

# Transport for London

## Minutes of the Audit and Assurance Committee

### Teams Virtual Meeting 10.00am, Monday 7 June 2021

#### Members

Anne McMeel	Chair
Dr Lynn Sloman MBE	Vice-Chair
Cllr Julian Bell	Member
Kay Carberry CBE	Member
Dr Mee Ling Ng OBE	Member
Dr Nelson Ogunshakin OBE	Member (until Minute 39/06/21)

#### Executive Committee

Howard Carter	General Counsel
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#### Staff

Patrick Doig	Interim Statutory Chief Finance Officer
Andy Ferrar	Head of Finance Controls and Systems (for Minute 39/06/21)
Lorraine Humphrey	Interim Director of Risk and Assurance
Maureen Kirk	Senior Internal Audit Manager (for Minute 36/06/21)
Richard Mullings	Head of Counter-Fraud and Corruption
Rachel Shaw	Head of Financial Accounting and Tax
Mike Shirbon	Head of Integrated Assurance
Stuart Westgate	Head of Programme Assurance, Crossrail (for Minute 36/06/21)
Sue Riley	Secretariat

#### Also In Attendance

Karl Havers	Partner, Ernst & Young
Janet Dawson	Associate Partner, Ernst & Young
Jeanne-Marie Van Coller	Partner, Ernst & Young
Caroline Mulley	Associate Partner, Ernst & Young
Jonathan Simcock	Independent Investment Programme Advisory Group, Member (for Minute 29/06/21)

### 25/06/21 Apologies for Absence and Chair's Announcements

The Chair welcomed everyone to the meeting, particularly Janet Dawson from EY, who would succeed Karl Havers as TfL's lead audit partner, and Jonathon Simcock from the Independent Investment Programme Advisory Group (IIPAG), who was attending in place of Alison Munro and Joanne White. She also welcomed and congratulated Patrick Doig, who had been appointed interim statutory Chief Finance Officer following the departure of Tony King, and congratulated Lorraine Humphrey, on her recent appointment as interim Director of Risk and Assurance.

The meeting was being broadcast live on YouTube, except for the discussion of the information on Part 2 of the agenda, which was exempt from publication.

Dr Nelson Ogunshakin OBE would be leaving the meeting at 11am. Apologies had also been received from Alison Munro and Joanne White, IIPAG, for whom Jonathan Simcock was deputising. Simon Kilonback, Chief Finance Officer and Rachel McLean, Chief Finance Officer, Crossrail had also given apologies.

The flexibility of meetings regulations, which applied to TfL from August 2020 and enabled it to take decisions via video-conference, expired on 6 May 2021. As staff and Members were unable to meet in person due to social distancing measures, any decisions required would be taken by the Chair, exercising Chair's Action, following the discussion of the item with Members.

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

At the close of the meeting, Members were due to meet informally with EY for the annual informal discussion.

The Chair confirmed that under section 100B(4)(b) of the Local Government Act 1972, she had agreed that two items marked to follow on the agenda and published on 28 May 2021 would be considered as matters of urgency. The items were Ernst & Young Report to Those Charged with Governance and TfL Statement of Accounts for Year Ended 31 March 2021. They were accepted as urgent as Members had to approve both reports for inclusion in the 2020/21 Annual Report and Accounts to be approved at the Board meeting on 28 July 2021.

## **26/06/21    Declarations of Interest**

The Chair declared that, as Vice-Chair of the Elizabeth Line Committee, she would not Chair the meeting for the discussion on the Elizabeth line item (Minute 36/06/21) and the Vice-Chair of the Audit and Assurance Committee would Chair the meeting. Dr Nelson Ogunshakin OBE was also a member of the Elizabeth Line Committee.

Dr Nelson Ogunshakin OBE had been appointed as a non-executive director to the Board of the Connected Places Catapult, from 1 May 2021.

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

## **27/06/21    Minutes of the Meeting of the Committee held on 17 March 2021**

**The Chair, following consultation with the Committee, approved the minutes of the meeting held on 17 March 2021 as a correct record, subject to a minor typo amendment to paragraph 20/03/21. The minutes would be provided to the Chair for signature at a future date.**

## **28/06/21 Matters Arising, Actions List and Use of Delegated Authority**

Howard Carter introduced the paper, which set out progress against actions agreed at previous meetings of the Committee and use of delegated authority.

As agreed at the previous meeting, a copy of the final EY report, with reduced redactions, on the Silvertown Tunnel Project, had been circulated to Members and published on the TfL website. Copies of further correspondence received from Stop the Silvertown Tunnel Coalition had also been circulated to Committee Members in advance of the meeting.

Karl Havers would confirm if any additional points needed to be considered with the Committee but was not of the view that the correspondence raised any new issues.

**[Action: Karl Havers]**

The Chair reminded staff that TfL would need to monitor delivery on the project benefits, as set out in the business case and ensure continued community engagement.

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

## **29/06/21 Independent Investment Programme Advisory Group Quarterly Report**

Jonathan Simcock presented the Independent Investment Programme Advisory Group (IIPAG) quarterly report and Lorraine Humphrey presented the management response.

The Committee encouraged TfL to carry out extensive benchmarking work, including cities with significantly differing legislative powers for alternative income options, which could support the funding discussions with the Department for Transport.

The change programme of the Programme Management Office was ongoing and would be closely monitored by IIPAG. The IIPAG work plan was reviewed on a regular basis and any significant changes to the funding agreement would be reflected in an updated plan and reported to both the Programmes Investment Committee and this Committee.

**The Committee noted the report and the management response.**

## **30/06/21 EY Report to Those Charged with Governance**

As provided for under section 100B(4)(b) of the Local Government Act 1972, the Chair agreed that the item would be considered as a matter of urgency as Members were required to approve the 2020/21 Annual Report and Accounts in accordance with statutory deadlines.

Karl Havers introduced the report on the key risks addressed during the course of the audit.

EY would seek to confirm that coronavirus pandemic related costs were consistent between Crossrail and TfL and allocated in a clear and consistent way. An update on climate related reporting would be submitted to the next meeting. Improved procurement controls instigated by TfL would ensure that EY had no further concerns as long as they remained effective.

The impact on EY's value for money assessment was problematic due to TfL's current short-term funding arrangements, which made financial planning and any assessment very uncertain. As well as the financial impact and uncertainty for TfL of the stop/start funding negotiations, this also created policy challenges, as well as an additional pressure on senior staffing time and resources.

Costs were being managed closely to reduce the financial impact on the organisation, with a clear focus on operational safety. Benefits and opportunities that had arisen due to the pandemic would continue to be adopted, such as enhanced cleaning, more efficient site working and new ways of working.

Patrick Doig was confident that TfL could meet the conditions of the current funding agreement and this agreement did not have a material impact on the 2020/21 accounts. Any changes to expectations of future funding would be reflected in the final accounts submitted to the Board meeting of 28 July 2021.

The Chair thanked staff and EY for their hard work in producing the Annual Accounts, despite the difficult circumstances, and hoped that the current Government approach to funding negotiations at a very late stage would not be continued and a more considerate and pragmatic approach adopted.

**The Committee noted the report and noted the omissions from the 2019/20 Independent Auditor's Report to Transport for London as disclosed in the report. The Chair confirmed she was satisfied that the omissions outlined did not materially impact on the conclusions of the audit opinion or on the information already publicly available in respect of the audit, and that as a result there was no requirement for the 2019/20 Auditor's Report to be re-issued.**

### **31/06/21 EY Letter on Independence and Objectivity**

Karl Havers introduced the report on the independence and objectivity of EY.

**The Committee noted the paper.**

### **32/06/21 EY Report on Non-Audit Fees for Six Months Ended 31 March 2021**

Karl Havers introduced the report on fees billed by EY for non-audit services.

**The Committee noted the report.**

### **33/06/21 Annual Audit Fee 2020/21**

Patrick Doig introduced the paper setting out the annual audit fee proposed by EY for the year ending 31 March 2021.

**The Committee noted the paper.**

### **34/06/21 Risk and Assurance Quarter 4 Report 2020/21**

Lorraine Humphrey presented the quarterly update of work of the Risk and Assurance Directorate. Mike Shirbon and Richard Mullings also presented for this item.

Lorraine Humphrey confirmed that she was working with stakeholders to obtain feedback on Risk and Assurance performance and part of that work will consider how to improve the numbers of customer feedback responses and whether other parts of the Directorate may be able to use them.

Fraud referrals to the team, despite the coronavirus pandemic, remained high. Cyber-enabled crime had increased during the pandemic against individuals and businesses alike and the team had been raising awareness of the risks of this type of criminality against employees both at work and at home. Detection rates remained high as a result of the quality of investigations undertaken and establishing of key stakeholder relationships across TfL and with law enforcement.

The potential for 'timesheet fraud' within the supply chain was noted as an area of concern, following the closure of a London Underground fraud case involving a sub-contractor. This type of fraud was difficult and challenging to manage, and controls in place with regards to regular 'spot' checks and analysis of timesheets and associated documents was key to prevention and detection.

Risk interconnectivity would be presented to a future meeting, including providing an understanding of effects of risk scenario planning to underpin this work.

**[Action: Nico Lategan]**

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

### **35/06/21 Risk and Assurance Annual Report 2020/21**

Lorraine Humphrey introduced the annual report of the Risk and Assurance Directorate.

An evaluation of the increase in poorly controlled and requires improvement audit ratings would be carried out and an analysis of any emerging themes reported back to a future meeting, including any trends in high priority recommendations.

**[Action: Lorraine Humphrey]**

Organisational issues around staff recruitment and retention were being addressed by the Executive Committee.

**The Committee noted the report.**

## **36/06/21 Elizabeth Line Programme Assurance Quarter 4 Report 2020/21**

The Chair advised that, as Vice-Chair of the Elizabeth Line Committee, she would not Chair the discussion for this item. The Vice-Chair chaired the meeting for this item.

Stuart Westgate and Maureen Kirk introduced the overview of assurance activity for the Quarter 4 Report 2020/21.

Lorraine Humphrey was in discussion with Rachel McLean to ensure clear lines of responsibility for end to end assurance of the Elizabeth line and to avoid duplication of assurance by the various bodies involved. Information, expertise and good practice in areas of risk, assurance and fraud activity were shared across both organisations.

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

## **37/06/21 TfL Statement of Accounts for the Year Ended 31 March 2021**

As provided for under section 100B(4)(b) of the Local Government Act 1972, the Chair agreed that the item would be considered as a matter of urgency, as Members were required to approve the 2020/21 Annual Report and Accounts in accordance with statutory deadlines.

Patrick Doig thanked Tony King, EY and Finance staff for their hard work in producing the accounts in accordance with statutory deadlines, despite the challenging circumstances and this was endorsed by the Chair on behalf of the Committee.

### **The Committee:**

- 1 noted the draft Statement of Accounts and the Remuneration Report and note that the statutory Chief Finance Officer may make adjustments arising from the ongoing audit work prior to submission to the Board. Any material adjustments arising will be reported to the next meeting of the Committee;**
- 2 recommended that the Board confirm its overall approval of the provision of an ongoing guarantee by Transport Trading Limited of all the outstanding liabilities of those of its subsidiary companies listed below, such guarantee enabling those subsidiaries to be exempt from the need to have their accounts audited:**
  - (i) Woolwich Arsenal Rail Enterprises Limited;**
  - (ii) City Airport Rail Enterprises Limited;**
  - (iii) London Underground Limited;**
  - (iv) LUL Nominee BCV Limited;**
  - (v) LUL Nominee SSL Limited;**
  - (vi) Docklands Light Railway Limited;**
  - (vii) Tube Lines Limited;**
  - (viii) Rail for London Limited;**
  - (ix) Rail for London (Infrastructure) Limited;**

- (x) Tramtrack Croydon Limited;**
- (xi) London Buses Limited;**
- (xii) London Bus Services Limited;**
- (xiii) London River Services Limited;**
- (xiv) Transport for London Finance Limited;**
- (xv) Victoria Coach Station Limited;**
- (xvi) TTL Properties Limited;**
- (xvii) TTL Blackhorse Road Properties Limited;**
- (xviii) TTL Earls Court Properties Limited;**
- (xix) TTL Landmark Court Properties Limited;**
- (xx) TTL Kidbrooke Properties Limited;**
- (xxi) TTL Northwood Properties Limited;**
- (xxii) TTL South Kensington Properties Limited; and**
- (xxiii) TTL Southwark Road Properties Limited;**

**3 noted the ongoing approval given in respect of the provision of a guarantee to the following subsidiary companies with effect from the financial period ended 31 March 2021:**

- (i) TTL Build to Rent Properties Limited;**
- (ii) TTL FCHB Properties Limited; and**
- (iii) TTL Wembley Park Properties Limited;**

**4 noted that:**

- (i) as a result of the application of IFRS 9 Financial Instruments, our auditors, Ernst & Young LLP, require that letters of financial support previously provided by Transport for London in respect of the liabilities of its subsidiaries be re-signed annually by TfL's Chief Finance Officer; and**
- (ii) Board approval for the issue of such letters was granted when the subsidiaries were first established or acquired.**

### **38/06/21 Review of Governance and the Annual Governance Statement for Year Ended 31 March 2021**

Howard Carter presented the annual review of compliance with the TfL Code of Governance in 2020/21.

**The Chair, following consultation with the Committee, noted the paper and:**

- 1 approved 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 2020/21 Annual Report and Accounts; and**
- 2 noted the progress against the 2020/21 improvement plan, as set out in Appendix 2 and the plan for 2021/22, as set out in Appendix 3.**

## **39/06/21 Finance Control Environment Trend Indicators**

Andy Ferrar presented the quarterly update on the financial control environment indicators.

The numbers of non-competitive transactions (NCTs) were small and limited to specific contract spends with a continued trend to reduce NCTs. Automated postings had significantly reduced due to the decline in cash transactions during the coronavirus pandemic but would expect to rise again once visitors returned to London.

The Committee welcomed the progress to date.

**The Committee noted the paper.**

## **40/06/21 Legal Compliance Report (1 October 2020 – 31 March 2021)**

Howard Carter introduced the Legal Compliance Report for 1 October 2020 - 31 March 2021.

Further details would be provided as to the Health and Safety Executive investigation referred to in paragraph 5.3 of the report. **[Action: Howard Carter]**

**The Committee noted the report.**

## **41/06/21 Register of Gifts and Hospitality for Members and Senior Staff**

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

**The Committee noted the paper.**

## **42/06/21 Members' Suggestions for Future Discussion Items**

Howard Carter presented the current forward plan for the Committee.

**The Committee noted the paper.**

## **43/06/21 Any Other Business the Chair Considers Urgent**

There was no urgent business.

## **44/06/21 Date of Next Meeting**

The next scheduled meeting was due to be held on Wednesday 15 September 2021 at 10.00am.

## **45/06/21 Exclusion of Press and Public**

**The Chair, following consultation with the Committee, agreed to exclude the press and public from the meeting, in accordance with paragraphs 3, 5 and 7 of Schedule 12A to the Local Government Act 1972 (as amended), in order to consider the following items of business: Risk and Assurance Quarter 4 Report 2020/21; and Elizabeth Line Programme Assurance Quarter 4 Report 2020/21.**

The meeting closed at 12.55pm.

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

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