

## Policy

### P012 A1

# Senior Accounting Officer Policy

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## 1 Purpose

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

## 2 Scope

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

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

## 3 Senior Accounting Officer Policy

### 3.1 Background

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

### 3.2 SAO Legislation

#### 3.2.1 Who is the SAO

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

#### 3.2.2 Responsibilities of the SAO

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

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

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



### 3.2.3 Appropriate Accounting Arrangements

Tax accounting arrangements are:

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

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

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

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

### 3.2.4 Reasonable steps

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

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

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

### 3.2.5 Penalties

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

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

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



### 3.3 TfL approach

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

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

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

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

## 4 Person accountable for this document

Name	Job title
Rachel Shaw	Head of Tax and Financial Accounting

## 5 Abbreviations

Term	Definition
SAO	Senior Accounting Officer
HMRC	HM Revenue & Customs

## 6 Document history

Issue no.	Date	Changes	Author
A1	November 2021	New document as per CR-15335.	Emily Clark

