

# Transport for London

## Minutes of the Audit and Assurance Committee

Via Microsoft Teams,  
10.00am, Monday 6 June 2022

### Members

Mark Phillips	Chair
Anurag Gupta	Vice-Chair
Julian Bell	Member
Kay Carberry CBE	Member
Dr Mee Ling Ng OBE	Member

### Executive Committee

Howard Carter	General Counsel
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### Staff

Patrick Doig	Group Finance Director and statutory Chief Finance Officer
Jill Elliott	Head of Internal Audit
Philip Hewson	Head of Governance and Assurance (Minute Reference 34/06/22)
Lorraine Humphrey	Director of Risk and Assurance
Richard Mullings	Head of Counter-Fraud and Corruption
James Norris	Interim Head of Project Assurance
Jonathan Patrick	Chief Procurement Officer (Minute Reference 34/06/22)
Chris Tann	Interim Head of Financial Accounting and Tax
Mike Shirbon	Head of Quality, Safety and Security Assurance
Sue Riley	Secretariat

### Also In Attendance

Janet Dawson	Partner, Ernst & Young
Caroline Mullings	Partner, Ernst & Young
Joanne White	Independent Investment Programme Advisory Group Member
Philip Young	Partner, Ernst & Young

## 18/06/22 Apologies for Absence and Chair's Announcements

The Chair welcomed everyone to the meeting and Chris Tann, the interim Head of Financial Accounting and Tax, replacing Rachel Shaw. This meeting was being held via Teams only due to the travel disruption.

The Chair agreed to take Item 5 Annual Report 2021/22, Item 6 TfL Statement of Accounts for Year Ended 31 March 2022 and Item 7 EY Report to those Charged with Governance, which were marked to follow on the agenda, as late items, as information in the papers was being verified and finalised at the time of publication.

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.

Following the meeting Members were scheduled to meet with EY for the annual informal meeting.

### **19/06/22 Declarations of Interest**

Julian Bell had established a management consultancy company and was no longer a strategic advisor for the Built Environment Communications Group and had stood down as a councillor for the London Borough of Ealing. He would continue to represent London Councils on the Board until his term of office expired.

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 interests to declare that related specifically to items on the agenda.

### **20/06/22 Minutes of the Meeting of the Committee held on 16 March 2022**

**The Chair, in consultation with the Committee, approved the minutes of the meeting held on 16 March 2022.**

### **21/06/22 Matters Arising and Actions List**

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

The Chair reported that following the publication of the papers for the meeting, a Chair's Action on the assurance process for the outturn of the TfL Scorecard was approved, following consultation with Members. The use of delegated authority would be reported to the next meeting.

**The Committee noted the Actions List.**

### **22/06/22 Annual Report 2021/22**

This item was published as a late urgent item on 31 May 2022 as information in the report was not available when the papers for the meeting were published.

Patrick Doig introduced the Annual Report 2021/22.

2021/22 had been a pivotal year marking TfL and London's recovery from the coronavirus pandemic, continuing to draw customers back onto the network. Journeys were currently at 70 per cent of pre-pandemic ridership, and almost double the total number of passenger journeys compared to 2020/21.

Despite the challenges, TfL had delivered significant milestones, including the opening of two new Tube stations; launched a network wide campaign aimed at tackling sexual harassment on public transport; a trial of e-scooters; 12 additional step-free stations; and the establishment of a property company, TTL Properties Limited.

Highlights in 2022/23 included the opening of the Elizabeth line and the launching of consultation on the proposals to expand the Ultra Low Emission Zone across London.

The Committee welcomed the report as clear and concise and particularly the focus on individual stories and thanked all staff involved in its production.

**The Committee noted the Annual Report and the delegation to the Chief Customer and Strategy Officer to make any adjustments prior to submission to the Board.**

## **23/06/22 TfL Statement of Accounts for the Year Ended 31 March 2022**

This item was published as a late urgent item on 31 May 2022 as information in the report was not available when the papers for the meeting were published.

Patrick Doig and Chris Tann introduced TfL's Statement of Accounts for the Year Ended 31 March 2022.

The results for 2021/22 demonstrated that TfL was moving towards financial sustainability through management action and tight control of costs. However, TfL continued to face a number of significant external risks with funding uncertainty, rising inflation and the cost of living rises.

The coronavirus pandemic resulted in a significant impact on TfL's income. In 2020/21 passenger income fell to £1.6bn from £4.8bn the previous year. In 2020/21, the first full year of the pandemic, TfL received £2.4bn from the Government and borrowed an additional £0.6bn, when the most severe travel restrictions were in place. £500m of cash reserves was also used.

Fares income had doubled from £1.6bn in 2020/21 to £3.2bn in 2021/22, reflecting the changing Government restrictions and guidance throughout the year as the pandemic evolved and the changes in travel patterns.

The expansion of the Ultra Low Emission Zone saw income rise from £77m in 2020/21 to £226m in 2021/22 and was expected to reduce nitrogen oxides emissions from road transport by 30 per cent.

TfL had continued to maintain careful cost controls which meant, on a like-for-like basis, costs had only increased by 0.9 per cent, despite rising inflation. The level of Government support in 2021/22 had reduced to around £1.7bn, compared to the c£3bn the previous year.

As a requirement of the Government funding, TfL continued to use its cash reserves and run these at an average of £1.2bn rather than this being an absolute minimum. Usable cash reserves were just under £1.3bn at year-end.

The budget for 2022/23 was based on a total of £1.2bn Government support compared to £1.7bn in 2021/22. A further £0.9bn of extraordinary Government funding was required for 2022/23. While journeys had been steadily rising, the budget assumed prudent levels of growth over the coming year with London Underground forecast to achieve up to 80 per cent of pre-pandemic demand in the autumn and buses up to approximately 85 per cent.

The macroeconomy posed a threat due to slowing economic growth and rising costs and these significant risks highlighted the importance of securing a Government funding deal post 24 June 2022, to provide further extraordinary funding in 2022/23 and to continue to mitigate the significant revenue risks faced.

Until a longer-term financing package was agreed, a material level of uncertainty remained and this was reflected in the Statement of Accounts.

Members sought clarification on Material Uncertainty if TfL did not reach an agreed financial settlement with the Department for Transport by 24 June 2022, when the current financial arrangement expired. Government funding of £1.2bn was assumed within the accounts, which would allow TfL to continue to operate as a going concern. Additional long-term capital funding which would allow TfL to deliver projects currently impaired had not been included in the accounts.

If negotiations ran past the 24 June 2022 date, there was still time before the Board meeting of 27 July 2022 where the final Statement of Accounts needed to be approved.

The Committee thanked staff for their hard work and professionalism in drafting the Statement of Accounts in continuing challenging circumstances.

Members noted the impact of cost controls on TfL's supply chain and the need for caution when considering any fare increases, within the context of the cost of living crisis and the impact on poorer communities and other equality implications.

Any performance related pay, as agreed by the Remuneration Committee, would only be awarded once TfL met the current funding arrangements agreed with the Government.

RSM was providing EY with external third party assurance on the Pension Fund evaluation.

EY were still assessing whether weaknesses identified in previous audits on TfL's Procurement and Commercial Improvement Programme had been addressed sufficiently and that work would be concluded shortly.

Any uncorrected misstatements would be reported to the Committee prior to approval by the Board.

**The Committee noted the draft Statement of Accounts and the delegation to the Chief Finance Officer to make any adjustments arising from the ongoing audit work prior to submission to the Board.**

## **24/06/22 EY Report to Those Charged with Governance**

This item was published as a late urgent item on 31 May 2022 as information in the report was not available when the papers for the meeting were published.

Janet Dawson, Caroline Mulley and Philip Young presented the report setting out the key risks addressed by EY during the course of their audit of the Statement of Accounts for the Transport of London Group for the year ended 31 March 2022.

The risk of improper capitalisation of costs was highlighted but no major issues had been identified during the course of the audit.

There was a difference in accounting opinion regarding the annual re-evaluation of property assets, which included rolling stock leases and the interpretation of IFRS16.

**The Committee noted the report.**

## **25/06/22 EY Letter on Independence and Objectivity**

Janet Dawson presented the annual report on EY's independence and objectivity, taking into account guidance including the National Audit Office's Code of Audit Practice.

**The Committee noted the paper.**

## **26/06/22 EY Report on Audit and Non-Audit Fees for Six Months Ended 31 March 2022**

Janet Dawson introduced the report on fees billed by EY for non-audit services.

**The Committee noted the report.**

## **27/06/22 Annual Audit Fee 2022/23**

Janet Dawson introduced the annual audit fee proposed by EY for the audit of the Corporation and Group Financial Statements for the year ending 31 March 2023.

The Chair thanked EY for their collaborative approach in the production of the accounts for 2022.

**The Committee noted the paper.**

## **28/06/22 Risk and Assurance Quarter 4 Report 2021/22**

Lorraine Humphrey introduced the report setting out work completed by the Risk and Assurance Directorate during Quarter 4 of 2021/22, work in progress and planned activities. Jill Elliott, Richard Mullings, James Norris and Mike Shirbon were also present.

Outcomes of the recently held Enterprise Risk informal meeting with the Executive Committee and Board would be submitted to the next Committee meeting for updated Enterprise Risks and the Enterprise Risk Framework. The work on risk appetite would be submitted to the December meeting.

There continued to be a focus on the effective and efficient closing out of Management Actions/Recommendations.

Paragraph 3.5 of the report was corrected from £250,000 to £25,500.

Confidence in Tier 1 contractors ability to comply with their contractual obligations and through their supply chain was discussed and it was agreed this was an area that needed additional scrutiny.

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

## **29/06/22 Risk and Assurance Annual Report 2021/22**

Lorraine Humphrey introduced the Annual Report of the Risk and Assurance Directorate.

Jill Elliott explained her audit opinion. Some weaknesses across the organisation in relation to record keeping had been identified, which was attributed to hybrid working, the coronavirus pandemic and resources.

Internal Audit continued to monitor the improvements in the procurement process.

It was agreed that Enterprise Risk 1 (Major safety, health or environmental incident or crisis) audits would be shared with the Chair of the Safety, Sustainability and Human Resources Panel. **[Action: Lorraine Humphrey]**

Future reports would include more detailed information in areas that Require Improvement. **[Action: Lorraine Humphrey]**

**The Committee noted the report.**

## **30/06/22 Independent Investment Programme Advisory Group Quarterly Report**

Lorraine Humphrey introduced the Independent Investment Programme Advisory Group's Quarterly Report for June 2022. Joanne White was also in attendance.

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

### **31/06/22 Elizabeth Line Programme Assurance Quarter 4 Report 2021/22**

Lorraine Humphrey presented the overview of programme assurance activity in relation to the Elizabeth line during Quarter 4 of 2021/22.

The final Project Representative report was being submitted to the next Elizabeth Line Committee meeting. Focus was now on the challenges relating to Stages 5b- and 5c which would deliver through running and 24 trains per hour service.

**The Committee noted the paper.**

### **32/06/22 Review of Governance and the Annual Governance Statement for Year Ended 31 March 2022**

Howard Carter presented the review of compliance with the TfL Code of Governance in 2021/22.

**The Committee 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 2021/22 Annual Report and Accounts and noted the progress against the 2021/22 improvement plan, as set out in Appendix 2 and the plan for 2022/23, as set out in Appendix 3 of the paper.**

### **33/06/22 Legal Compliance Report (1 October 2021 – 31 March 2022)**

Howard Carter introduced the summary provided by each TfL Directorate for the Legal Compliance Report for the period 1 October 2021 to 31 March 2022.

**The Committee noted the report.**

### **34/06/22 Finance Control Environment Trend Indicators**

Patrick Doig introduced the quarterly report on Financial Control Environment Trend Indicators. Jonathan Patrick and Philip Hewson were also present for this item.

**The Committee noted the paper.**

### **35/06/22 Register of Gifts and Hospitality for Members and Senior Staff**

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

**The Committee noted the paper.**

### **36/06/22 Members' Suggestions for Future Discussion Items**

Howard Carter presented the current forward plan for the Committee.

**The Committee noted the forward plan.**

### **37/06/22 Any Other Business the Chair Considers Urgent**

There was no urgent business.

### **38/06/22 Date of Next Meeting**

The next scheduled meeting of the Committee would be held on Wednesday 21 September 2022 at 10am.

### **39/06/22 Exclusion of Press and Public**

**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), when it considered the exempt information in relation to the items on: Risk and Assurance Quarter 4 Report 2021/22; and Independent Investment Programme Advisory Group Quarterly Report.**

The meeting closed at 12.40pm.

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

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