in place within EY for maintaining objectivity and independence. We consider these throughout our audit and are required to communicate with you whenever any significant judgements are made about threats to objectivity and independence and the appropriateness of safeguards put in place, for example, when accepting an engagement to provide non-audit services.

For 2023/24, we have undertaken non-audit assignments, as reported in our summary of non-audit fees which relates to agreed upon procedures in respect of the Office of Rail and Road Returns. In this case, prior to commencement of the assignment, we have considered the impact of the assignments on our independence and have obtained preapproval from management and the Audit and Assurance Committee as per our letter 'Independence matters 2023/24' dated 15 November 2023. In compliance with Ethical Standard 4, we confirm that no members of our audit engagement team, including those from other service lines, have objectives or are rewarded in relation to sales of non-audit services to you. We therefore confirm that there are no self-interest or self-review threats associated with this non-audit work.

Overall, we confirm that as of 22 May 2024, in our professional judgment, EY is independent within the meaning of regulatory and professional requirements and the objectivity of the partner and audit engagement team have not been compromised.

Yours sincerely



Janet Dawson  
Partner  
Ernst & Young LLP

## Appendix 1

### Self-interest threats

A self-interest threat arises when EY has financial or other interests in your entity. Examples include where we have an investment in your entity; where we receive significant fees in respect of non-audit services; where we need to recover long outstanding fees; or where we enter into a business relationship with you.

A self-interest threat may also arise if members of our audit engagement team have objectives or are rewarded in relation to sales of non-audit services to you.

### Self-review threats

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

### Management threats

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

### Other threats

Other threats, such as advocacy, familiarity, or intimidation, may arise.

We believe that it is appropriate for us to undertake permissible non-audit services and we will comply with the policies that you have approved for financial year ended 31 March 2024. In addition, when the ratio of non-audit fees to audit fees exceeds 1:1, we are required to discuss this with our Ethics Partner, as set out by the APB Ethical Standards, and if necessary, agree additional safeguards or not accept the non-audit engagement. We will also discuss this with you.

### **Policies and procedures in place**

EY has policies and procedures that instill professional values as part of firm culture and ensure that the highest standards of objectivity, independence and integrity are maintained. Details of the key policies and processes in place within EY for maintaining objectivity and independence can be found in our annual Transparency Report which the firm is required to publish by law. The most recent version of this Report is for the year ended July 2023 and can be found at:

[https://www.ey.com/en\\_uk/about-us/transparency-report](https://www.ey.com/en_uk/about-us/transparency-report)

## Audit and Assurance Committee



**Date:** 5 June 2024

**Item:** EY Report on Audit and Non-Audit Fees for Six Months ended 31 March 2024

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**This paper will be considered in public**

### **1 Summary**

1.1 This letter informs the Committee on fees billed by Ernst & Young (EY) for non-audit services.

### **2 Recommendation**

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

### **3 Background**

3.1 Under TfL's policy on external audit services EY is required to report to the Committee every six months on fees billed for non-audit services. EY's report is attached for the Committee's review.

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

Appendix 1: Letter from EY

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

None

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

Email: [PatrickDoig@TfL.gov.uk](mailto:PatrickDoig@TfL.gov.uk)

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## Appendix 1

Audit and Assurance Committee  
Company Secretariat  
Transport for London  
11<sup>th</sup> Floor Yellow Zone  
Palestra  
London  
SW1H 0BD

**22 May 2024**

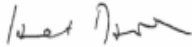
Direct line: 01189 281502  
Email: [jdawson1@uk.ey.com](mailto:jdawson1@uk.ey.com)

Dear Sirs

### **Audit fees – Period ending 31 March 2024**

Under Transport for London's policy on external audit services we are required to provide to the Audit and Assurance Committee, a report on fees for all services. Appendix 1 to this letter includes a summary of our non-audit fees during the period to 31 March 2024.

Yours faithfully



Janet Dawson  
Partner  
For and behalf of Ernst & Young LLP

## Appendix 1

### Statutory Audit fees

2023/24 Statutory audit fee services as required to meet the Code of Audit Practice requirements (including Value for Money and Whole of Government Accounts). We have included the Statutory Audit fees for the full year as per below.

Any additional work that we may agree to undertake (outside of the Code of Audit Practice) will be separately negotiated and agreed with you in advance. All variations to the PSAA TfL scale fee will be subject to PSAA approval.

Description Amount	Amount
Statutory Audit fee 2023/24 – TfL (scale fee as set per PSAA)	£301,356
Statutory Audit fee 2023/24 - TTL	£1,728,210
Statutory Audit fee 2023/24 - Pfl	£109,750
Total	£2,139,316

### Non-audit Services

Description	Amount
Agreed upon procedures performed for the office of Rail and Road Returns	£23,587



## Audit and Assurance Committee



**Date:** 5 June 2024

**Item:** Annual Audit Fees 2023/24

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

#### **1 Summary**

- 1.1 This paper informs the Committee of the annual audit fee for the audit of Transport for London, the Transport Trading Limited (TTL) Group and the Places for London Group for the year ending 31 March 2024.
- 1.2 This is the first year of a five-year Public-Sector Audit Appointments (PSAA) appointing period, for the audit of TfL accounts from 2023/24 to 2027/28.
- 1.3 This is also the first year of a five-year contract for the audit of TTL Group and Places for London Group accounts from 2023/24 to 2027/28.
- 1.4 Crossrail Limited is no longer required to be separately audited but remains part of the TfL and TTL Group audit.

#### **2 Recommendation**

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

#### **3 Background**

- 3.1 Ernst & Young (EY) are the appointed auditors of TfL, TTL and Places for London.
- 3.2 The fees for the TfL audit are set through a consultation process conducted by the PSAA. This is in line with the Local Audit (Appointing Person) Regulations 2015.
- 3.3 The fees for the remaining audits are set through a competitive tender process conducted by TfL.
- 3.4 Overruns in the prior year were related to additional work required in relation to TfL's Minimum Revenue Provision policy, the sector wide focus on infrastructure assets and the public objection received. These were minimised through effective working between TfL and EY.

3.5 The fees for the TfL Group are as follows:

<b>Entity</b>	<b>FY2023/24</b>	<b>FY2022/23</b>
Transport for London	£301,356	£120,062
TTL Group	£1,728,210	Base fee - £1,490,215 Over runs - £65,000
Crossrail Limited	N/A	£143,000
Places for London Group	£109,750	£55,000

**List of appendices to this report:**

None

**List of Background Papers:**

None

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## Audit and Assurance Committee

**Date: 5 June 2024**

**Item: Risk and Assurance Annual Report and Assurance Statement 2023/24**

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

#### **1 Summary**

- 1.1 This is the annual report and assurance statement of the Risk and Assurance Directorate, which comprises the Enterprise Risk Management, Internal Audit, Quality, Safety and Security Assurance (QSSA), Project Assurance (PA) and Counter-fraud and Corruption (CFC) teams.
- 1.2 The Public Sector Internal Audit Standards (PSIAS) requires that the Head of Internal Audit provides an annual Internal Audit opinion based on objective assessment of the framework of risk management, internal control and governance established by TfL management. It is based on a programme of work completed by Risk and Assurance, which has been endorsed and monitored by this Committee throughout the year. The assurances in this report are not limited because of a shortfall in resources, absence of skills, limitation of scope or any failure to comply with PSIAS standards overall.
- 1.3 The opinion can only be reasonable in the sense that no opinion can ever be absolute and reflects the evidence available at the time of drafting. The Internal Audit opinion does not provide any guarantee against material errors, loss or fraud.

#### **2 Recommendation**

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

#### **3 Internal Audit Opinion**

- 3.1 In our opinion, TfL's overall framework of governance, risk management and internal control in the year ended 31 March 2024 remains generally adequate for TfL's business needs and operates in an effective manner. However, we draw attention to the following:
  - (a) the CFC team has identified insider threat as a significant risk to TfL, this spans new and existing employees, non-permanent labour and consultants. Internal audits of recruitment in 2022/23 identified control weaknesses with both recruitment and onboarding processes which were also included in last year's audit opinion. Effective checks are needed on candidate references, supporting information, confirmation of qualifications and vetting of candidates. Improvements are also needed to the documentation that fully supports the decision-making process;

- (b) weaknesses in the controls around the provision of labour contracts have also been identified by the CFC and Internal Audit teams. Additional controls are required to confirm that invoiced labour charges have accurate supporting documentation to ensure that payment is only made for services provided. Discussions are ongoing with the relevant teams to ensure these controls are put in place; and
- (c) while we found improvements in the way supporting information is maintained there are still areas in the organisation where we identified gaps in the audit trail, lack of supporting documentation and an inconsistent approach to record keeping. Our audit of document and records management for procurement and contracts found that records management responsibility was not clearly defined across Procurement and Commercial. There is also no clear view of the procurement documentation held across systems and drives with SAP Ariba not being used for all procurement and contract records. Recommendations were made and accepted around the clarity of guidance, introduction on management checks and communication of the importance of using SAP Ariba as intended.

- 3.2 We continue to be supported by senior management in closing down management actions, particularly those over 100 days. We are seeing an improvement in closing actions first time and reducing the number of extensions. This should result in improvements in the overall control environment which we will assess in the follow up work we do.
- 3.3 As part of the Integrated Assurance Framework overseeing Places for London activity has seen improvements in process and investment decisions as the Places for London team respond to the recommendations and actions from targeted assurance reviews and audits. This includes a strengthening of governance arrangements and a review of the property disposal strategy. Over the last year Places for London has focussed on reinforcing their approach to first line assurance through introducing a Programme Management Office function and implementing a project management framework based on TfL's Pathway process.
- 3.4 The percentage of Internal Audit reports given a rating of 'poorly controlled' or 'requires improvement' has decreased from 76 per cent (2022/23) to 62 per cent this year. This is a welcome reduction particularly as the first year of our audit planning prioritising risk and core work saw a significant increase. There has also been a reduction from 24 per cent to 22 per cent in the number of 'poorly controlled' and 'requires improvement' ratings for the QSSA team.

### **Basis of the Internal Audit Opinion**

- 3.5 We are satisfied that sufficient audit and assurance work has been completed to allow us to form a reasonable conclusion on the adequacy and effectiveness of TfL's governance, risk management and control environment.

3.6 The 2023/24 Internal Audit opinion relies on:

- (a) the 43 audits carried out by Internal Audit including those for Places for London;
- (b) the work of the Enterprise Risk team;
- (c) project and programme reviews carried out by the PA team, and the Independent Investment Programme Advisory Group (IIPAG) - PA completed 14 programme reviews and 47 project reviews, IIPAG participated in all of the programme reviews and 21 project reviews;
- (d) the 93 audits of Safety, Health and Environment (SHE), asset quality, and Payment Card Industry Data Security Standard (PCI DSS) audits carried out by the QSSA team;
- (e) results of any follow up exercises undertaken in respect of previous years' Internal Audit work;
- (f) control issues identified by the CFC team in the course of their investigations; 31 new full fraud cases from 985 referrals received and 113 requiring further investigation; and
- (g) assurance reviews carried out as part of the Places for London Integrated Assurance Framework.

3.7 There have been no additional matters arising from any of the work completed that need to be brought to the attention of the Committee.

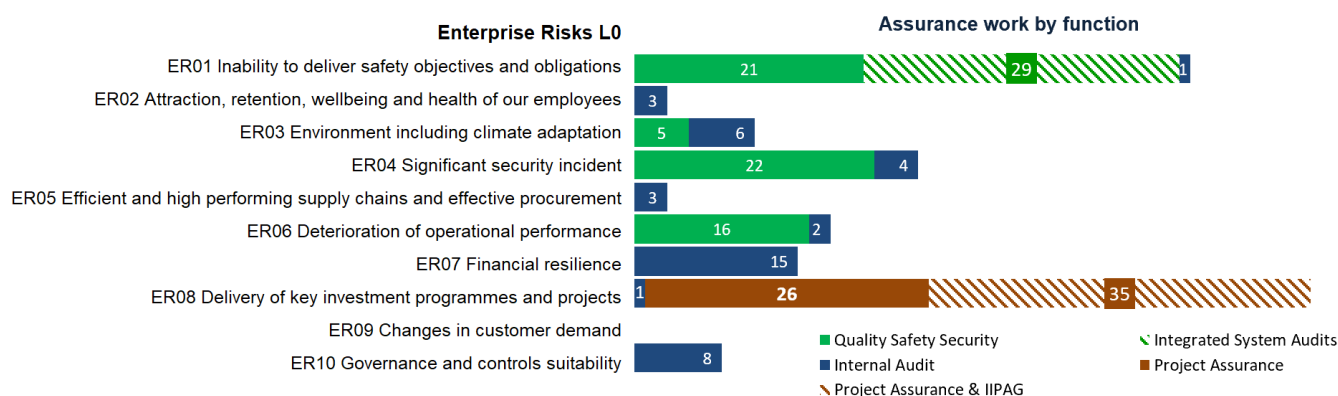
## **4 Risk Management**

4.1 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). Although risk maturity has not been formally measured, we feel that risk maturity is improving. This is as a result of there being greater engagement from the wider organisation. As part of the continuous improvement activity we will also be developing a formal measure in 2024/25 to assess our risk maturity and identify actions required to get us to the 'next level' of maturity. Governance at the Board, Panels and Committees, Executive Committee and its sub-groups is working well with more challenge around items such as risk scores. The quality of the risks is also improving with greater accountability from the owners and responsible managers. Risk appetite has been developed further and we have assigned levels and risk appetite statements developed for each category.

4.2 The Risk Management Policy, procedure and scoring matrix have all been reviewed and updated to reflect changes in the organisational structure and risk management processes.

- 4.3 All the new Enterprise Risks from the last refresh have now been developed and means that all scheduled Level 0 Enterprise Risks have been reviewed by the Executive Committee and the relevant Panels or Committees during the year on a rolling 12 month programme.
- 4.4 Level 1 workshops have been completed for all Vision and Value theme areas and the associated risk development is progressing well. A mapping exercise has been carried out of Level 1s to Level 0s and linkages made in Active Risk Manager (ARM). Engagement has also started with the relevant Executive Committee sub-groups who will have oversight of these risks.
- 4.5 ARM has been configured to include all Level 0 and Level 1 risks alongside the Level 2 risks on one database for the single source of the truth.
- 4.6 Work is in progress to develop Places for London's seven Enterprise Risks which are being presented at the Land and Property Committee. Further work is scheduled to update Places' Enterprise Risk Management Framework and update their Risk Management Plan. Places for London strategic Level 1 risks have been identified using an external consultant and these will be rationalised and included in ARM. The Level 2 will also be input to ARM.
- 4.7 Further work has been undertaken to develop and obtain approval for TfL's new Risk Appetite and Tolerance approach. Risk Appetite Statements have been developed for the agreed risk categories and sub categories based on the agreed risk appetite levels. TfL's risk appetite approach has been reviewed and agreed by the Executive Committee and is supported by the Chair. The information is covered elsewhere on the agenda and then it will be implemented.
- 4.8 Horizon Scanning information highlighting future challenges that may impact TfL's achievement of its objectives is presented to the Executive Committee on a six-monthly basis for discussion and decisions as appropriate.
- 4.9 The CFC team has continued to deliver a range of fraud awareness activities designed to prevent, detect and deter fraud and corruption and educate the workforce about the risk of fraud in the workplace and at home. In 2023/24 the team focused their attention on the insider threat of fraud. This became the theme of annual 'Fraud Awareness week' and all subsequent 'fraud awareness' presentations and workshops to several key areas of the business, where the risk from insider fraud was deemed most significant. This approach supports our ongoing work with senior management to prevent and detect financial crime.
- 4.10 The chart below provides a summary of the work completed at the second and third line of assurance by our various Risk and Assurance teams, by Enterprise Risk. Detailed information of Risk and Assurance work completed against each of the Enterprise Risks is reported quarterly at each Committee meeting.

Figure 1 - Risk and Assurance Work By Risk By Function



## 5 Internal Control

5.1 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. Within Risk and Assurance we look to assess the appropriateness, effectiveness and compliance with internal controls. Set out below are highlights of key areas of work undertaken this year and issues identified.

### Finance and Procurement

- 5.2 Overall we found that there are robust financial controls in place and operating effectively in group treasury, accounts receivable, SAP Ariba guided buying, meeting the government funding conditions, journals, Our TfL Programme and the processing of General Data Protection Requirement data by third parties. Some improvement in the control environment was required to the London Transport Museum's financial controls, SAP business expense forms, the headcount controls process and the cost of change. Our audit work continues to demonstrate that TfL has a sound financial control framework.
- 5.3 For the first time we undertook a mid-year review of the TfL Scorecard as there were changes to the metrics 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 the purpose of calculating and reporting TfL Scorecard measures. Our end of year audit demonstrated that the findings relating to local processes had been addressed.
- 5.4 Following an IIPAG recommendation to strengthen second line assurance of high value procurements a regime is now in place where focused reviews are undertaken of procurement actions, both the strategic approach and the detailed documentation. Targeted work has been completed on a significant technology project and is ongoing on a framework procurement in the London Underground (LU) Infrastructure area, and a series of new contracts in the Environment Programme. Providing this type of assurance adds 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.

- 5.5 As part of the integrated assurance approach for Places for London Internal Audit has delivered three audits all of which have identified areas for improvement. We found that Places for London needed to complete an end to end review of key processes for new lettings to ensure they are fully documented and remain fit for purpose. We also found gaps in the audit trail for new lettings, the arrangements for revenue and debt collection and the management of property voids with supporting documentation not readily available.
- 5.6 In 2023/24 the CFC team acted on new information received and continued to investigate a number of new and existing cases related to alleged fraud and corruption against TfL and internal breaches of TfL policies. This includes members of the public and some organised criminals targeting the Ultra Low Emission Zone scrappage scheme, allegations of fraud involving a small number of employees and a supplier who falsified attendance and timesheet documents to enable fraudulent payments for ghost labour. Allegations of fraud against TfL employees related to dual working arrangements, obtaining employment using fraudulent references and actively running their own business while on long term sick leave. A number of TfL employees have been subject to disciplinary proceedings and the CFC team has prepared and referred evidence to the British Transport Police (BTP) Major, Serious and Organised Crime team for review and to support criminal investigations and prosecutions.
- 5.7 The Head of CFC has continued to collaborate with rail industry leads through membership of the UK Rail Counter-fraud Executive Committee. The committee is made up of senior fraud specialists from across the rail industry and representatives from the Cabinet Office, Public Sector Fraud Authority, and the Rail Delivery Group. Following the approval of a UK Rail counter-fraud strategy, the Committee and associated UK Rail Fraud Forum (UKRFF) has collaboratively developed a Service Level Agreement with BTP intended to create an agreed level of service and expectation between organisations of the UKRFF, who identify and investigate fraud impacting their organisations, and the uptake and progression of those investigations by the BTP.

## **Safety**

- 5.8 The audit of the safety complaints process found that there are processes in place to manage and handle safety complaints, but these do not always align with the requirements of the safety complaints procedure. We found inconsistencies at an operational level in how the processes were carried out and there was limited evidence to support compliance. There is no doubt that safety complaints are taken seriously but the lack of joined up systems between the teams that deal with them has resulted in more than one single point of failure. All actions have been accepted and are being actioned as a priority.
- 5.9 The QSSA team continue to assess compliance with key Safety, Health Environment Management System (SHEMS) requirements across a sample of key operational and maintenance teams, providing actions to the business where legal or internal standards are not met. The SHEMS has been updated and relaunched, at the same time the QSSA team has implemented a new approach to audit



planning which means the assurance provided can be directly mapped back to management system components and therefore TfL's Enterprise Risks.

- 5.10 Following a focus on assurance of LU maintenance teams' competence management systems in 2022/23, there has been a strengthening of the controls as the actions to address causal factors are completed. This has included implementing first line controls and assurance activities, consistency in ways of working and provision of resilience through depth of resource for key competence management roles.
- 5.11 Three audits of the SHEMS identified gaps in the clarity of requirements and roles and responsibilities regarding driving at work, first aid and hazardous substances. These are all subjects that have not been audited previously and the audits have highlighted questions about clarity of roles and responsibilities, as well as the importance of a rolling programme of audits that covers and SHEMS subjects.
- 5.12 QSSA have also delivered their programme of short and focused Integrated Systems Audits in LU Asset Performance and Operational teams. These audits test local compliance with asset specific requirements in addition to critical elements of the management system, including SHE, security, competence, and financial controls. The trends and lessons learnt identified from this work have been well received by management teams and show a small improvement in scores (four-six per cent) across all LU Operational teams in 2023/24.

### **Environment**

- 5.13 Internal Audit have delivered a suite of five audits on the impact of extreme weather. Events of extreme weather are predicted to occur with increasing frequency impacting our services, people and assets. TfL's weather plans need to be reviewed and updated to accommodate new information on the hazards and risks of extreme weather events like heavy rain and flooding, heat, wind, snow and ice.
- 5.14 QSSA conducted a follow-up audit of two 2022/23 environmental risk assessment audits on buses, trams and LU which had been rated as 'poorly controlled'. The follow up found that the programme of improvements to complete the assessments had been effective and the 2023/24 audit was rated as 'adequately controlled'.

### **Security**

- 5.15 The telecoms industry will retire analogue telephone networks such as the Public Switched Telephone Network (PSTN) by the end of 2025. TfL has a range of services that are supported by PSTN, both operational and business. Internal Audit examined how this change was to be affected and concluded that the Technology and Data project in place to deliver this was well governed and effectively managed.

- 5.16 TfL has external users, principally suppliers, consultants, non-permanent labour and other third-party delivery partners that may need access to TfL resources such as SharePoint. The TfL sponsor has responsibility for a number of checks prior to requesting access, including due diligence and appropriate level of access. We found that improvements were needed for joiners, movers and leavers and how unused third-party accounts were flagged and deprovisioned.
- 5.17 Internal Audit also looked at the adequacy and effectiveness of the key controls for the accounting and reconciliation of the Revenue Collection Contract transactions. It was apparent that TfL had identified and started to address some of the key reconciliation risks facing the organisation, including data validation and the associated accessibility to appropriate data sources and reporting.
- 5.18 The assessment of security controls from a second line perspective has consisted of a review of the development of security culture maturity within TfL, which identified parts of the policy and management system that need updating and industry good practice that could be adopted within TfL to further maturity in this area. An audit on ransomware risk management determined that Government guidance had been followed, with clearly defined roles and responsibilities and tested by exercise.
- 5.19 QSSA's audits of compliance with the PCI DSS look to ensure that TfL has robust technology, systems, process and competence standards for the processing of card payments. This includes the provision of support and advice to TfL teams introducing new or changing existing payment systems or technology to ensure compliance is designed into the system. Six of these 20 audits were non-compliant, none of which related to processing card data. Common issues were maintenance of employee training, asset records and operating procedures, particularly during personnel or organisational change. These issues have been easily and swiftly resolved and highlight the importance of this regime of annual assurance of these controls.

## **Counter-fraud and Corruption**

- 5.20 The CFC team has seen an increase in both the new cases managed and the number of new referrals. In 2023/24 referrals increased to 985 with 31 new full fraud cases under investigation. This compared to 482 referrals and 21 new full fraud cases in 2022/23. There are several factors behind this increase. Use of the external fraud reporting tool (through the 'Crime Reporting' page on our TfL website) continues to increase, likely due to social media fraud awareness messaging. There continues to be an increased willingness to report suspected wrongdoing to the team, which is a good thing.

## **6 Governance**

- 6.1 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 its objectives. The Risk and Assurance teams look at how this is supported and works in practice at an organisational level. Common findings in audits have included poor records management, lack of clarity over roles and responsibilities and compliance with established procedures which are essential elements of good governance. To support this the Risk and Assurance leadership

team continues to be involved in a range of steering groups and other governance forums. This involvement enables us to provide input on risk and assurance matters, as well as allowing observation of project and other governance processes.

- 6.2 We found that there are robust governance arrangements for the TfL pension fund trustee board, the national rail reimbursement scheme and reporting the TfL Scorecard results. The gifts and hospitality policy and procedure is well established but overall compliance needs to be embedded across the organisation with TfL advisory groups being included in reporting. We recommended that the scope of the gifts and hospitality policy requires review to ensure that all are included.

### **Assurance of the Investment Programme**

- 6.3 The primary source of assurance for the delivery of the TfL Investment Programme is through the work of the Project Assurance (PA) team and IIPAG. PA and IIPAG believe that there is sufficient scrutiny of the Investment Programme in TfL through the various portfolio meetings as well as the Executive Committee Investment sub-group and at the Programmes and Investment Committee.
- 6.4 Business cases continue to be reviewed in detail where needed in reviews, but quality of these key documents continues to be quite variable and multiple improvement recommendations have been made this year although improved support and tools have provided some benefit. There has been a significant increase in activity relating to business cases being prepared for submission to the Department for Transport as part of funding applications. Extensive assurance support has been provided to ensure that the documents meet the required standards and the feedback has been positive from the Department for Transport.
- 6.5 IIPAG has produced a number of reports during the year including a review of the delivery of infrastructure renewals, the effectiveness of TfL's Pathway project stage gate process, and their annual review of the first and second lines of assurance. In addition, a progress review was undertaken to review progress in the undertaking of actions from an earlier review of an improvement programme in the Procurement and Commercial area.

### **Places for London Assurance Activity**

- 6.6 The Places for London Integrated Assurance Framework is based on a Three Lines of Assurance model. Line one, management functions of Places for London and key interfaces; line 2, PA and QSSA; line three Internal Audit and a sub-group of IIPAG.
- 6.7 PA undertook a number of targeted assurance reviews including resourcing, procurement and commercial arrangements, and Places for London governance. PA provide continuous assurance of major developments within the property development portfolio and other significant investment programmes. IIPAG, supported by PA have completed reviews of retail strategy, joint venture management, residential strategy and property disposal strategy.

- 6.8 QSSA completed a Health and Safety audit of tenancy compliance. In parallel Internal Audit completed audits on property transfer accounting; accounting and cash management process; revenue collection and debt management; and due diligence process for new tenants.
- 6.9 Recent activities have focused on strengthening continuous second and third-line assurance activities with a PA and IIPAG representative being assigned to each Places business sector. This has strengthened relationships and further improved the assurance team's understanding for the Places business.

## **7 Quality Assurance and Improvement**

- 7.1 In accordance with the PSIAS, Internal Audit has an ongoing quality assurance and improvement programme to evaluate compliance with the Standards and to identify opportunities to improve the effectiveness and efficiency of the function. In preparation for an External Quality Assessment planned later in 2024 and internal assessment has been completed. This identified some areas for improvement and these will be addressed along with a comprehensive review and update of our working papers and processes. The Institute of Internal Auditors has also agreed new audit standards which will be effective from January 2025. How these effect our work will also be included in the review.

### **List of Appendices:**

None

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

None

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## Audit and Assurance Committee

**Date: 5 June 2024**

### **Item: Risk and Assurance Quarter 4 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 4 of 2023/24 (10 December 2023 to 31 March 2024) (Q4) 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.
- 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 the changes to Risk Appetite and Tolerance as set out on Part 2 of the agenda.**

## **3 Director Update**

- 3.1 This is the fourth quarterly report for 2023/24 setting out the work undertaken by the teams within the Risk and Assurance Directorate.
- 3.2 Internal Audit delivered 20 audit reports in Q4 delivering 90 per cent of the annual plan exceeding the 85 per cent target. Details of these audits are included at Appendix 1 and two audits were rated as 'well controlled', five were 'adequately controlled', nine 'requires improvement', two were 'poorly controlled' and two memos were issued.
- 3.3 The Quality, Safety and Security Assurance (QSSA) team delivered 34 second line audits in Q4, delivering 88 per cent of the annual plan exceeding the 85 per cent target. Two audits were concluded as 'poorly controlled' and further details are set out in paragraph 5.7 below.

- 3.4 During Q4, the Counter-fraud and Corruption (CFC) team received 284 referrals, all of which were assessed and disseminated within the 10 working days target. As a result, 10 new fraud cases are under investigation. A further 24 have been made miscellaneous cases that require the team to carry out further enquiries to assess whether any should become a full case. Five cases were closed during Q4.
- 3.5 A breakdown of current fraud cases by Chief Officer area and their status is shown in the table below:

Chief Officer Area	Start Q4	New Q4	Closed Q4	Under investigation by CFC	With Line Management	With Law Enforcement
<b>Operations</b>	<b>22</b>	<b>3</b>	<b>2</b>	<b>4</b>	<b>9</b>	<b>10</b>
<b>Capital</b>	<b>0</b>	<b>1</b>	<b>0</b>	<b>1</b>	<b>0</b>	<b>0</b>
<b>Customer and Strategy</b>	<b>14</b>	<b>5</b>	<b>3</b>	<b>9</b>	<b>3</b>	<b>4</b>
<b>People</b>	<b>1</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>1</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>0</b>	<b>0</b>	<b>1</b>	<b>0</b>	<b>0</b>
<b>Total</b>	<b>38</b>	<b>10</b>	<b>5</b>	<b>15</b>	<b>13</b>	<b>15</b>

- 3.6 The CFC team continues to refer offenders for prosecution. A member of the public, who was advertising the sale of concessionary Oyster cards on social media pleaded guilty to conspiracy to defraud TfL. He was sentenced to three years and two months' imprisonment, of which two years were suspended. He was also ordered to pay £60,720 compensation to TfL.
- 3.7 An employee of a direct supplier to TfL, processed a large number of fraudulent refunds on TfL systems, which were paid into his personal bank accounts. The CFC team reported the case to the British Transport Police, who arrested and charged the employee with fraud by abuse of position. The former employee (who was dismissed) pleaded guilty and was sentenced to seven months imprisonment (suspended for 12 months), to undertake 100 hours of unpaid work and to pay £6,969.13 compensation to TfL.
- 3.8 During Q4 we had one new auditor join the QSSA team and two leavers, one in QSSA and one in Internal Audit. We also currently have recruitment campaigns in the Enterprise Risk team and in QSSA, we are seeing good interest in the roles.

## **4 Risk Management**

- 4.1 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).
- 4.2 TfL's Risk Management Policy has been reviewed, updated and published on the Management System. The Enterprise Risk Assessment Matrix for scoring risks at all levels has been updated to include sub-categories such as Carbon, Colleague and distinct Finance impact numbers for Levels 0, 1 and 2 risks. Updates to the Risk Management Procedure are being finalised and will be published on the TfL Management System imminently.
- 4.3 A risk Dashboard has been developed to report on the risk details individually for each Enterprise Risk. These Dashboards are being used to facilitate discussions which the Chief Officers who own each risk. The Dashboard shows key information relating to the risk including, the Risk Appetite and Level, Risk Appetite Statement, Current and Target scores as well as linked Level 1 risks.
- 4.4 A follow up workshop to complete the development of ER06 (Deterioration of operational performance) was completed and this risk was presented at the 5 March Customer Service and Operational Performance Panel. The remaining nine Enterprise Risks were reviewed, individual Dashboards prepared and discussed with the relevant Chief Officer.
- 4.5 Further work has been undertaken to develop and seek agreement to TfL's new Risk Appetite and Tolerance approach. Risk Appetite Statements have been developed for the agreed risk categories and sub-categories based on the agreed risk appetite levels. TfL's risk appetite approach has been reviewed and agreed by the Executive Committee and is supported by the Chair. The next step is implementation, monitoring and reporting once the approach has been reviews by this Committee.
- 4.6 Level 1 risk mapping has been completed and action taken to combine risks where duplicates have been identified. Further development of these risks is progressing well with updates going to the relevant Executive Committee sub-groups.
- 4.7 In line with the Independent Investment Programme Advisory Group (IIPAG) recommendation to ensure that robust second line assurance of high value procurement actions is in place, the Project Assurance (PA) team is continuing to undertake detailed targeted procurement reviews.
- 4.8 A review of documentation and processes associated with a new framework in the London Underground (LU) 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 continue to monitor through to conclusion.

- 4.9 In addition, PA is considering the adequacy of the procurement approach and documentation for a number of significant contracts in the Environment Programme. The first contract review established that the strategic procurement approach was robust and had been informed by an effective early market engagement exercise. There was an increased level of risk due to limited availability of subject matter experts to prepare key documents and a schedule that needed strengthening, and this is being addressed by the team responsible.
- 4.10 A list of the Level 0 risks is included at Appendix 2.

## **5 Internal Control**

- 5.1 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.
- 5.2 We found that the control framework for processing National Rail reimbursement scheme claims and headcount controls was well designed and operating effectively with only minor issues identified.
- 5.3 Areas where improvement in internal control were needed included the audit of the system used to raise sales invoices to TfL's retail agents for the sale of Oyster cards. The audit of cost of change found that controls for identifying and recording financial and non-financial benefits and calculating costs needed improvement.
- 5.4 Cost estimates completed by the Cost Estimation Team (CET) were found to have been completed consistently, were tracked internally and stakeholder feedback was good. However, project teams were not following the estimate request form process resulting in estimates often being in draft, waiting business approval and sign off. The role that CET play in the oversight of cost estimation policy across TfL still needs to be agreed and responsibilities formalised.

### **Finance and Procurement**

- 5.5 The audits of treasury management and journals found that controls were adequately designed and working effectively. We found that key controls and process/control owners have been identified and there is clear segregation of duties when processing journals.

### **Safety**

- 5.6 The audit of the safety complaints process, which was rated as 'poorly controlled', covered the processes in place from receipt, recording, investigation, action taken, reporting of the results and the assurance of safety complaints across TfL. Inconsistencies were found in the way processes were carried out and there was limited evidence to support compliance with the process. Actions to address all areas have been agreed and are being actioned as a priority.



- 5.7 In Q4 two QSSA audits against ER01 (Inability to deliver safety objectives and obligations) were concluded as 'poorly controlled'. DLR Fire Asset Management found weaknesses in the change control process and lack of clarity regarding roles and responsibilities. There's a four weekly joint Safety Strategy meeting between DLR and Keolis Amey Docklands senior management teams where these actions are discussed and tracked. Driving at Work found that the management system documents lacked clarity and a number of critical elements were not complied with, this included risk assessment, training and assurance. Five were rated as 'requires improvement' – LU rolling stock non-destructive testing, LU pumps competence management, LU emergency lighting, First aid provision and Payment Card Industry Data Security Standard: CPAY and London cycle hire Scheme 'backend'. All have agreed actions plans in place.

## **6 Governance**

- 6.1 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.
- 6.2 We found examples of good governance in our reviews of the effectiveness of the TfL pension fund trustee board, the legacy technology Public Services Telephone Network/Integrated Services Digital Network projects and cost of change. The audits of the engineering resource model found that while the model was working effectively enhanced governance arrangements were needed. The gifts and hospitality policy and procedure is well established but there were some groups that were unaware they should regularly make declarations and this has now been rectified.
- 6.3 This quarter a number of internal audits on TfL's plans in the event of extreme weather events were completed. Events of extreme weather are predicted to occur with increased frequency and impact our people, services and assets. We found that current weather plans for heavy rain and flooding, extreme heat and wind have not been reviewed and updated to accommodate new information on the hazards and risks from such extreme events.

### **Assurance and Investment Programme**

- 6.4 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.
- 6.5 PA has continued a programme of targeted assurance reviews including the annual programme submission to the February 2024 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; these are reported to the Programmes and Investment Committee.

- 6.6 Weaknesses in the accuracy and robustness of cost plans have become a notable trend in PA reviews. This impacts the ability to manage costs and value, makes budgeting difficult and creates uncertainty in estimated final costs. Areas for improvement have related mainly to sufficiency of allowances for underlying cost drivers, appropriately developed risk assessments, the validity of estimates and schedule alignment. Evidence has been seen of efforts to improve cost planning and forecasting capabilities. One example is the development of a sophisticated cost plan template which will improve consistency and enable more advanced cost interrogation. This has been trialled successfully within selected capital projects. The progress to implement this and other improvement initiatives and their effectiveness will be monitored by PA and reported to the Programmes and Investment Committee.
- 6.7 Providing assurance of business cases and supporting their effective drafting, particularly those being issued to Department for Transport (DfT) as part of funding applications has continued to be a significant workstream for PA. The business case for the refurbishment of Gallows Corner Flyover has recently been accepted by the DfT. Two further business cases for similar highway scheme refurbishments will be submitted to the DfT in the coming months with learning from earlier submissions feeding into the process.
- 6.8 IIPAG has worked with PA on programme reviews and reviews of higher value projects and they have continued to progress their programme of cross-cutting reviews this quarter. The annual review of the effectiveness of first and second line of assurance was completed, and findings will be reported to the next meeting of the Committee. In addition, a review considering the effectiveness of Pathway project gates was completed and findings will be reported to the Programmes and Investment Committee.
- 6.9 An IIPAG review of the prioritisation and planning of capital renewals has commenced. A review will start shortly investigating how TfL investment decisions are taking into consideration the need to reduce whole life carbon emissions. Internal Audit will be reviewing carbon management in operations in conjunction with the IIPAG review.

## **7 Programme Changes**

- 7.1 There were three internal audits deferred in Q4. Two related to grant certification work at the London Transport Museum where expenditure is yet to be incurred and these will be rescheduled for 2024/25. Readiness for the new procurement Act has been moved to Quarter 1 of the 2024/25 audit plan.
- 7.2 QSSA cancelled two audits in Q4, LU Inspection of Building Drainage Assets was cancelled as it was established during planning that Engineering and Asset Performance teams were aware of issues in this area and had a plan to address them. Safety, Health and Environment (SHE) Governance and Change Assurance was also cancelled as it has been merged with an audit planned for 2024/25 that has a broader scope.

7.3 Four QSSA audits were deferred to next year's audit plan. LU Off-Track Drainage Management has been deferred to allow time for the audit actions to be completed prior to follow up. Places for London Asbestos Management has been rescheduled for six months' time in agreement with the SHE and the Hazardous Materials teams due to resourcing changes in the team. Emergency preparedness has been deferred to Quarter 3 2024/25 as revised management system content is due to be issued in May 2024. LU Signals Incident Response has been deferred to Quarter 1 2024/25 at the request of the Engineering Assurance Manager. All cancellations and deferrals are undertaken in consultation with the relevant business teams.

## **8 Management Actions/Recommendations**

- 8.1 A breakdown of overdue management actions and recommendations across Chief Officers and the Risk and Assurance teams is included at Appendix 3. We continue to work with the management teams and the relevant Chief Officers to resolve these.
- 8.2 Appendix 4 provides an analysis on a rolling four quarter basis of management actions from Internal Audit and QSSA work and PA recommendations.

## **9 Customer Feedback**

- 9.1 In Q4, the QSSA team received 17 customer feedback responses out of 38 sent out (45 per cent response rate), with a 100 per cent satisfaction score. Internal Audit issued four customer feedback forms, two were returned with an average score of 87.5 per cent.

## **10 Mayoral Directions**

- 10.1 There have been no mayoral directions since the last Committee meeting.

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

- Appendix 1: Internal Audit reports issued in Q4 2023/24  
Appendix 2: Level 0 Enterprise Risks  
Appendix 3: Overdue Actions and Recommendations by Team  
Appendix 4: 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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## Internal Audit reports issued in Quarter 4 (10 December 2023-31 March 2024)

## Appendix 1

- 19 draft/final reports (excluding Places for London) were issued during the quarter.

Enterprise Risk	Directorate	Ref	Audit title	Summary of Findings	Conclusion
<b>ER01 Inability to deliver safety objectives and obligations</b>	Chief Customer and Strategy Officer	23 030 U	Safety Complaints Process	<p>The audit covered the processes in place from receipt, recording, investigation, action taken, reporting of the results and the assurance of safety complaints across TfL.</p> <p>Inconsistencies were found in the way processes were carried out and there was limited evidence to support compliance with the process. Actions to address all areas have been agreed and are being actioned as a priority.</p>	Poorly Controlled
<b>ER03 Environment including climate adaptation</b>	Chief Operating Officer	23 040	Impact of extreme weather - Wind	The seasonal plans have not been reviewed and updated to accommodate new information on wind as an extreme event in isolation or as part of a combined event with another weather hazard.	Requires Improvement
<b>ER03 Environment including climate adaptation</b>	Chief Operating Officer	23 038	Impact of extreme weather - Snow	TfL's climate risk assessment indicate that there will be less cold-weather disruption due to lower than normal chance of ice and snow. Due to this lower risk, an adjustment of the current severe and adverse weather plans for snow and ice as extreme events is not necessary. Actions to improve weather plans for audits for extreme events of heavy rain and flooding, heat and wind will result in improvements to all weather plans, including those for snow and ice.	Memo
<b>ER04 Significant security incident</b>	Chief Customer and Strategy Officer	23 006	Review of Strategix (application)	The design of certain controls, particularly those around the allocation of strategic and operational ownership of reconciliation, and the associated governance framework, require improvement. Opportunities to improve internal control were identified relating to data validation, accessibility to appropriate data sources and reporting and quality assurance checks.	Requires Improvement

Enterprise Risk	Directorate	Ref	Audit title	Summary of Findings	Conclusion
<b>ER04 Significant security incident</b>	Chief Customer and Strategy Officer	23 049 U	Third-Parties with OneLondon Access (Phase 2)	Based on the work performed in Phase 2 of the audit, we found some weaknesses relating to the absence of a defined quality assurance process over the third-party processes. We also identified issues with the joiners, movers and leavers processes and how unused third-party vendor accounts were flagged and deprovisioned.	Memo
<b>ER04 Significant security incident</b>	Chief Customer and Strategy Officer	23 050 U	Legacy Technology – Public Services Telephone Network (PSTN) services for telephony and data (Phase 2)	The overarching Technology and Data End-of-Life Network Services – PSTN/Integrated Services Digital Network project remains well governed and effectively managed; it was on track to identify where in-scope Wholesale Line Rental products were used across TfL and the types of business applications that they support, as well as overseeing the migration of these services to alternative technologies and solutions before the end of December 2025.	Adequately Controlled
<b>ER06 Deterioration of operational performance</b>	Chief Capital Officer	23 009	Engineering Resource Model - interaction between delivery lead and business	The Resource Model is operating effectively, with business stakeholders largely receiving outcomes required. Introduction of enhanced governance arrangements should provide Senior Management with detailed performance data that allows any weaknesses to be identified and addressed.	Adequately Controlled
<b>ER07 Financial resilience</b>	Chief Customer and Strategy Officer	23 007	Ultra Low Emission Zone (ULEZ) Extension Scrappage Scheme	Applications for funds to scrap, replace or retrofit non-compliant ULEZ vehicles, with cleaner motorcycles, cars, vans and minibuses requires applicants to provide satisfactory supporting documents. We established that TfL have not instructed Capita, who process the applications, to verify these supporting documents with the issuing organisations. Additional checks have been introduced to identify duplicate claims.	Requires Improvement

Enterprise Risk Directorate Ref			Audit title	Summary of Findings	Conclusion
<b>ER07 Financial resilience</b>	Chief Finance Officer	23 015	Journals	There is a robust control framework in place to support the preparing, review and posting of journals. Key controls and process/control owners have been identified, and there is a clear segregation of duties when processing journals. The audit evaluation and sample testing identified minor weaknesses in the preparation of the journal template.	Adequately Controlled
<b>ER07 Financial resilience</b>	Chief People Officer	23 044	Cost of Change	There is a defined methodology for executing change programmes, key aspects of which are a governance regime and documented procedures. These ensure the existence of key controls for the efficient and effective management of programmes. Continuous improvements are being made to the processes in order to further strengthen the control environment. We identified that the controls for identifying and recording financial and non-financial benefits and calculating costs need to be improved in order to accurately determine the viability of programmes.	Requires Improvement
<b>ER07 Financial resilience</b>	Chief Finance Officer	23 046	Group Treasury	We found that treasury management controls were adequately designed and operating effectively.	Well Controlled
<b>ER07 Financial resilience</b>	Chief Finance Officer	23 047	National Rail Reimbursement Scheme (Pay As You Go (PAYG))	There are adequate controls in place for processing staff travel reimbursement claims within the National Rail PAYG scheme. However, there is the potential for errors, omissions and delays to occur due to the manual processes involved in recording and calculating amounts due to employees. This is a known issue and action is being taken to address.	Adequately Controlled

Enterprise Risk	Directorate	Ref	Audit title	Summary of Findings	Conclusion
<b>ER08 Delivery of key investment programmes and projects</b>	Chief Capital Officer	23 018	Project Cost Estimation	Cost Estimates are prepared by the Cost Estimation Team (CET) to a consistent standard, and tracked internally, stakeholder feedback on CET work is good. However, project teams are not completing the Estimate Request Form process in a way that fully informs estimates. Following issue, estimates are often in draft, waiting business approval and sign off. The role CET plays in central oversight of cost estimation policy across TfL is still to be agreed and will remain a risk to TfL until responsibilities are formalised.	Requires Improvement
<b>ER10 Governance and controls suitability</b>	Chief Capital Officer	23 017	Stage Gate Compliance	<p>Readiness Assessment is an established part of Pathway system and effectively supports the Gate process and its operation. Inconsistencies in the completion of the Certificate need to be addressed to improve the clarity with which actions are recorded and pre-Gate assessment sign off applied.</p> <p>Any future review of the Pathway process should consider the balance of compliance versus quality checks that are undertaken at the pre-gate stage. Instances of documentation being supplied describing a programme approach (as opposed to project specific assessment) were noted, alongside unsigned documentation.</p>	Requires Improvement
<b>ER10 Governance and controls suitability</b>	Chief Operating Officer	23 020	Privacy and Data Protection: Surveillance Cameras in London Underground (LU) and Elizabeth Line Trains	The high priority risks identified related to the LU fleets that were part of the audit sample. Restructuring of the team responsible for management actions has led to a delay in agreeing dates for completion. However, the findings include the absence of clear ownership and accountability for the in-car CCTV systems and the management of data generated across LU fleets. Arrangements for the EL were found to be adequately controlled.	Poorly Controlled



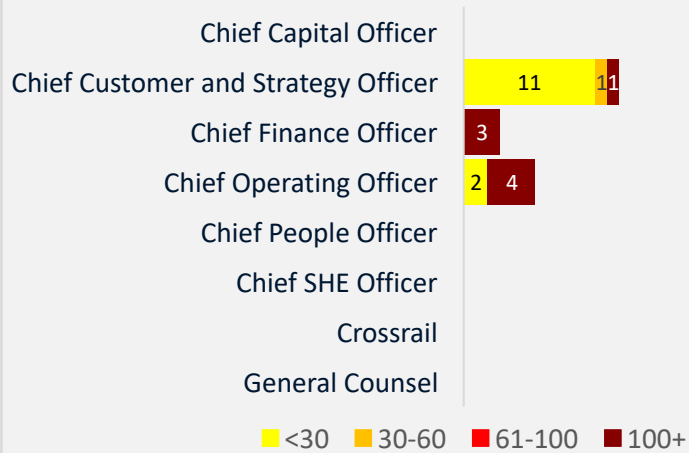
Enterprise Risk	Directorate	Ref	Audit title	Summary of Findings	Conclusion
<b>ER10 Governance and controls suitability</b>	General Counsel	23 025	Gifts and Hospitality	The Gifts and Hospitality policy and procedure is well established, but overall, compliance is not fully embedded across the organisation with TfL advisory groups not being visible TfL of Gifts and Hospitality reporting, and it is not clear whether the policy applies to Trustees and Non-Executive Directors of the London Transport Museum.	Requires Improvement
<b>ER10 Governance and controls suitability</b>	Chief People Officer	23 034	Effectiveness of the TfL Pension Fund Trustee Board	The TfL Pension Fund operates within a strictly regulated and controlled environment. There are rules, regulations and guidelines which govern all aspects and activities of the pension funds trustees. We found that the Trustee Board works effectively and complies with Pensions Regulator guidance.	Well Controlled
<b>ER10 Governance and controls suitability</b>	Chief Operating Officer	23 036	Privacy and Data Protection: Surveillance Cameras in Buses	The audit assessed three bus operators, based on the result of this audit, there were control weaknesses in the privacy and data protection for the surveillance camera system fixed of one of the three operators in our sample, which resulted in the overall rating.	Requires Improvement

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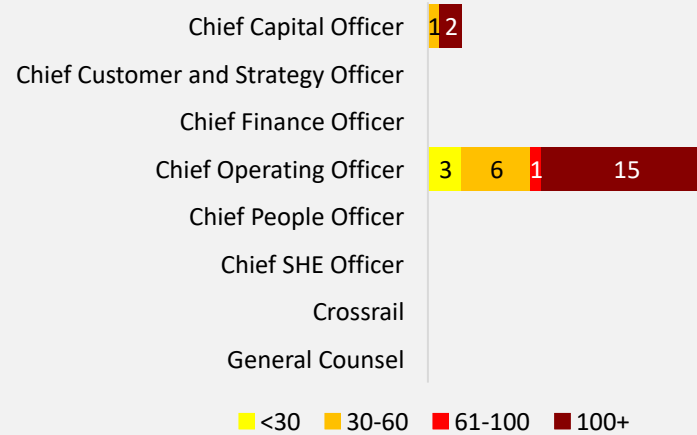
<b>Risk No.</b>	<b>Risk</b>	<b>Owner</b>	<b>Panel and Committee</b>
ER01	Inability to deliver safety objectives and obligations	Chief Safety, Health and Environment Officer	Safety, Sustainability and Human Resources Panel
ER02	Attraction, retention, wellbeing and health of our employees	Chief People Officer	Safety, Sustainability and Human Resources Panel
ER03	Environment including climate adaptation	Chief Safety, Health and Environment Officer	Safety, Sustainability and Human Resources Panel
ER04	Significant security incident including cyber security	Chief Operating Officer	Audit and Assurance Committee
ER05	Efficient and high performing supply chains and effective procurement	Chief Finance Officer	Finance Committee
ER06	Deterioration of operational performance	Chief Operating Officer	Customer Service and Operational Performance Panel
ER07	Financial Resilience	Chief Finance Officer	Finance Committee
ER08	Delivery of key investment programmes and projects	Chief Capital Officer	Programmes and Investment Committee
ER09	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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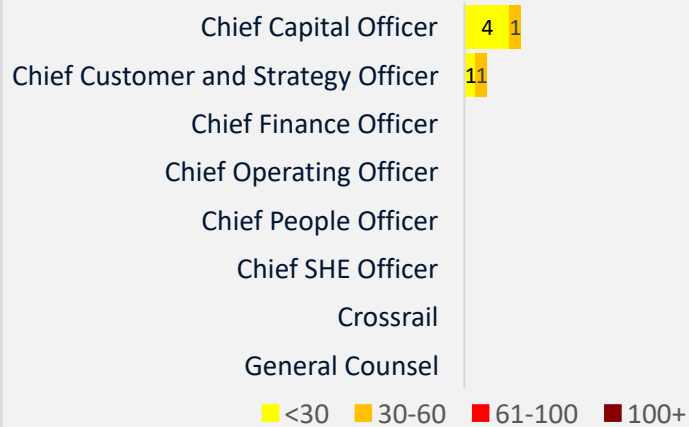
Internal Audit Overdue Action by Days



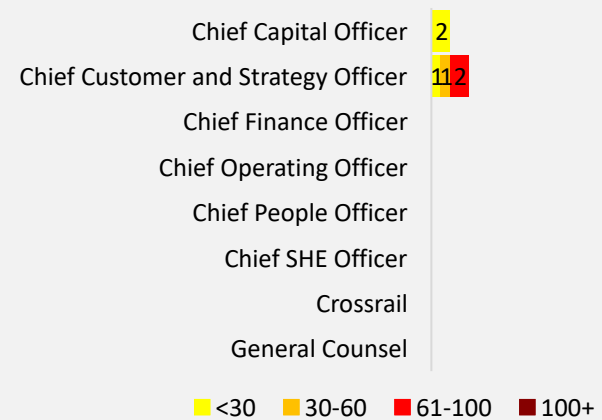
Quality Safety Security Overdue Action by Days



Project Assurance Overdue Recommendations by Days

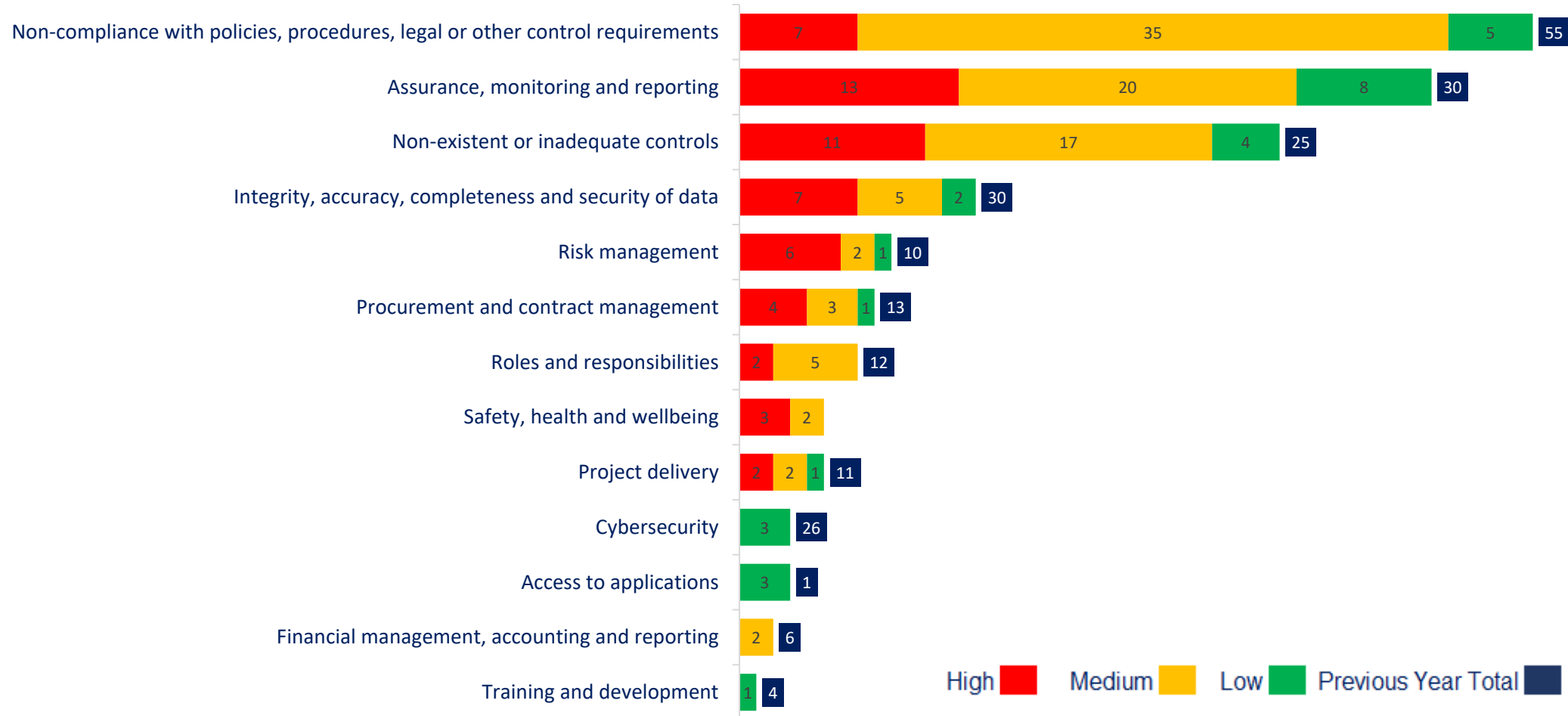


IIPAG Overdue Recommendations by Days

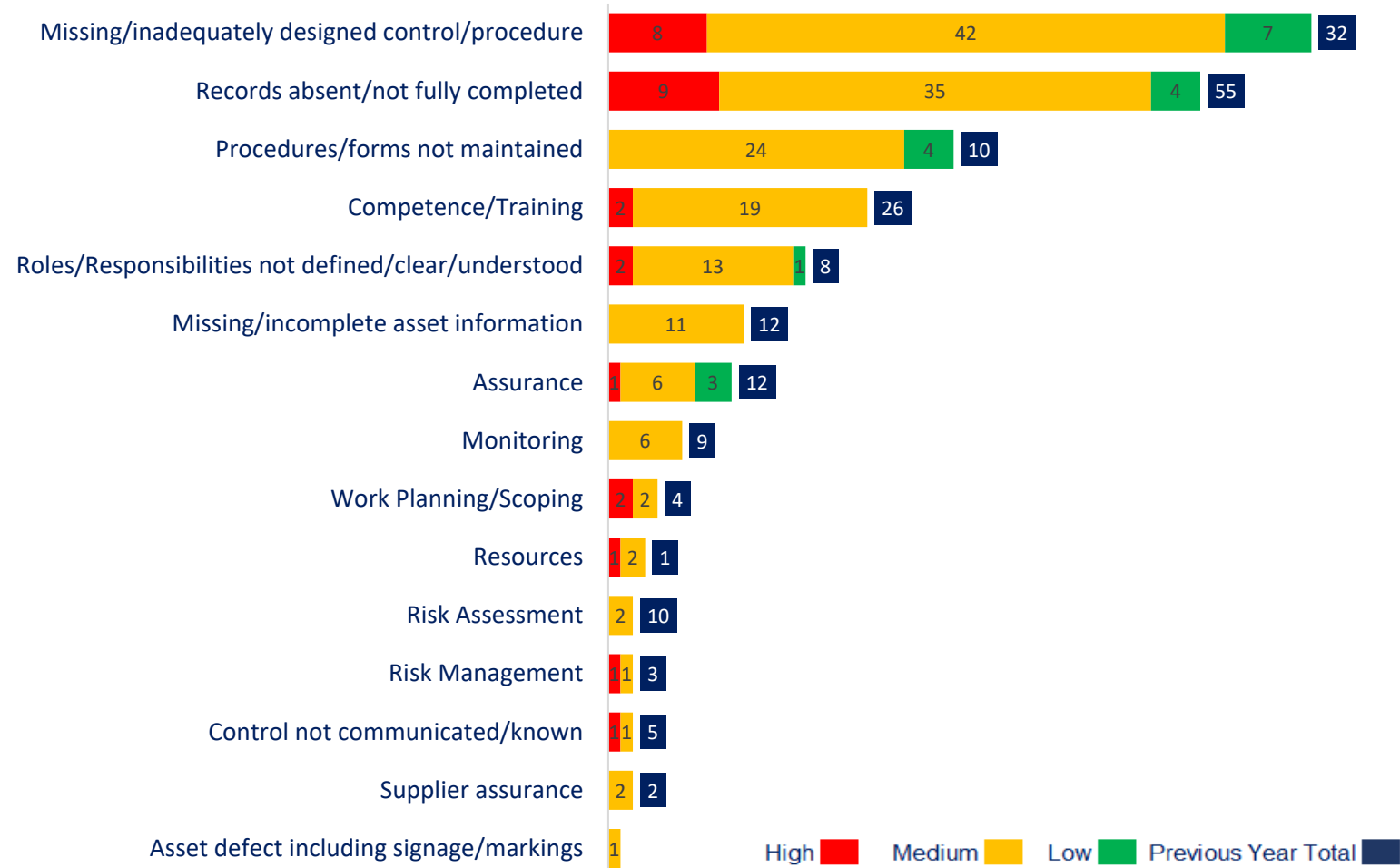


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Internal Audit Findings Categories by Priorities 4 Quarters vs Previous Year

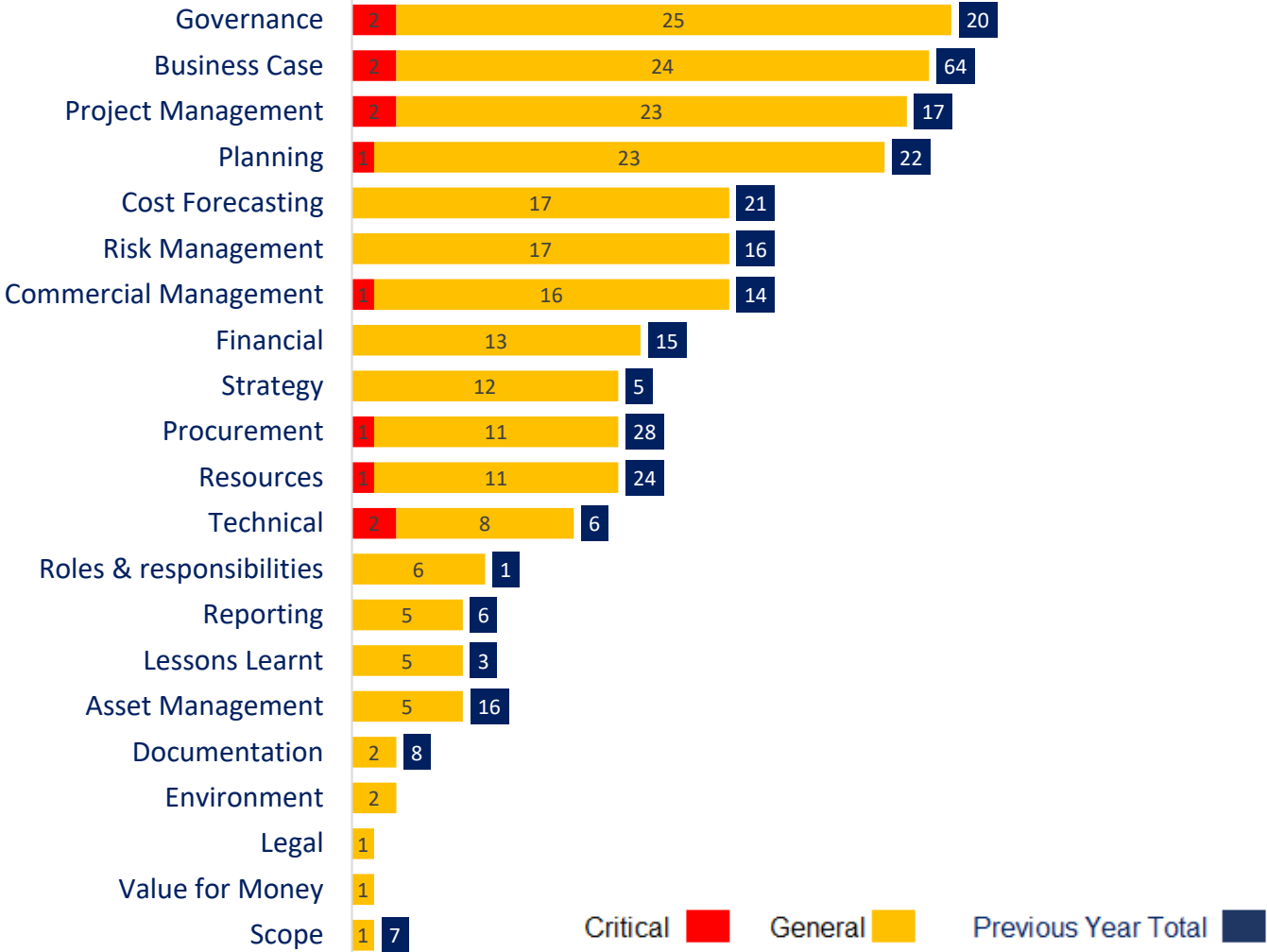


## Quality, Safety and Security Assurance Findings Categories by Priorities – 4 Quarters vs Previous Year





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



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## Audit and Assurance Committee



**Date:** 5 June 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 June 2024. It describes the work undertaken since the last report presented to the Committee in March 2024.

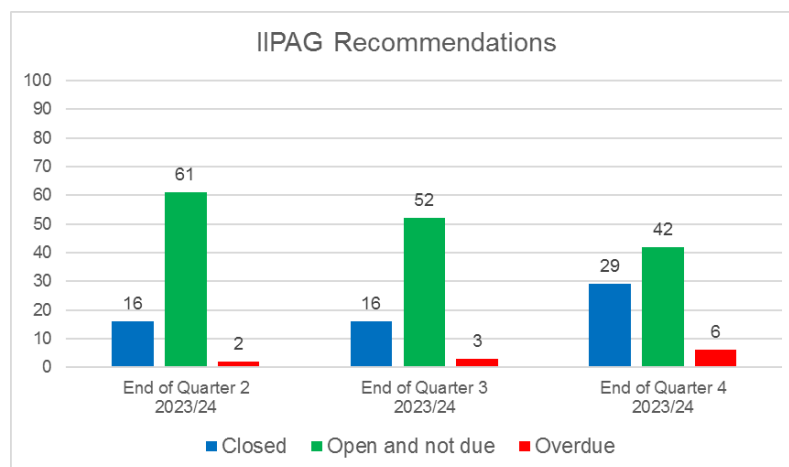
### 2 Recommendation

2.1 **The Committee is asked to note IIPAG’s Quarterly Report and the management response and approve the IIPAG Workplan for 2024/25.**

### 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 June 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 six overdue recommendations shown at the end of Quarter 4 of 2023/24 (10 December 2023 to 31 March 2024) are not critical issues.



**Figure 1: Status of IIPAG Recommendations**

3.3 From the assurance reviews undertaken during Quarter 4 IIPAG made 10 recommendations, none of which were critical issues. All of the recommendations were agreed with the respective project teams.

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

### **TfL Assets**

- 4.1 We recognise and agree with the IIPAG findings regarding the Streets, Bus and Rail and Sponsored Services Renewals programme and elsewhere in TfL.
- 4.2 The current position on the condition of TfL assets is the direct result of constrained TfL finances following the removal of the Government operating grant in 2018, the impact of the coronavirus pandemic and the subsequent lower patronage and short term funding settlements. Cumulatively this has meant that TfL's asset investment has been considerably lower than previously planned or required to effectively maintain TfL assets. This has resulted in a steady decline of asset condition and the current position with a lower level of asset resilience and an increasing reliability risk across TfL services. This is evidenced by the increasing impact on and disruption to services due to asset faults.
- 4.3 To ensure we fully understand the risks and associated impacts, and to inform decision making, we are placing greater emphasis on asset condition through senior level meetings and the TfL business planning process. This includes the establishment of an asset management steering group for escalation of asset risks, development of improvement workstreams and balancing of investment priorities. Asset risks including Enterprise Risk ER06 (Deterioration of operational performance) are also presented to the Executive Committee and relevant Panel meetings to ensure they are fully aware of any emerging concerns. Business planning for this financial year has placed an increased emphasis on asset condition and risks, and detailed network and asset plans are being developed to ensure all senior stakeholders are fully sighted on the asset risks prior to and during key investment decision making.
- 4.4 Greater financial certainty will help us address our asset condition and in parallel we will continue to improve our asset management and deliver efficiencies. We are progressing a number of asset management improvement initiatives to maximise the impact of investment. These initiatives include digitising of asset management, optimising delivery planning, improved decision support systems, activity-based budgeting and understating the whole life costs of asset ownership.

## **5 IIPAG Workplan for 2023/24**

- 5.1 IIPAG's proposed workplan for 2024/25 is provided in Appendices 2 and 3. We support the proposal and ask the Committee to approve the IIPAG workplan for 2024/25.

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

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

Appendix 2: IIPAG Workplan 2024/25

Appendix 3: IIPAG Workplan – Sub Programme and Project Reviews 2024/25

**List of Background Papers:**

None

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

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### 1. Introduction

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

### 2. IIPAG Activity

- 2.1. We are currently undertaking three programme level reviews ahead of the June meeting of the Programmes and Investment Committee (PIC):
- (i) Four Lines Modernisation (4LM);
  - (ii) Street, Bus and Rail and Sponsored Services Renewals;
  - (iii) Rail and Station Enhancements.

### 3. Common Themes

- 3.1. Recent IIPAG reviews, in particular the Streets, Bus and Rail and Sponsored Services Renewals review, have reinforced our ongoing concerns over the condition of TfL assets. There appears to be an increasingly firm consensus amongst those responsible for the maintenance and renewal of TfL's assets that declining asset condition and the increased number of assets with higher levels of risk will lead to increasing levels of unpredictability and a greater likelihood that assets will have to be taken out of service in the next few years. This is already happening (for example the A40 slip road and Brent Cross last year) and is likely to accelerate, impacting services and putting greater pressure on budgets.
- 3.2. In our view TfL's renewals posture is becoming increasingly reactive – driven by an annual funding envelope and a long-term lack of investment in renewals. This has meant prioritising in-year failures and emerging priorities using a short-term risk-based approach - rather than based on long term asset condition and minimising whole life costs. In some parts of the network, for example trams and DLR, several asset groups are approaching their end of life simultaneously (fleet, track, and signalling and control). The current renewals budget is insufficient to improve or even stabilise condition across all these major asset groups simultaneously.
- 3.3. We consider that it is especially important that levels of asset risk, the future trajectory and the implications of increasing levels of failure for service disruptions are clearly articulated to senior management and the TfL Board, both to raise awareness around future customer and policy change risks, and also to make the case for the appropriate level of funding.

#### **4. Cross-cutting work**

We are currently finalising our reports on the Pathway process for projects, and on the effectiveness of the first and second lines of assurance. These will be covered in our next report to PIC.

We have two reviews underway:

- 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 is looking at the earlier stages of prioritisation and workbanks.

We are also considering TfL's progress in implementing the recommendations of IIPAG's 2021 review of value for money, and our review of asset information.

#### **5. Workplan for 2024/25**

The Committee approves IIPAG's workplan each year. IIPAG's proposed workplan for 2024/25 is provided in Appendices 2 and 3, for which we seek approval.

Alison Munro  
Chair, IIPAG

April 2024



## IIPAG WORKPLAN 2024/25

April 2024

### 1. Introduction

IIPAG's purpose is to provide independent assurance to the TfL Board and Executive on the investment programme, as well as advice to TfL management to support continuous improvement. We provide third line assurance of the investment programme in the following ways:

- Annual programme reviews,
- Targeted reviews for individual projects generally over £50m, or otherwise high risk. These are either at key stage gates or annually,
- On-going assurance of the projects which hold the highest risk for TfL, such as Four Lines Modernisation (4LM) and the Piccadilly Line Upgrade (PLU),
- Cross-cutting reviews of strategic and systemic issues.

We report quarterly to TfL's Programmes and Investment Committee (PIC) and the Audit and Assurance Committee (AAC), covering our activities and any new systemic issues that we observe.

IIPAG has a sub-group providing assurance in respect of TfL Places for London. The Integrated Assurance and Audit Schedule for IIPAG Places is submitted to the Land and Property Committee (LPC) for approval and to AAC for noting. The IIPAG Places workplan is therefore not included here.

### 2. Resources

IIPAG's budget for 2024/25 allows for around 350 days' work. There is a separate budget for IIPAG Places.

The main IIPAG consists of seven permanent members with a broad range of relevant expertise. We currently have one vacant position, and another will become vacant shortly. TfL will be starting a recruitment process to fill these positions. We can also bring in specialist expertise on an ad-hoc basis if needed.

### 3. Programme and Project Reviews

In May 2023 PIC approved a proposal for restructuring the Investment Programme into twelve programmes. IIPAG will review each of these programmes in 2024/25, alongside the TfL Project Assurance (PA) team. Since there are now fewer and

larger programmes, IIPAG and PA will also undertake reviews of some of the major sub-programmes within the programmes, in order to provide assurance in sufficient depth. In addition, IIPAG carries out targeted assurance reviews on the higher value (generally above £50m) or higher risk projects. The selection of projects for targeted reviews is compiled in discussion with PA, based on an assessment of value and risk; it is kept under review in the light of any changes in risk.

Appendix 3 provides a list of the programme, sub-programme and targeted reviews that IIPAG expects to undertake in 2024/25.

Following an earlier IIPAG review of a couple of major procurements we recommended greater second line assurance for the higher value and more risky procurements. During 2023/24 we have been engaged with PA in their assurance of a major framework procurement, and we expect to be involved in one or two more during 2024/25. This is in addition to the assurance we already provide for individual projects at key procurement stages.

#### **4. Cross-cutting Reviews**

Our work on strategic and cross-cutting themes provides an opportunity for us to support TfL's continuous improvement. The topics for our cross-cutting work reflect systemic issues that we have identified in reviews, and suggestions from TfL Board members. We consult TfL management on the scope of and Terms of Reference for reviews in advance. We are expecting to allocate around 145 days for cross-cutting work in 2024/25, though progress may depend on filling the vacant positions noted above.

We will seek to ensure that our work is complementary to the work of others in the organisation, notably PA and Internal Audit. In some cases, our output will be informal advice and continuous assurance, while in others we will produce reports for TfL management, PIC and A&AC Committee as appropriate.

As agreed with the A&AC we have reduced the frequency of our review of TfL benchmarking activities to every three years.

We are currently undertaking reviews of:

- How carbon emission targets are taken into account in the investment programme
- Renewals in TfL Part 2: Prioritisation and Workbanks
- Progress on IIPAG recommendations on Asset Information
- Progress on IIPAG recommendations on Value for Money

In addition, we propose to undertake cross-cutting reviews and assurance in the following areas in 2024/25:

- Effectiveness of Pathway Gates Part 2: Programmes
- Aspects of value for money (which may be incorporated into other cross-cutting reviews)
- Programme and project schedules
- Investment Governance
- Annual review of Effectiveness of Line of Assurance (LOA)1 and LOA2
- Progress with Procurement and Commercial improvement plans

We will also keep engaged with the Programme Management Office, including in their review of Barking Riverside Extension following a request from A&AC to investigate the cost and schedule performance of major projects.

## 5. Other work

In addition to reviews and cross-cutting work, IIPAG representatives attend PIC, A&AC and the executive Investment Group. IIPAG members meet on a monthly basis with PA to share experience and identify any common themes, and to plan upcoming work. We also receive briefings and information to provide broader context for our work.

## 6. Summary of Workplan

In summary, IIPAG expects to allocate its resources broadly as follows:

	Planned days
Programme and Project reviews	145
Cross-cutting work	145
Other (meetings etc.)	60
Total	350

Alison Munro

Chair, IIPAG

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**IIPAG Assurance Reviews 2024/25**

**Streets, Bus and Rail and Sponsored Services Renewals**

- Annual Programme Review
- Brent Cross
- Rotherhithe Tunnel
- Gallows Corner
- DLR Station Controllers
- Westway
- Brent Cross

**Rail & Station Enhancements**

- Annual Programme Review
- East London Line Enhancements - Surrey Quays
- Step Free Access Programme
- Tram Rolling Stock Replacement

**Four Lines Modernisation**

- Annual Programme Review

**Silvertown Tunnel**

- Annual Programme Review

**Piccadilly Line Upgrade**

- Annual Programme Review
- Re-baseline
- Depots
- Infrastructure
- Systems integration and Railway Control Systems
- Train Systems

**LU Renewals**

- Annual Programme Review
- Lifts and Escalators

- Built Environment and Civils
- Power, Electrical, Mechanical, Fire & Communications
- Signals
- Fleet Renewals (Central Line Improvement Programme)
- Fleet Heavy Overhaul
- Heavy Haul Vehicles
- Track & Drainage

### **DLR Rolling Stock Replacement Programme**

- Annual Programme Review

### **Safe and Healthy Streets**

- Annual Programme Review
- Catford Gyratory
- Network Schemes
- Cycling Schemes
- Vauxhall Cross

### **Environment**

- Annual Programme Review
- Road User Charging (RUC) Re-Let
- RUC In House BOps (Detroit)
- Tunnel User Charging (Silvertown Tunnel)
- Building Decarbonisation

### **Technology**

- Annual Programme Review
- Hina
- General Data Protection Regulation Payments
- Proteus
- Oval
- Digital Asset Management
- Connectivity Asset Renewal Programme
- iBus2
- Micro Mobility Cycle Hire Re-Let

### **Network Development and Third Party**

- Annual Programme Review
- Bakerloo Line Extension
- DLR to Thamesmead
- West London Orbital

## **Elizabeth Line**

- Annual Programme Review
- ELR500 Signalling Software

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## Audit and Assurance Committee



Date: 5 June 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 4 of 2023/24 (10 December 2023 to 31 March 2024) (Q4).
- 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.**

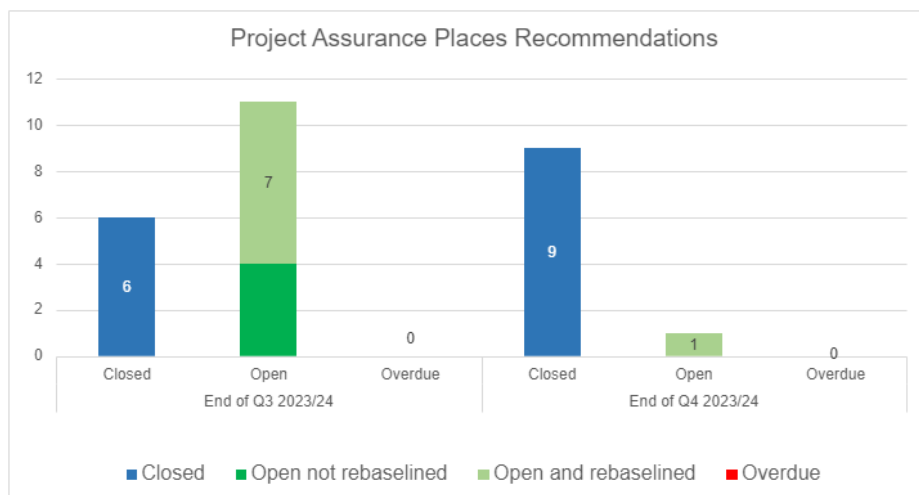
#### 3 Background

- 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 1 (1 April to 22 June 2024) (Q1) and Quarter 2 (23 June to 14 September 2024) of 2024/25 is set out in Appendix 2.

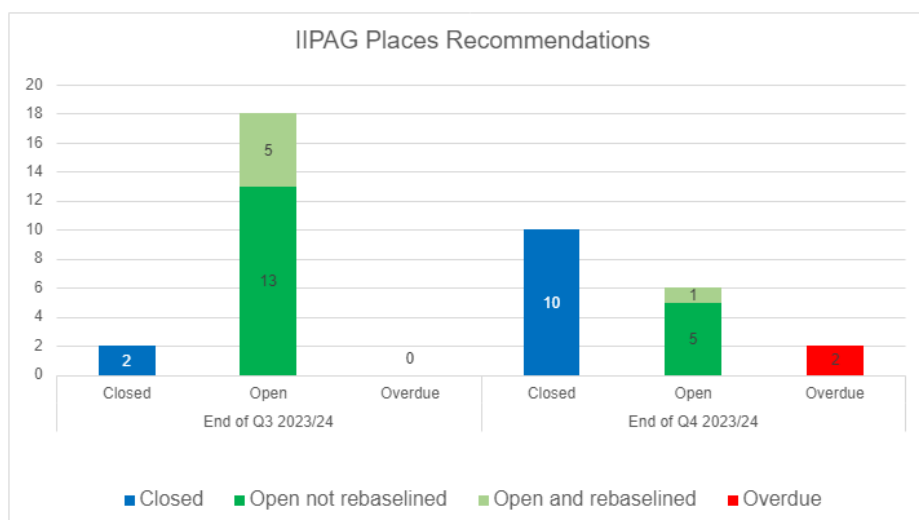
#### 4 Line 2 (Project Assurance) Assurance

- 4.1 PA continues to provide ongoing assurance as well as carrying out targeted assurance reviews (TARs) on key areas and supporting IIPAG-Places to deliver third line assurance. We continue to have good engagement from the Places for London team in all assurance activities.

- 4.2 Planning continues for two TARs, a review of the operational works relating to the Southwark over-station development and a review of first line assurance.
- 4.3 PA continues to build understanding of major developments within the property development portfolio and other significant investment programmes including electric vehicle charging hubs and solar. PA has also supported IIPAG-Places with continuous assurance activities on the Limmo development procurement and the emerging digital strategy.
- 4.4 The PA team is pleased to note continued progress in strengthening first line assurance activities and developing governance arrangements, including the introduction of a Minor Investment Group to consider lower value authority requests.
- 4.5 PA continues to monitor all PA and IIPAG-Places recommendations made over the last 12 months. Eighteen recommendations were closed in Q4. A total of nine recommendations, from both PA and IIPAG-Places TARs, were still open at the end of Q4 with two overdue (see Figures 1 and 2 below). An early draft has been seen of the residential strategy. When completed this should provide the evidence required to close the overdue recommendations.



**Figure 1 – Project Assurance Open Recommendations (Q4)**



**Figure 2 – IIPAG-Places Open Recommendations (Q4)**

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

- 5.1 The final audit reports for Revenue Collection and Debt Management, and the Due Diligence Process (new tenants) were issued in Q4. Both audits were rated as 'requires improvement'. The draft report of the Management of Property Voids was issued in Q4 and was rated as requires improvement, the final report with agreed management actions will be issued in Q1 2024/25.
- 5.2 Internal Audit monitors the progress of management actions and consequent closure. There are no overdue Places for London audit actions.

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

- 6.1 IIPAG-Places activity has focussed on continuous assurance and has received detailed briefings on the Limmo partner procurement strategy and the Places for London digital strategy and associated workstreams.

## **7 Enterprise Risk Management**

- 7.1 Details of the seven Places for London Level 0 (L0) risks are set out in Appendix 3.
- 7.2 Places-L0-3 (Financial Sustainability) was deferred to the July meeting of the Land and Property Committee and will be presented along with Places-L0-5 (Environment including climate adaptation).
- 7.3 Work will commence to develop Places' Risk Appetite and Tolerance approach once the TfL equivalent has been signed off.

### **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	Lead	Status	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>	Internal Audit	Internal Audit (IA)	Complete	<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>	Internal Audit	IA	Complete	<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	Management of Voids	<ul style="list-style-type: none"> <li>• To maximise income commercial and residential properties should be occupied at all times to maximise income.</li> <li>• There needs to be an effective process in place to minimise the period of time that properties are left empty between tenants.</li> </ul>	Internal Audit	IA	Ongoing	<ul style="list-style-type: none"> <li>• To provide assurance on the adequacy and effectiveness of the arrangements in place to manage voids.</li> </ul>

Priority	Topic	Evidence of Need	Type	Lead	Status	Objectives
4	Southwark over-station development (OSD) – Operational scope	<ul style="list-style-type: none"> <li>Any delay to works to relocate/remove operational infrastructure could impact the delivery programme for the OSD.</li> </ul>	Targeted	Project Assurance (PA)	Ongoing	<ul style="list-style-type: none"> <li>To assess potential risk to the OSD programme.</li> </ul>
6	First line assurance	<ul style="list-style-type: none"> <li>First line assurance proposals continue to be delivered, including the introduction of a Programme Management Office.</li> </ul>	Targeted	PA	Ongoing	<ul style="list-style-type: none"> <li>To assess the appropriateness of the proposed improvements to first line assurance.</li> </ul>
7	Continuous assurance activities	<ul style="list-style-type: none"> <li>A number of functions and strategies are developing.</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 assess progress and key decisions and highlight areas for targeted assurance.</li> </ul>

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

## Appendix 2

Quarter 1 of 2024/25 (1 April to 22 June 2024) (Q1) and Quarter 2 (23 June to 14 September 2024) (Q2)

Priority	Topic	Evidence of Need	Type	Lead	When	Objectives
1	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 are completing a review of the investment appraisal process and hurdle rates.</li> </ul>	Targeted	Independent Investment Programme Advisory Group (IIPAG)	2024/25 Q1/Q2	<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>
2	Estimating accuracy	<ul style="list-style-type: none"> <li>Evidence of cost estimates increasing as project design develops.</li> </ul>	Targeted	PA	2024/25 Q2	<ul style="list-style-type: none"> <li>To review the process for estimating costs/applying risk and benchmarking.</li> </ul>
3	Authority/spend/commitment control	<ul style="list-style-type: none"> <li>Accurately recording land authority, and tracking spend and commitments is essential to avoid overspend.</li> </ul>	Audit	Internal Audit	2024/25 Q2	<ul style="list-style-type: none"> <li>To review the process for recording authorities and tracking spend and commitments against them.</li> </ul>
4	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>

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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:** 5 June 2024

**Item:** Counter-fraud and Corruption Plan to 2030

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

#### **1 Summary**

- 1.1 This paper sets out details of the TfL Counter-fraud and Corruption Plan to 2030.
- 1.2 A paper is included on Part 2 of the agenda which contains exempt supplementary information. The information is exempt 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 affairs of TfL and information relating to action which might be taken in relation to prevention, investigation, or prosecution of a crime. 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 According to a House of Lords report, published in November 2022, “fraud is the most common crime in this country today. An adult aged 16 or over in England and Wales is more likely to become a victim of fraud than any other individual crime type”. Fraud now accounts for over 40 per cent of all reported offences in England and Wales. Economic crime costs UK businesses tens of billions of pounds every year. A significant amount goes undetected, or only surfaces many years later, making the recovery of any losses and prosecution of offenders challenging and under-reporting is commonplace.
- 3.2 As such, TfL has a zero-tolerance approach to economic crime. In May 2019 TfL issued its first Counter-fraud, Bribery and Corruption strategy and action plan. This primarily focussed on building the capability of the Counter-fraud and Corruption (CFC) team, improving mechanisms for the reporting of economic crime and raising awareness of fraud and corruption across TfL. To build upon the successes of the 2019 strategy, a new plan to 2030 has been developed with a collaborative pan-TfL approach across the value chain.
- 3.3 In developing TfL’s Counter-fraud and Corruption Plan to 2030, consideration has been given to Government guidance on the management of fraud and corruption within the public sector issued by Public Sector Fraud Authority, the new “failure to prevent fraud” corporate offence, forming part of the Economic Crime and Corporate Transparency Act 2023, and the TfL Strategy launched in June 2023. The Counter-fraud and Corruption Plan aligns with the security and

finance parts of the TfL Strategy and seeks to further develop pan-TfL fraud and corruption prevention and detection capabilities.

- 3.4 The Counter-fraud and Corruption Plan has the full support of and commitment from the Executive Committee and senior leaders so that we can collectively protect TfL from the continued and real threat of economic crime.
- 3.5 Therefore, preventing fraud and corruption and protecting our organisation, is at the heart of the Counter-fraud and Corruption Plan. While significant progress has been made in recent years there is still more to be done. Poor or substandard anti-fraud controls can be exploited and can inflict significant financial and reputational damage.
- 3.6 The Counter-fraud and Corruption Plan has three pillars, Prevent and Deter, Detect, and Pursue, details of which are set out in the paragraphs below.

#### **Prevent and Deter**

- 3.7 To continue to prevent and deter fraud and corruption and protect TfL through:
- (a) effective pan-TfL training and educational programmes;
  - (b) pro-active employee communications;
  - (c) development of pressure testing exercises of our existing systems and processes;
  - (d) continuous improvements to our anti-fraud controls, from lessons learnt;
  - (e) strong governance, risk assessment and mitigation;
  - (f) a pan-TfL focus on high ethical standards, in collaboration with internal stakeholders, outside agencies and our suppliers;
  - (g) disruption exercises; and
  - (h) publications of outcomes, as appropriate.

#### **Detect**

- 3.8 To continue to detect fraud and corruption through such measures as:
- (a) enhanced capability;
  - (b) improved use of datasets and analytics;
  - (c) first line pro-active monitoring activities;
  - (d) new and innovative detection methodologies; and
  - (e) audits of suppliers to identify suspected fraud and corruption and ensure control measures are in place to prevent fraud.

## **Pursue**

- 3.9 To continue to pursue those who commit fraud and corruption offences against TfL, by taking robust action through:
- (a) pursuing the proceeds of crime and seeking the recovery of financial losses;
  - (b) working closely with law enforcement agencies to obtain best outcomes; and
  - (c) seeking to maximise the funds we can recoup.

## **Action Plan**

- 3.10 A number of priority actions have been linked to each pillar, including the development and introduction of a pan-TfL fraud risk assessment and review process. The CFC team will be progressing these actions with other TfL teams and external organisations.
- 3.11 Progress updates on the action plan will be provided to future meetings of the Committee as part of the Risk and Assurance quarterly reports. The Anti-fraud and Corruption Policy will be updated to reflect the Counter-fraud and Corruption Plan to 2030.
- 3.12 Further details of TfL's Counter-fraud and Corruption Plan are set out in the related paper on Part 2 of the agenda.

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

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

## **List of Background Papers:**

None

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## Audit and Assurance Committee



**Date:** 5 June 2024

**Item:** Legal Compliance Report (1 October 2023 – 31 March 2024)

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

#### **1 Summary**

- 1.1 The paper summarises legal and compliance information provided by each TfL Directorate for the Legal Compliance Report for the period 1 October 2023 to 31 March 2024. Updates are also provided for ongoing matters carried over from the previous reports where applicable.
- 1.2 There are no material breaches of law which would affect TfL's continued operations and reported matters continue to be broadly in line with previous reports.

#### **2 Recommendation**

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

#### **3 Background and Scope of the Report**

- 3.1 The Legal Compliance Report is compiled from information supplied through questionnaires completed by each TfL Directorate and follow up discussions concerning known legal compliance issues.
- 3.2 The Directorates were asked to identify where they are aware of any alleged breaches of law between 1 October 2023 and 31 March 2024. The questionnaire sought responses concerning the following:
  - (a) prosecutions against TfL;
  - (b) formal warnings or notices from the Health and Safety Executive (HSE), the Office of Rail and Road, the London Fire Commissioner, the Environment Agency, the Information Commissioner or the other Government agencies;
  - (c) investigations by the Ombudsman;
  - (d) alleged legal breaches notified by local authorities or other bodies;
  - (e) judicial reviews;
  - (f) involvement in inquests;

- (g) commercial/ contract claims in excess of £100,000;
  - (h) personal injury claims;
  - (i) proceedings in relation to discrimination including on the grounds of race, sex, disability, age, religion or belief, sexual orientation, equal pay or breach of contract;
  - (j) wrongful or unfair dismissal;
  - (k) actions to recover unpaid debt in excess of £5,000;
  - (l) breaches of procurement rules and/ or the Competition Act 1998;
  - (m) other material breaches of the law;
  - (n) any other material compliance issues; and
  - (o) any initiatives introduced by Directorates to address compliance issues.
- 3.3 The numbers of matters reported against each of the categories listed in section 3.2 (a) to (l) above, together with the number of matters reported against them in each of the preceding two reporting periods, is set out in Appendix 1.

## **4 Commentary on Legal Compliance Issues**

### **Prosecutions**

- 4.1 No formal warnings or notices of prosecution were received during this reporting period.

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

- 4.2 TfL received three separate notices from the Health and Safety Executive (HSE), Building Safety Regulator on 3 November 2023, regarding the registration of three high-rise buildings in accordance with the Building Safety Act 2018. The buildings are at Karridale Mansions, 72 Tottenham Court Road; Albany Court, St. James's Park; and 199 Victoria Street. TfL responded to the Building Safety Regulator in November and December 2023 to inform them that TfL is not the leaseholder of the first building and as such is not responsible for the registration, and that the second and third buildings did not meet the height criteria for high-rise buildings in accordance with Building Safety Act 2018. No further correspondence has been received from the Building Safety Regulator.
- 4.3 On 28 March 2024 the HSE served a Notification of Contravention on TfL following its investigation into the tragic death of a pedestrian at Walthamstow bus station on 15 December 2023. The HSE identified a failure to provide safe crossings for vehicles and pedestrians which contravenes sections 2(1) and 3(1) of the Health and Safety at Work etc. Act 1974 and regulation 4(1) of the Workplace (Health, Safety and Welfare) Regulations 1992.



- 4.4 Temporary signals have been installed at the pedestrian crossing where the incident occurred. TfL is working with the HSE to discuss proposals for a permanent solution that reduces pedestrian risk and continues to allow the bus station to operate in a safe manner for bus passengers and colleagues.

#### **Formal Warnings or Notices from the London Fire Commissioner**

- 4.5 On 29 February 2024 TfL was served with a Notice of Deficiency by the London Fire Brigade (LFB) following a site visit at Canning Town Underground station. During the inspection, the issues identified relate to faults on the fire alarm panel, access to emergency routes or exits from the station, fire risk assessments and the condition of a breaching inlet. All the required work has been completed and the LFB will be updated shortly.

#### **Formal Warnings or Notices from the Environment Agency**

- 4.6 No formal warnings or notices were received during this reporting period from the Environment Agency.
- 4.7 We previously reported a notice from the Environment Agency received on 7 October 2019 in relation to equipment containing polychlorinated biphenyls (PCBs) on the London Underground network. The notice required the phase out and removal of all assets containing PCBs by the end of 2023. London Underground has implemented a removal plan and work continues to remove the PCBs as soon as possible. We are liaising closely with the Environment Agency.

#### **Formal Warnings or Notices from the Information Commissioner**

- 4.8 The Information Commissioner's Office (ICO) investigates alleged instances of non-compliance with the UK General Data Protection Regulation (UK GDPR), the Data Protection Act (DPA) 2018 and the Privacy and Electronic Communications (EC Directive) Regulations 2003 (together, data protection legislation), the Freedom of Information Act 2000 (the FOIA) and the Environmental Information Regulations 2004 (the EIRs).
- 4.9 No formal action was taken by the ICO in the reporting period in connection with TfL's compliance with data protection legislation.
- 4.10 A requirement of the UK GDPR is for all data breaches posing a risk to individuals' rights and freedoms to be reported to the ICO within 72 hours, and for affected data subjects to be informed of the breach if it represents a high risk to their rights and freedoms.
- 4.11 No data breaches were reported to the ICO during this reporting period.
- 4.12 During the previous reporting period we had notified the ICO of a personal data breach resulting from a cyber-attack in March 2023 against Capita Resourcing. The breach affected multiple clients of Capita Resourcing, including TfL (a former client at the time of the breach). TfL has obtained assurances from Capita that all personal data associated with the services which they provided to TfL has been deleted unless they are required to retain it further for the purpose of the

investigation or management of the cyber-attack and breach, as well as assurances that any such data is protected and secured. In the current reporting period, the ICO has advised that regulatory action will not be taken against TfL in connection with the Capita Resourcing breach.

- 4.13 There was one outstanding complaint relating to compliance with data protection legislation at the end of the last reporting period. TfL was advised by the ICO that it had received an unspecified number of complaints from drivers based in the European Union (EU) about TfL's contractor, Euro Parking Collection plc (EPC), accessing vehicle keeper data from EU vehicle licensing authorities, in order to issue Penalty Charge Notices (PCNs). TfL has provided the ICO with details of its contract with EPC, and the ICO has advised they are satisfied with the data protection responsibilities set out in the contract. The ICO required TfL to provide additional information to a foreign registered motorist who raised a complaint with EPC.
- 4.14 There were nine complaints to the ICO in this reporting period relating to TfL's compliance with data protection legislation.
- 4.15 Five of the complaints related to responses to subject rights requests. Three of these related to late responses, one related to whether an exemption applied to body worn camera footage, which has led to footage being further reviewed for release, and one resulted in the disclosure of additional CCTV footage at a station.
- 4.16 One complaint related to the issue of a PCN to someone who had hired a car but had returned it when the penalty was incurred. The PCN was cancelled and refunded.
- 4.17 One complaint related to identity and verification checks being made by an agent on a customer account, which was addressed through additional management oversight of the agent. Another complaint related to the disclosure of information for the purposes of an Employment Tribunal (ET), which was addressed by advice being given to the individual who made the disclosure. The final complaint related to photographs of a customer injury having been taken by staff without a clear statement of how they would be used, which was addressed by advice being given to the Area Manager and the member of staff concerned.
- 4.18 The FOIA and the EIRs give a general right of access to information held by public authorities. Public authorities are generally required to respond to requests for information within 20 working days and provide the requested information unless an exemption applies. Any person who has made a request to a public authority for the disclosure of information under the FOIA or the EIRs can complain to the ICO. Unless the complaint is resolved informally, the ICO records the outcome in a published Decision Notice. Appeals against the ICO's decision are heard by the First-Tier Tribunal (Information Rights).
- 4.19 In this reporting period, 2,051 requests were made to TfL under the FOIA and EIRs, with 2,037 (99.3 per cent) replied to on time.

- 4.20 There were two open ICO complaints at the end of the last reporting period, one of which resulted in the ICO issuing a Decision Notice upholding TfL's use of the EIR exception for manifestly unreasonable requests and the other resulting in a Decision Notice from the ICO about the FOIA exemption for personal data which accepted TfL's change of position withdrawing reliance on the use of the exemption.
- 4.21 Fourteen new complaints were received by the ICO in this reporting period.
- 4.22 Two complaints related to the application of the FOIA cost limit, eight related to the use of EIR exceptions protecting public safety, the course of justice and the confidentiality of commercial or industrial information, two related the use of the EIR exception for manifestly unreasonable requests, one related to the use of FOIA exemptions to avoid prejudice to law enforcement and commercial interests and one related to whether the requested information was held.
- 4.23 Nine of the complaints were upheld in TfL's favour with Decision Notices issued by the ICO. Five complaints remain open.
- 4.24 During this reporting period, seven appeals against Decision Notices in TfL's favour have been made by requesters to the First-Tier Tribunal. The ICO and TfL are responding to these and hearing dates are awaited.

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

- 4.25 TfL received two new Notices of Assessment from HMRC during the reporting period.
- 4.26 The first notice was issued following a Value Added Tax (VAT) investigation in July 2023 which found that TfL was liable to pay VAT relating to the IFS Cable Car. Once HMRC has finalised its decision and if its assessment is not withdrawn, TfL may request an independent review of the assessment. The deadline for requesting an independent review has been extended by agreement with HMRC until 30 August 2024 and we await HMRC's decision.
- 4.27 The second notice was issued following an investigation of TfL's Off Payroll Working process and whether the Off Payroll Working rules have been applied correctly. TfL is liaising with HMRC and continues to provide requested information.
- 4.28 One ongoing matter from the last reporting period relates to a notice received from the Advertising Standards Authority (ASA) on 14 February 2023 in relation to complaints received following the broadcasting of a television advertisement to support the Ultra Low Emission Zone (ULEZ) expansion. TfL responded to the ASA's request to substantiate the claims made by the advertisement. The ASA published its final ruling in February 2024 and upheld two of the five claims made in the advertisement, however it did not challenge the scientific basis of the claims made. TfL has updated information on leaflets and on the TfL website to ensure that the basis of the environmental claims is clear.

## **Investigation by an Ombudsman**

4.29 No investigations were reported during this reporting period.

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

4.30 There were seven ongoing enforcement notice matters reported in the last period and three new enforcement notices issued during the reporting period.

4.31 The first ongoing enforcement notice (received on 25 February 2014) was from the London Borough of Haringey relating to an unauthorised front extension to units at 231-243 High Road and 249a High Road Tottenham. The tenant failed to remove the extension by 31 July 2014 as required by the notice. The tenant lodged an appeal with the Planning Inspectorate and the enforcement notice remains on hold pending proposals for the frontage of the properties and all the adjacent properties. In January 2019, a Compulsory Purchase Order was approved to enable a borough led regeneration scheme. On 5 August 2021, the developer announced it is no longer progressing the development. TfL plans to relocate the tenant's business to a nearby site and progress the redevelopment plans, ensuring all necessary planning requirements are fulfilled in the process. No action will be taken by the borough on the enforcement notice due to the redevelopment and the matter is therefore closed.

4.32 The second ongoing enforcement notice (received on 6 December 2019) was from the London Borough of Camden relating to a number of alleged breaches of planning permission at 366/366A Kilburn High Road. The property is no longer tenanted and TfL has obtained planning permission for a new development which will accommodate a new tenant in 2025. Due to the new development no action will be taken by the borough with regards to the enforcement notice. The matter is now concluded.

4.33 The third ongoing enforcement notice (received on 16 September 2022) was issued by the London Borough of Tower Hamlets for a house in multiple occupation at 108A Whitechapel Road. Following ongoing engagement between the leaseholder and the borough, an application for a change of use was permitted. No further action will be taken by the borough. The matter is now concluded.

4.34 The fourth ongoing enforcement notice (received in October 2022) was issued by the London Borough of Haringey in relation to planning conditions for improvements to Tottenham Hale station. TfL plans to submit a revised planning application. The borough has agreed to suspend the enforcement notice pending the outcome of the planning application.

4.35 The fifth ongoing enforcement notice (received on 28 February 2023) was issued by the London Borough of Hammersmith and Fulham for the unauthorised erection of a structure to front a retail unit at 56A Erconwald Street, without planning permission. Following ongoing engagement with the leaseholder and the borough, the tenant has now demolished the unauthorised structure in accordance with the enforcement notice. The matter is now closed.

- 4.36 The sixth ongoing enforcement notice (received on 14 April 2023) was a Community Protection Notice issued pursuant to the Anti-social Behaviour, Crime and Policing Act 2014 which relates to the removal of graffiti at 19 locations in the Royal Borough of Kensington and Chelsea. TfL advised the borough that not all 19 locations on the Notice are TfL property. TfL has commenced works to remove the graffiti from all TfL property and continues to liaise with the borough.
- 4.37 The seventh ongoing enforcement notice (received on 6 October 2023) was issued by the London Borough of Brent in relation to the unlawful change of use of a café bar at 11-12A Kilburn Bridge. TfL is the freeholder of the adjoining land at the frontage and the change of use does not impact TfL's landownership. TfL has advised the borough to liaise to with the café bar leaseholder directly.
- 4.38 The first new enforcement notice relates to improvement works required by Westminster City Council following a notice in December 2022 in relation to the condition of the building façade at Queensway Underground station. The work was due to be completed by 23 June 2023. The works were delayed due to complications in agreeing the construction design of the scaffolding. On 1 May 2024 Westminster City Council informed TfL that the work has not been undertaken in accordance with the enforcement notice. TfL has agreed to complete the works within eight weeks of the letter and to keep the Council updated on the progress of the work.
- 4.39 The second new enforcement notice (received on 2 January 2024) was issued by Westminster City Council in relation to breaches of planning control, including an unauthorised roller shutter and signage at 3-4 London Street. The tenant confirmed on 24 February 2024, that the signage and the roller shutter had been removed, in accordance with the notice. The matter is now closed.
- 4.40 The third new notice (received 22 March 2024) was issued by the City of London environmental department enquiring about the materials contained within the external wall system and the ownership details of the premises at 29-30 Queen Street, a London Underground owned property, in preparation for an inspection of the building under the Housing Act 2004 and Building Safety Act 2022. This forms part of the council's programme to assess the fire risk associated with medium and high-rise residential blocks following the Grenfell tragedy. TfL provided the required ownership details and confirmed that external wall system contained bricks; further detailed documentation required by the City of London on the building and its construction and management are to be provided by the leaseholder of the building Berkeley Homes (Eastern). A response is awaited.

### **Decisions Subject to Judicial Review**

- 4.41 There were three ongoing judicial reviews from the previous reporting period and one new judicial review during this reporting period.
- 4.42 The first ongoing judicial review was issued on 23 February 2023 by an individual purporting to represent those affected by the ULEZ expansion, seeking to challenge the Mayor's decision to expand the ULEZ London-wide from 29 August 2023. At a hearing on 14 September 2023, the claim was dismissed on procedural grounds and TfL (second defendant) was awarded its legal costs of

responding to the claim. The claimant made an application for permission to appeal in December 2023 – which TfL resisted – and a decision from the court is awaited.

- 4.43 The second ongoing judicial review was brought by an individual who was prosecuted and convicted for fare evasion following misuse of a Freedom Pass issued to another person. The claimant alleged that TfL failed to take into account their medical condition when deciding to prosecute and relied on irrelevant evidence about the authenticity of their medical report. The claimant filed a Notice of Discontinuance on 6 November 2023 and the claim has now been discontinued.
- 4.44 The third ongoing judicial review application was issued on 25 October 2023 by a group of claimants based in the Netherlands seeking to challenge the lawfulness of policies applied by TfL following Road User Charging contraventions as applied to recipients located outside of the United Kingdom. The claim includes allegations that penalty charge notices issued under the Low Emission Zone and ULEZ schemes are unlawfully denominated in Euros and exceed the amount prescribed by the relevant legislation. A hearing is listed for 5 and 6 November 2024.
- 4.45 The new judicial review application was brought by an individual challenging the Parking Adjudicator's decision to reject their appeal against a Congestion Charge PCN issued by TfL. The Parking Adjudicator rejected the claimant's case that the relevant Congestion Charge signs at the specified location were not in place and were inadequate. TfL resisted the application and on 19 February 2024 the court refused the claimant's application for judicial review. The claimant made a further application for the decision to be reconsidered at an oral hearing. The hearing was held on 15 May 2024 and the application was dismissed.

### **Inquests**

- 4.46 This section reports on those inquests in which TfL is either a witness, has been asked to provide information to the coroner or is, or may be, an interested person.
- 4.47 There were five ongoing inquests from the last reporting period and four new inquests reported during this reporting period. Four of the five ongoing inquests were concluded: two concerned road traffic accident/collisions, one was recorded as an accidental death, and one inquest was concluded but TfL was not an interested person. The outcomes of the four new inquests are awaited.

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

- 4.48 No such claims were brought during this reporting period.

## **Personal Injury Claims**

- 4.49 TfL has been subject to 276 claims for personal injury that were closed during the reporting period, of which 17 were employers' liability claims by staff and 259 claims were for public liability by customers/members of the public.
- 4.50 Of the 259 claims for public liability, 215 were closed without payment and 44 were settled. Of these claims, 140 related to London Underground and 119 to other parts of the network. These are increases from 101 and 89 respectively in the previous reporting period and 99 and 97 in the period before that. These higher figures align with pre-pandemic public liability claims levels but will be kept under review for trends.
- 4.51 Of the 17 claims for employers' liability, five were closed without payment and 12 were settled.

## **Employment Tribunal Proceedings**

- 4.52 There were 124 ET claims reported during the period, of which 89 were carried forward from the previous report and 35 were reported for the first time.
- 4.53 Of the 124 ET claims, 44 were for unfair dismissal, seven for constructive unfair dismissal, 10 for sex discrimination, three for discrimination on the grounds of pregnancy/maternity leave, 32 for disability discrimination, one for trade union detriment/denial of trade union rights, two for victimisation, three for discrimination on the grounds of religion/belief 15 for race discrimination, two for whistleblowing, one for part-time worker discrimination, one for unpaid holiday pay, one for breach of contract, and two for health and safety detriment/breach of health and safety legislation.
- 4.54 Of the 124 ET claims during the period, 85 cases are ongoing and 39 were concluded during the period. Of the 39 ET cases concluded, 14 were won, 11 were settled, five were won in part, one was lost, three were struck out, and five were withdrawn.
- 4.55 Considering the nature of new claims, settlements, and tribunal outcomes over the last 12 months there has been no clear or discernible trend (either upwards or downwards) in relation to the number of claims relating to any specific protected characteristics. Overall, the number of ET claims lodged and the number of claims that are settled is the same level as in previous reporting periods. Any lessons learnt during in relation to ET matters will be addressed in regular reporting to the Safety, Sustainability and Human Resources Panel.

## **Civil Debt Claims in Excess of £5,000**

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

## **Other Material Compliance Issues**

- 4.57 Since 1 October 2022, the environmental activist group Just Stop Oil (JSO) has engaged in protests in London, including on a number of TfL's roads, resulting in obstruction of the highway and significant road traffic disruption. In response to these protests, on 17 October 2022 TfL made an application to the High Court seeking an interim injunction to protect the most important roads on the TfL network, preventing further protests designed to obstruct the highway. The interim injunction was granted on 18 October 2022.
- 4.58 A final hearing took place on 4 May 2023 to determine TfL's application for the interim injunction to be made permanent. A number of defendants signed an undertaking not to commit any prohibited acts set out in the injunction and as such were removed from the final injunction Order and were not liable to pay TfL costs, but a breach of the undertaking could result in contempt of court proceedings. A final injunction was granted against the remaining named Defendants and Persons Unknown. The final injunction was granted for five years from the date of the Order made by the Judge in the Insulate Britain case (3 May 2023), with the consequence that the JSO injunction expires at the same time as the Insulate Britain injunctions. The remaining Defendants have since the handing down of the final injunction judgment, made applications to the court to be offered the opportunity to sign an undertaking so that they are removed as Defendants in this matter and also discharged from the liability to pay costs. Those applications are still pending before the court.
- 4.59 The injunction is subject to annual supervisory review by the court. The first supervisory annual review of both the Insulate Britain and Just Stop Oil injunctions took place on 13 and 20 May 2024 at which we set out our case to keep the injunction in place for five years from the date it was granted, as originally ordered. The Court has reserved judgment; the existing final injunctions remain in place until judgment is handed down.

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

- 4.60 No known breaches or alleged breaches were reported.

### **Other known Breaches**

- 4.61 No other known breaches were reported.

## **Management of Compliance Issues**

- 4.62 TfL's legal and compliance risks are managed as part of TfL's overarching Enterprise Risk Management Framework. A range of operational and assurance processes are in place to mitigate these risks at all levels in the organisation.
- 4.63 These safeguards are supported by the provision of advice on, and training in relevant legal and corporate governance issues, which are tailored to the needs of TfL's business units.



4.64 The legal and compliance framework is the subject of continuous review and improvement. Initiatives to address compliance across TfL have included:

- (a) the continued provision of online training on Inclusion Matters, to make TfL a more inclusive place for everyone;
- (b) the introduction of Customer Equality Impact Assessment training throughout the business explaining the requirements of the Public Sector Equality Duty to ensure that we continue to comply with our obligations pursuant to that duty and continue to consider inclusion and putting people (customers) at the heart of the decisions and changes we make;
- (c) the provision of the ongoing carbon literacy programme and the work of the TfL Sustainability Colleague Network Group to continue to raise awareness of climate change issues;
- (d) ongoing work to update contractual and commercial templates and forms to ensure they align with legal requirements;
- (e) ongoing work to support Procurement and Commercial activity including reviewing arrangements to prepare for the implementation of the new Procurement Act 2023;
- (f) promoting ongoing compliance with information governance legislation (including the FOIA, EIRs, DPA 2018 and UK GDPR) and associated statutory Codes of Practice, including transparency and the proactive publication of information;
- (g) ongoing use of Data Protection Impact Assessments, to review proposed new or changed uses of personal data;
- (h) the promotion through the TfL Management System of Information Governance policies, instructions and guidance;
- (i) ongoing bespoke training to the business on a range of employment issues including employment law updates, reasonable adjustments requirements, disability discrimination, tribunal procedures, witness workshops, mediation and alternative dispute resolution, diversity and inclusion, respect in the workplace, probation, effective case management and providing guidance and best practice learnt from ET cases;
- (j) ongoing and regular issue of the employment law bulletin to managers and HR to support the dissemination of the latest developments in the law and best practice;
- (k) training on a wide range of legal issues including employment law updates, witness workshops, contract pitfalls, property and compulsory purchase law updates, biodiversity net gain regulations and guidance and pre-election period guidance on the use of resources;

- (l) continued support with the use of TfL's e-tendering system to assist users to comply with the procurement regulations, and to observe the principles of transparency and equal and fair treatment of suppliers;
- (m) continued production of instructions, guidance and templates in the TfL Procurement and Commercial Management Framework to support compliance with regulations and governance;
- (n) ongoing work to identify and address areas of weakness in TfL's processes, helping to implement corrective actions where appropriate;
- (o) ongoing work to update TfL's Enterprise Risk Framework and processes to ensure they effectively support TfL's objectives; and
- (p) the ongoing issue of the Commercial Law Bulletin to the Procurement and Commercial teams to support the dissemination of important messages relating to regulatory and legal issues.

## **5 Conclusions**

- 5.1 The Legal Compliance Report for the period 1 October 2023 to 31 March 2024 sets out the legal and compliance matters of which TfL senior management is aware. There are no material breaches of law which would affect TfL's continued operations.
- 5.2 Reported matters continue to be broadly in line with previous reports.

### **List of Appendices:**

Appendix 1: Legal and compliance matters covering reporting periods from 1 October 2022 to March 2024.

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

None

Contact Officer: Andrea Clarke, Interim General Counsel  
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## Appendix 1

### Legal and compliance matters reported from 1 October 2022 to March 2024.

	<b>1/10/2022 to 31/03/2023</b>	<b>1/4/2023 to 30/09/2023</b>	<b>1/10/23 to 31/03/2024</b>
(a) Prosecutions against TfL	0	1	0
(b) formal warnings or notices from the Health and Safety Executive (HSE), the Office of Rail and Road, the London Fire Commissioner, the Environment Agency, the Information Commissioner or the other Government agencies	11	9	17
(c) investigations by the Ombudsman	2	1	0
(d) alleged legal breaches notified by local authorities or other bodies	6	9	10
(e) judicial reviews	3	5	4
(f) involvement in inquests	10	9	9
(g) commercial/ contract claims in excess of £100,00	2	1	0
(h) personal Injury claims	230	205	276
(i) proceedings in relation to discrimination including on the grounds of race, sex, disability, age, religion or belief, sexual orientation, equal pay or breach of contract	89	89	73
(j) wrongful or unfair dismissal	47	45	51
(k) actions to recover unpaid debt in excess of £5,000	0	0	0
(l) breaches of procurement rules and/ or the Competition Act 1198	0	0	0

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## Audit and Assurance Committee

**Date:** 5 June 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 4 Financial Control 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 4, 2023/24

Appendix I

TfL Audit and Assurance Committee

5 June 2024



# Budget accuracy Q4, 2023/24

TfL continues to deliver very close to Budget, demonstrating the robustness of its Budget in financial control.

Total revenue is £28m higher than Budget, with higher revenue grants more than offsetting lower other operating income. Other operating income is lower than Budget mainly from lower roads enforcement and charge income. Passenger income is £63m higher than Budget, which is offset by lower revenue top up from Government.

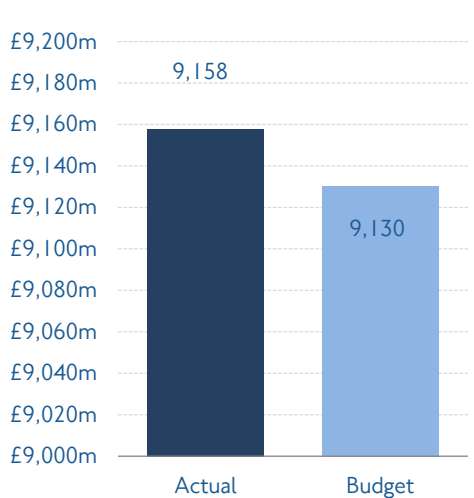
Operating costs are £42m lower than Budget. We are continuing to focus on cost savings, and our core operating costs are in line with our target for the year.

Total TfL capital expenditure (excluding Crossrail construction and Places for London) is £1,871m in the full year. This is £164m higher than last year, with increased spend in projects including DLR rolling stock (£90m), the Piccadilly line upgrade (£215m) and Safe and Healthy Streets (£44m).

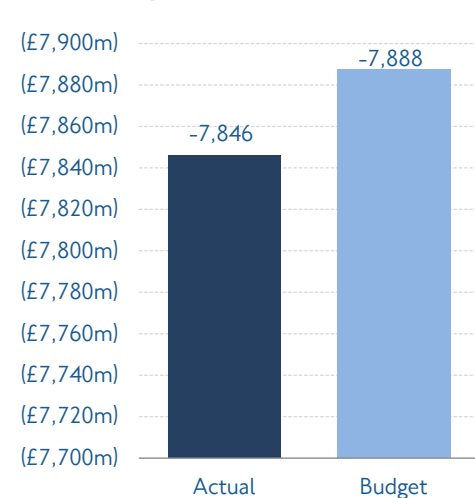
£m	Q1, 2023/24	Q2, 2023/24	Q3, 2023/24	Q4, 2023/24
<b>Quarterly budget accuracy</b>				
Revenue	£2,006m	£2,069m	£2,139m	£2,944m
Variance to Budget	(£16m)	(£3m)	£14m	£33m
<b>Operating costs</b>	(£1,678m)	(£1,777m)	(£1,843m)	(£2,548m)
Variance to Budget	£33m	£24m	(£30m)	£14m
<b>Capital delivery *</b>	(£359m)	(£360m)	(£516m)	(£637m)
Variance to Budget	£34m	£59m	(£17m)	£0m
<b>Cash flow</b>	(£40m)	£23m	(£93m)	£225m
Variance to Budget	(£40m)	£30m	£12m	£129m

YTD Budget accuracy	Full year, 2023/24
<b>Revenue</b>	
Actual	£9,158m
Budget	£9,130m
<b>Operating costs</b>	
Actual	(£7,846m)
Budget	(£7,888m)
<b>Capital delivery *</b>	
Actual	(£1,871m)
Budget	(£1,946m)
<b>Cash flow</b>	
Actual	£115m
Budget	£100m

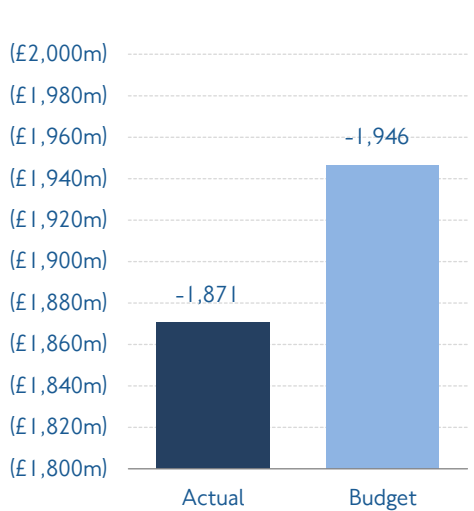
Revenue (£m)



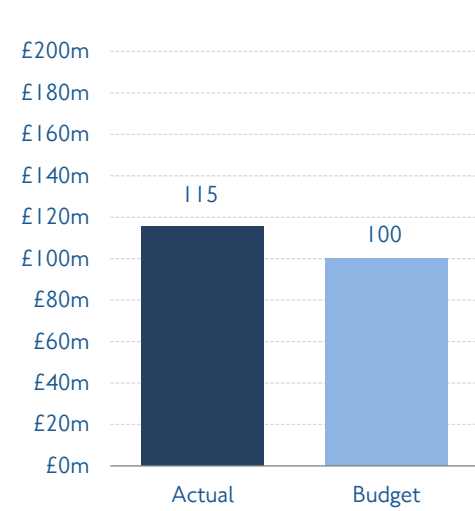
Operating costs (£m)



Capital delivery (£m) \*



Cash flow (£m)



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



# Procurement & Commercial activity

## Q4 23/24

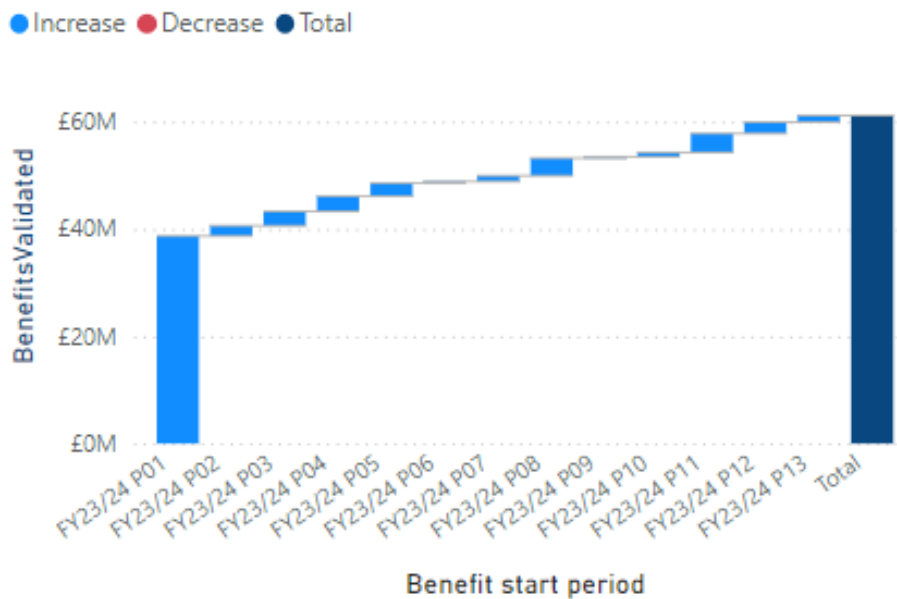
**Validated cash releasing benefits:**  
Validated cash releasing benefits for FY23/24 amounted to £61.2M. This exceeded the target of £45m set for the P&C scorecard so this measure was **GREEN** for the year. In addition there were £91m of cost avoidance benefits delivered. FY24/25 targets are in the process of being set.

**Retrospective spend:**  
Retrospective spend for Q4 amounts to £69.2M, with the largest individual supplier being Cubic Transportation Systems (£8.4M).

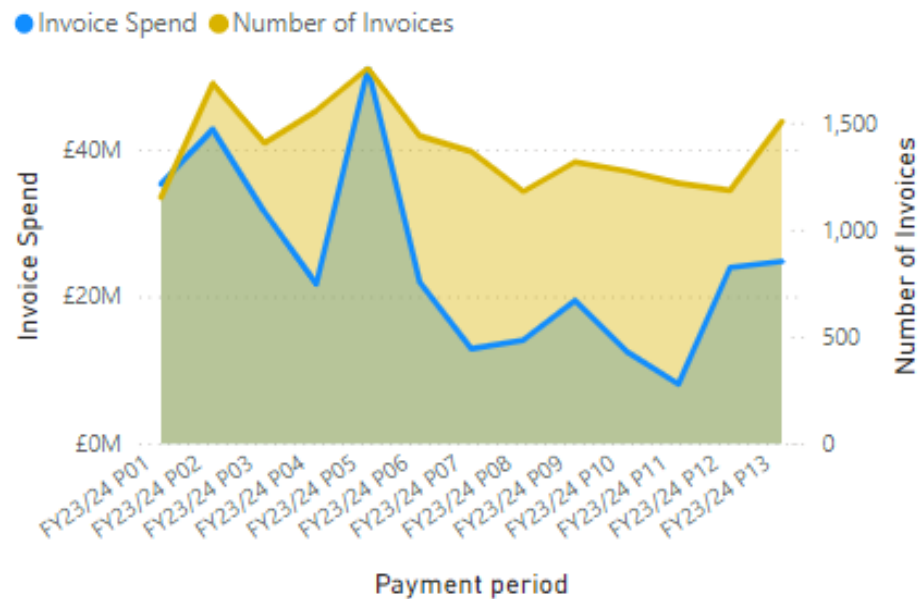
**Over threshold single sources by volume:**  
The % of over threshold single sources for the year was 1.20% which means the measure was **GREEN** for the year (target = 1.2%; floor = 1.5%).

**Commercial Assurance Meeting (CAM) submission compliance**  
CAM compliance (where CAM submissions are on time and meet the governance requirements) was 76.4% for FY23/24. This measure was **AMBER** for the year (target = 80%; floor = 75%). Stretch targets have been set for FY24/25 (target = 82%; floor = 77%).

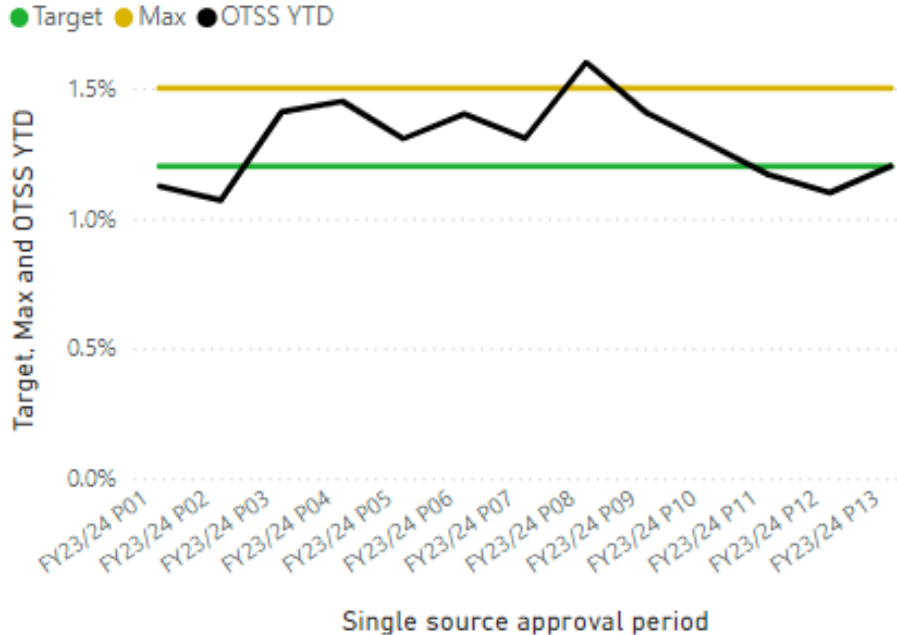
### Cash Releasing Benefits Validated Per Period (£M)



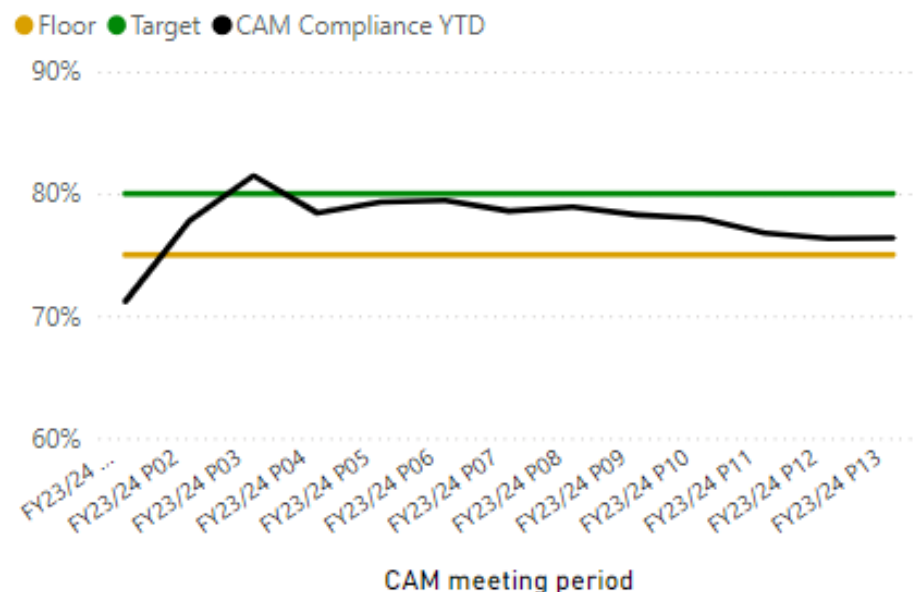
### Retrospective Spend



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



### Commercial Approvals Meeting Compliance by Period



# Processing payments metrics, Q4 23/24

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

Value of open items > 30 days on the bank reconciliation sits at £5.48m for Q4. The volume of open items in Q4 > 30 days sits at 2,852.

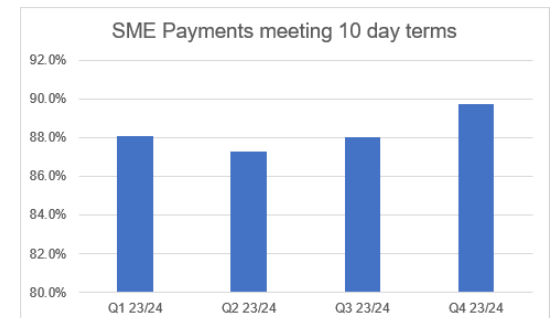
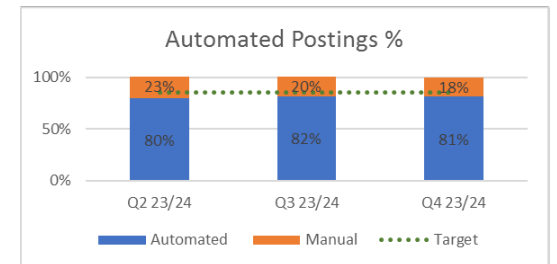
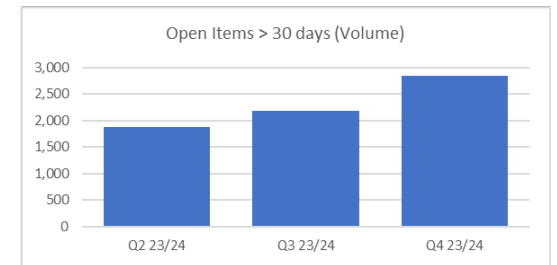
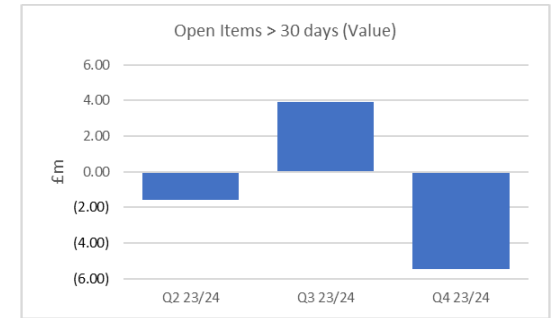
Automated Posting % measures the proportion of transactions which are automatically reconciled in SAP. Manually checking and matching transactions and preparing / posting journals is time consuming and increases the risk of error and inconsistency.

The volume of automatic postings for Q4 is now at 81% slightly down from 82% in Q3.

The percentage of SME payments meeting the 10 day terms has increased this quarter by 1.7% to 89.7%, although still slightly below the 90% target. The results are on an upwards trajectory this quarter, with incremental improvements each period - P12 (91%) and P13 (91.2%) both over the 90% target

## Quarterly Figures

£m	Q1 23/24	Q2 23/24	Q3 23/24	Q4 23/24
Open Items < 30 days (£m Value)	8.71	14.78	7.95	11.50
Open Items > 30 days (£m Value)	(0.27)	(1.56)	3.91	(5.48)
Open Items < 30 days (Volume)	419	224	327	339
Open Items > 30 days (Volume)	2,116	1,884	2,184	2,852
<b>Automated Postings %</b>				
Automated	10,558	11,986	12,462	15,425
Manual	2,451	2,454	2,284	2,868
Automated	77%	80%	82%	81%
Manual	23%	20%	18%	19%
<b>Target</b>	<b>85%</b>	<b>85%</b>	<b>85%</b>	<b>85%</b>



## Audit and Assurance Committee



**Date:** 5 June 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 February to 30 April 2024. During that period, there were no declarations by Members. A total of 73 declarations of offers were made by senior staff in this period and 45 of these were declined, with 28 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 February to 30 April 2024. A total of 73 declarations of offers were made by senior staff in this period and 45 of these were declined, with 28 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
Andy Lord, Commissioner	23	1	22

- 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 was higher than in the same period in 2023, although the proportion of those declined and accepted are similar.
- 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	01/08/23-31/10/23	01/11/23-31/01/24	01/02/24-30/04/24
Total offers	75	106	73
Total declined	41	47	45
Total accepted	34	59	28
<b>Monthly average</b>			
Total offers	25	35.3	24.3
Total declined	13.6	15.6	15
Total accepted	11.3	19.6	9.3

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

<b>Three-month period</b>	<b>01/08/22-31/10/22</b>	<b>01/11/22-31/01/23</b>	<b>01/02/23-30/04/23</b>
Total offers	25	64	45
Total declined	15	30	27
Total accepted	10	34	18
<b>Monthly average</b>			
Total offers	8.3	21.3	15
Total declined	5	10	9
Total accepted	3.3	11.3	6

**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

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
Andy Lord	Accepted	Nasir Khan MBE, Co-Founder & Director, Muslims in Rail	Discover Ramadan Iftar dinner	Guest speaker	19/03/2024
Emma Strain	Accepted	London and Partners	CEO Lunch re Tourism (L&P)	Discussion with senior colleagues from L&P and GLA and policy makers	20/03/2024
Emma Strain	Accepted	Wavemaker	Dinner	working meal to discuss business/stakeholder relationship	20/03/2024
Emma Strain	Accepted	PA Consulting	Dinner and Discussion	Discussion and Stakeholder Relationship	29/04/2024
Fiona Brunskill	Accepted	North Highland	Aesop Hand Wash & Cream received whilst attending a C-Suite Female Network Event with other CEO and CPO.	Gift received by all participants attending a network event held in the Aesop store at Covent Garden.	21/02/2024
Fiona Brunskill	Accepted	North Highland	Networking lunch with Helen Baxter and Sue Saika	Maintaining working relationship with Women's Network Group Chairs	30/04/2024
Graeme Craig	Accepted	Sellar	Drinks at Paddington Cube after bus tour of TfL / NR sites	Networking event	04/03/2024
Graeme Craig	Accepted	Opportunity London	Opportunity London pre-MIPIM Reception	Networking event with HM Government, GLA, Councils and industry	05/03/2024
Graeme Craig	Accepted	Surinder Arora	Dinner at Min Jiang Restaurant, Royal Garden Hotel	Networking dinner with Network Rail	12/03/2024
Graeme Craig	Accepted	Greater London Properties, Central London Estate Agents	Cadbury's Easter Eggstravaganza box	Was posted to VHS office - low value gift and no return address	21/03/2024
Howard Smith	Accepted	Network Rail	Celebrating 150 years of LIS	Networking and aligned to LIS	28/02/2024
Isabel Coman	Accepted	Arup	Annual Lunch for the Institution of Mechanical Engineering Railway Division	Networking event with suppliers, other infrastructure clients, industry engineering professionals	01/03/2024
Jonathan Wharfe	Accepted	Eton Bridge Partners	Technology in Supply Chain dinner	Networking/learning/information sharing	06/03/2024
Lilli Matson	Accepted	Bruton Group	Drinks & Canapes	Part of a networking event	06/02/2024
Lilli Matson	Accepted	SWIFT	Drinks & Canapes	Part of an event partnering political leaders	21/02/2024
Lilli Matson	Accepted	Environmental Agency	Dinner ahead of Environment Agency Board meeting	Dinner ahead of the Board meeting on the following day	12/03/2024
Lucinda Turner	Accepted	London Communications Agency	Women in Planning Dinner	To join other women across the public sector to discuss planning and other work matters	01/02/2024
Lucinda Turner	Accepted	BusinessLDN	Roundtable Dinner whilst at a conference	Conference dinner whilst at MIPIM	11/03/2024
Lucinda Turner	Accepted	Opportunity London and LPA	Lunch whilst at the MiPIM Conference	Lunch at the conference	12/03/2024
Lucinda Turner	Accepted	BusinessLDN	Dinner whilst at the MIPIM Conference	Dinner during the conference	12/03/2024
Lucinda Turner	Accepted	BusinessLDN	Brunch whilst at the MIPIM conference	Networking with other Transport colleagues at the conference	13/03/2024
Lucinda Turner	Accepted	Berkeley Group	Dinner whilst attending the MIPIM Conference	Networking with other transport colleagues during the conference	13/03/2024
Shashi Verma	Accepted	Bradley Feldman - Neology	Breakfast meeting	Looking at future technology opportunities for TfL	01/03/2024
Shashi Verma	Accepted	Clarion Events Ltd	Dinner	Attending the Ticketing conference	05/03/2024
Stephen Field	Accepted	Dave Aleppo, Managing Director, WTW	Review Meeting followed by lunch	Review Meeting followed by lunch	01/03/2024
Stephen Field	Accepted	Aon Events	Aon Pension Conference in person	CPD and networking	19/03/2024
Stuart Harvey	Accepted	Thales GTS	Dinner with members of TfL & Thales after an Exec meeting	An informal part of a Exec meeting visit to Toronto Office	19/03/2024
Thomas Ableman	Accepted	Drone Major - Consultancy Firm	Attending a dinner organised by Drone Major group alongside other industry partner	MD of Drone Major, gave evidence alongside me to the Transport Committee of GLA. This is an opportunity to continue engagement.	12/04/2024

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## Audit and Assurance Committee



**Date:** 5 June 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 Independent Investment Programme Advisory Group 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 the Chief Finance Officer. These discussions are scheduled after the following Committee dates:

5 June 2024

27 November 2024

12 March 2025

External Auditors

Director of Risk and Assurance

Chief Finance Officer

## **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>18 September 2024</b>		
TfL Annual Report and Statement of Accounts 2023/24 [subject to TfL Board delegation]	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

<b>27 November 2024</b>		
Annual Tax Compliance Update	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
Enterprise Risk 4 Update – Significant Security Incident including Cyber Security (ER4)	Chief Operating Officer	Annual
Legal Compliance Report	General Counsel	Bi-annual

## Audit and Assurance Committee Forward Planner 2024/25

12 March 2025		
Critical Accounting Policies	Statutory Chief Finance Officer	Annual
Personal Data Disclosure to Police and Other Statutory Law Enforcement Agencies	Director of Security, Policing and Enforcement	Annual
Enterprise Risk 10 Update – Governance and Controls Suitability (ER10)	General Counsel	Annual

June 2025		
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

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