

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, Monday 5 June 2023

Members

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

Executive Committee

Howard Carter	General Counsel
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Staff

Patrick Doig	Acting Chief Finance Officer
Jill Elliott	Head of Internal Audit
Lorraine Humphrey	Director of Risk and Assurance
Nico Lategan	Head of Enterprise Risk
Richard Mullings	Head of Counter-Fraud and Corruption
James Norris	Head of Project Assurance
Pritesh Patel	Interim Group Finance Director
Mike Shirbon	Head of Quality, Safety and Security Assurance
Chris 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
Philip Young	Partner, Ernst & Young

18/06/23 Apologies for Absence and Chair's Announcements

The Chair welcomed everyone to the meeting. There were no apologies for absence. The meeting was quorate. Rachel McLean, Chief Finance Officer, was currently on medical leave and the Committee asked that their best wishes for a speedy recovery be recorded.

The meeting was also being broadcast live to TfL's YouTube channel to ensure the public and press could observe the proceedings and decision making.

Following the meeting, Members were scheduled to meet with the External Auditors for the annual informal meeting.

The Chair agreed to take Item 5 TfL Annual Report 2022/23, Item 6 TfL Statement of Accounts for Year Ended 31 March 2023 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 the appropriate member of the Executive Committee after the meeting.

19/06/23 Declarations of Interest

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

20/06/23 Minutes of the Meeting of the Committee held on 15 March 2023

The minutes of the meeting of the Committee held on 15 March 2023 were approved as a correct record and the Chair was authorised to sign them.

21/06/23 Matters Arising, Actions List and Delegated Authority

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

A verbal update was provided on the Ransomware exercise recently carried out and led by Accenture (46/09/22 (4)).

Since the last meeting of the Committee on 15 March 2023, there had been two uses of Chair's Action in relation to the approval of authority requests submitted to the meeting of the Committee on 15 March 2023, and the 2022/23 TfL Scorecard Assurance Review.

The Committee noted the updated Actions List and use of Delegated Authority.

22/06/23 TfL Annual Report 2022/23

This item was published as a late urgent item on 1 June 2023, as information in the report was not available when the papers for the meeting were published.

Patrick Doig introduced the TfL Annual Report 2022/23.

The Committee welcomed the report as clear, concise and easy to read. Members welcomed the focus on the Elizabeth line and individual staff stories and thanked all those involved in its production.

The Committee noted the Annual Report and noted the delegation to the Chief Customer and Strategy Officer the task of making any adjustments prior to submission to the Board.

23/06/23 EY Report to Those Charged with Governance

This item was published as a late urgent item on 1 June 2023, as information in the report was not available when the papers for the meeting were published.

Janet Dawson and Philip Young presented the report, setting out the key risks addressed by EY during the audit of the Statement of Accounts for the Transport for London Group for the year ended 31 March 2023.

Key risks included the continuing uncertainty of future funding and a potential major cyber breach.

Work continued on the technical review of the annual accounts and value for money assessment.

Clarification was provided on the accounting of infrastructure assets and accounting adjustments identified by management.

The Committee was advised that discussions with the Department for Transport in relation to future funding were progressing. The current agreement meant a substantial amount of capital expenditure costs were covered, but TfL's flexibility in relation to major projects was limited due to committed contracts. Board Members would be kept updated.

The Committee noted the report.

24/06/23 TfL Statement of Accounts for the Year Ended 31 March 2023

This item was published as a late urgent item on 1 June 2023, as information in the report was not available when the papers for the meeting were published.

Patrick Doig introduced the TfL Statement of Accounts for the Year ended 31 March 2023.

TfL continued to reduce its operating deficit by increasing revenue and reducing costs. Increased capital expenditure meant cash balances had been maintained. The restructuring of lease liabilities and increasing working capital for rolling stock were also highlighted.

Patrick Doig was content with the current financial strategy. Timing issues in relation to the general fund reserves meant this would need to be monitored more closely and would, therefore, be included in future quarterly reports to the Board. It was noted that the general fund reserves were forecast to increase to the target of £500m in the financial year 2024/25.

An update was provided on the TfL Pension Fund. The net surplus on TfL's defined benefit pension schemes and unfunded liabilities, calculated in accordance with IAS 19, has increased from a net deficit to a net surplus at 31 March 2023, due to a change in the financial assumptions adopted and technical accounting judgements. The audit work in relation to recognition of this surplus in accordance with IAS 19 was under review by EY.

The Committee:

- (a) noted the draft Statement of Accounts and the Remuneration Report and the delegation to the statutory Chief Finance Officer to make any adjustments arising from the ongoing audit work prior to submission to the Board. Any material adjustments arising would be reported to the next meeting of the Committee;**

- (b) 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;**

(c) noted that:

- (i) as a result of the application of IFRS 9 Financial Instruments, Transport for London's auditors, Ernst & Young LLP, required that letters of financial support previously provided by TfL 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 and the template for the letter to be signed was included in Appendix 2 to the paper.**

25/06/23 EY Letter on Independence and Objectivity

Janet Dawson presented the letter, informing the Committee on the independence and objectivity of EY.

The Committee noted the paper.

26/03/23 EY Report on Audit and Non-Audit Fees for Six Months Ended 31 March 2023

Janet Dawson and Philip Young presented the letter, informing the Committee on fees billed by EY for non-audit services.

The Committee noted the report.

27/06/23 Annual Audit Fees 2023/24

Patrick Doig presented the annual audit fee for the audit of Transport for London, Transport Trading Limited (TTL) Group, Crossrail Limited and TTL Properties Limited (TTLP) Group for the year ending 31 March 2024.

The fee increase was due to the complexity of the TTLP Group and increase in the number of subsidiary companies. A competitive process had been carried out for all work.

EY had been appointed as auditors for the next five years for TfL and its subsidiaries.

The Committee noted the paper.

28/06/23 Risk and Assurance Annual Report and Assurance Statement 2022/23

Lorraine Humphrey and Jill Elliott introduced the annual report and assurance statement of the Risk and Assurance Directorate.

Increased support from senior management in closing down management actions in a timelier manner had resulted in a positive reduction of all management actions and particularly those over 100 days.

The Committee welcomed the report and continued improvements.

The Committee noted the report.

29/06/23 Risk and Assurance Quarter 4 Report 2022/23

Lorraine Humphrey introduced the report, and the related exempt supplementary information on Part 2 of the agenda, setting out work completed by the Risk and Assurance Directorate during Quarter 4 of 2022/23 (1 December 2022 to 31 March 2023), including work in progress and planned activities. Jill Elliott, Nico Lategan, Richard Mullings, James Norris and Mike Shirbon were also in attendance.

The Directorate continued to increase capacity, resourcing and resilience through recruitment, training and internal promotions.

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

30/06/23 Independent Investment Programme Advisory Group Quarterly Report

Lorraine Humphrey introduced the Independent Investment Programme Advisory Group's (IIPAG) quarterly report. Alison Munro set out the key areas of the report in detail.

Elizabeth line performance would continue to be closely monitored, including by the Elizabeth Line Delivery Group, until complete transition in autumn 2023, and by the Head of Project Assurance. It was also subject to a Government Infrastructure and Projects Authority final Gateway review.

The Committee noted the Independent Investment Programme Advisory Group's (IIPAG) Quarterly Report, the management response to it and approved the IIPAG Workplan for 2023/24.

31/06/23 Elizabeth Line Programme Assurance Report Quarter 4 2022/23

James Norris presented an overview of programme assurance activity in relation to the Elizabeth line during Quarter 4 of 2022/23 (11 December 2022 to 31 March 2023).

An update would be provided on the 'Information Management and Transfer – Hardcopy Documents' audit ('Requires Improvement') at the next meeting, as part of the Risk and Assurance quarterly report. **[Action: Jill Elliott]**

The Committee noted the paper.

32/06/23 TTL Properties Limited Assurance Update

Lorraine Humphrey presented the report on progress with assurance activity across TTL Properties Limited during Quarter 4 of 2022/23 (1 December 2022 to 31 March 2023), and the related exempt supplementary information on Part 2 of the agenda.

Internal Audit was asked to review all previous commercial transactions, including joint ventures and residential property transactions, to ensure due process had been applied and this would be built into the audit plan at the right point. **[Action: Jill Elliott]**

Further details would be provided on the Property Transfer Accounting, to ensure that the sampling carried out was adequate. **[Action: Jill Elliot]**

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

33/06/23 Review of Governance and the Annual Governance Statement for Year Ended 31 March 2023

Howard Carter introduced the annual review of compliance with the TfL Code of Governance in 2022/23.

The outcomes of the ongoing Board Effectiveness Review would be included in the final improvement plan.

The Committee:

- 1 noted the paper and 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 2022/23 Annual Report and Accounts; and**
- 2 noted the progress against the 2022/23 improvement plan, as set out in Appendix 2 of the paper, and the plan for 2023/24, as set out in Appendix 3 of the paper.**

34/06/23 Legal Compliance Report (1 October 2022 – 31 March 2023)

Howard Carter presented the summary of information provided by each TfL Directorate for the Legal Compliance Report for the period 1 October 2022 to 31 March 2023.

An update was provided on the trial of the driver of the tram at the time of the Sandilands derailment, which was in progress at the Old Bailey.

Four new grounds of challenge on the Ultra Low Emission Zone scheme had been granted for inclusion in the judicial review scheduled for July 2023.

The Committee noted the report.

35/06/23 Financial Control Environment Trend Indicators

Pritesh Patel presented the quarterly update on Financial Control Environment Trend Indicators.

A Procurement and Commercial scorecard was being developed for internal reporting and some of the metrics in that scorecard would be included in the future quarterly update reports to the Committee.

The use of an improved commercial procurement system meant better future planning would be implemented, providing a more efficient, competitive and value for money process.

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

36/06/23 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.

37/06/23 Members' Suggestions for Future Discussion Items

Howard Carter introduced the current forward plan for the Committee.

The Committee noted the forward plan.

38/06/23 Any Other Business the Chair Considers Urgent

There was no other urgent business to discuss.

39/06/23 Date of Next Meeting

The next scheduled meeting of the Committee would be held on Wednesday 20 September 2023 at 10.00am.

40/06/23 Exclusion of Press and Public

The Committee agreed to exclude the press and public from the meeting, in accordance with paragraphs 3 and 7 of Schedule 12A to the Local Government Act 1972 (as amended), when it considered the exempt information in relation to the items on: Risk and Assurance Quarter 4 Report 2022/23; and TTL Properties Limited Assurance Update.

The meeting closed at noon.

Chair: _____

Date: _____