

Board



Date: 13 December 2023

Item: Report of the Meeting of the Audit and Assurance Committee held on 29 November 2023

This paper will be considered in public

1 Summary

- 1.1 This paper provides a summary of the items considered by the Audit and Assurance Committee at its meeting on 29 November 2023.

2 Recommendation

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

3 Committee Agenda and Summary

- 3.1 The papers for the meeting of the Committee held on 29 November 2023 were published on 21 November 2023, and are available on the [TfL website](#) with a link to the video recording of the meeting on [TfL's YouTube channel](#).

- 3.2 The main matters considered by the Committee were:

- (a) External Audit Plan TfL, TTL and Subsidiaries - Year Ending 31 March 2024;
- (b) Auditor's Annual Report - Year Ended 31 March 2023;
- (c) EY Independence Letter - Non-Audit Services for the Period 1 April to 31 October 2023;
- (d) Risk and Assurance Quarter 2 Report 2023/24;
- (e) Independent Investment Programme Advisory Group Quarterly Report;
- (d) Places for London Assurance Update;
- (e) Legal Compliance Report (1 April 2023 – 30 September 2023);
- (f) Annual Tax Compliance Update;
- (g) Enterprise Risk Update - Significant Security Incident Including Cyber Security (ER04);
- (h) Financial Control Environment Trend Indicators; and

(i) Register of Gifts and Hospitality for Members and Senior Staff.

- 3.3 A summary of the items considered and decisions taken is provided below. The more detailed minutes of the meeting will be published ahead of the meeting of the Committee on 14 March 2024.

4 Issues Discussed

External Audit Plan TfL, TTL and Subsidiaries - Year Ending 31 March 2024

- 4.1 The Committee noted the Ernst & Young LLP (EY) plan for the audit of the financial statements of TfL, Transport Trading Limited (TTL) and its subsidiaries for the year ending 31 March 2024.

Auditor's Annual Report - Year Ended 31 March 2023

- 4.2 The Committee noted the report, which summarised EY's conclusions on the Annual Statement of Accounts and Value for Money for the year ended 31 March 2023.
- 4.3 At its meeting on 20 September 2023, the Committee had considered the Audit Results Report, which summarised the findings from EY's work prior to the signing of the Independent Auditor's Report on 27 September 2023.
- 4.4 The Committee noted that the Task Force on Climate-related Financial Disclosures framework becomes mandatory this financial year. As most of TfL's operations take place in the TTL Group, the TfL Group will voluntarily adopt the same disclosure requirements.
- 4.5 Public Sector Audit Appointments Limited recently published data that only one per cent of all public sector organisations met the end of year accounts deadline, which included TfL.

EY Independence Letter - Non-Audit Services for the Period 1 April to 31 October 2023

- 4.6 The Committee noted the letter from EY, which informed it of independence matters, including existing non-audit services performed, and the fees charged by EY for the period ending 31 October 2023.
- 4.7 The Committee agreed with EY's conclusion that the provision of the future services referred to in the letter would not create a threat to EY's independence as auditor of TfL or that any identified threat was at an acceptable level or, if not, would be eliminated, or reduced to an acceptable level; and agreed with the provision of those services.
- 4.8 There is a new requirement, under the provisions of the International Code of Ethics for Professional Accountants, that EY must seek agreement, from those charged with governance, with their conclusions on independence for

any proposed future non-audit services provided to TfL. This will be a matter to be considered by the Committee.

Risk and Assurance Quarter 2 Report 2023/24

- 4.9 The Committee noted the quarterly update on work completed by the Risk and Assurance Directorate during Quarter 2 of 2023/24 (25 June to 16 September 2023) (Q2) and other information about the Directorate's activities.
- 4.10 It was agreed that a review of the poorly controlled reports would be carried out to see if any trends could be identified and mitigated. An update would also be provided to Members on all follow up actions.
- 4.11 Further detail, including a timeline of progress for each Enterprise Risk, would be included in future reports.

Independent Investment Programme Advisory Group Quarterly Report

- 4.12 The Committee noted the Independent Investment Programme Advisory Group's (IIPAG) Quarterly Report and the management response.
- 4.13 IIPAG had identified programme slippage, overprogramming and difficulty in measuring project performance against baseline as areas of challenge within TfL. This had been partly due to the uncertainty of future funding.

Places for London Assurance Update

- 4.14 The Committee noted the reports on progress with assurance activity across Places for London during Q2.
- 4.15 Recent changes in the property market had made the housing targets more challenging and the residential strategy and strategic plan would need to be reviewed.

Legal Compliance Report (1 April 2023 – 30 September 2023)

- 4.16 The Committee noted information provided by each TfL Directorate for the Legal Compliance Report for the period 1 April to 30 September 2023.
- 4.17 Any identified trends would be highlighted in future reports and any trends in relation to managing Employment Tribunal claims would be provided to the Safety, Sustainability and Human Resources Panel.

Annual Tax Compliance Update

- 4.18 The Committee noted the key policies and documents that form TfL's Tax Governance Framework and the steps being taken to ensure TfL is compliant with all relevant tax legislation. The paper also provided an update on key tax matters considered during the year.

- 4.19 There were no significant issues impacting TfL from the Chancellor's Autumn Statement.

Enterprise Risk Update – Significant Security Incident Including Cyber Security (ER04)

- 4.20 The Committee noted an update of Enterprise Risk 4 (ER04) – 'Significant security incident including cyber security'. The paper set out how the risk was defined within the current threat environment and the preventative and reactive controls and actions in place to manage TfL's response.
- 4.21 The interdependent links between the range of current threats was highlighted. A number of successful simulation and incident response exercises had been undertaken.
- 4.22 It was noted that everyone at TfL has a role to play in security and work to actively increase awareness, understanding and competence through security training, briefings and acting on security communications.
- 4.23 Following the meeting, the Committee received its annual security update.

Financial Control Environment Trend Indicators

- 4.24 The Committee noted the Q2 Financial Control Environment Trend Indicators, that informed it of the control environment across TfL's Finance, Business Services and Procurement and Commercial teams.

Register of Gifts and Hospitality for Members and Senior Staff

- 4.25 The Committee noted details of the gifts and hospitality declared by Board Members and senior staff from 1 August to 31 October 2023. During the period, there were no declarations by Members and 75 declarations made by senior staff, of which 41 were declined and 34 were accepted.

List of appendices to this report:

None

List of Background Papers:

Papers submitted to the Audit and Assurance Committee on 29 November 2023

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