

Agenda

Meeting: Audit and Assurance Committee

Date: Monday 8 June 2020

Time: 10.00am

Place: Teams Virtual Meeting

Members

Anne McMeel (Chair)

Dr Lynn Sloman (Vice-Chair)

Kay Carberry CBE

Dr Mee Ling Ng OBE

Dr Nelson Ogunshakin OBE

How decisions will be taken during the Covid-19 emergency measures

TfL does not benefit from the changes in the Coronavirus Act 2020 in relation to public meetings. As Covid-19 emergency travel restrictions are in place, Members will attend a videoconference or teleconference briefing in lieu of a meeting of the Committee.

Any decisions that need to be taken within the remit of the Committee will be discussed at the briefing and, with the consent of available Members, will be taken by the Chair using Chair's Action. A note of the decisions taken, including the key issues discussed, will be published on tfl.gov.uk.

As far as possible, TfL will run the briefing as if it were a meeting but without physical attendance at a specified venue by Members, staff, the public or press.

- Papers will be published in advance on tfl.gov.uk [How We Are Governed](#)
- The briefing will be recorded and the public and press will be able to review the Part 1 discussion.
- A guide for the press and public on attending and reporting meetings of local government bodies, including the use of film, photography, social media and other means is available on www.london.gov.uk/sites/default/files/Openness-in-Meetings.pdf.

Further Information

If you have questions, would like further information about the meeting or require special facilities please contact: Jamie Mordue, Secretariat Officer; telephone: 020 7983 5537;.

For media enquiries please contact the TfL Press Office; telephone: 0845 604 4141; email: PressOffice@tfl.gov.uk

Howard Carter, General Counsel
Friday 29 May 2020

**Agenda
Audit and Assurance Committee
Monday 8 June 2020**

1 Apologies for Absence and Chair's Announcements

2 Declarations of Interests

General Counsel

Members are reminded that any interests in a matter under discussion must be declared at the start of the meeting, or at the commencement of the item of business.

Members must not take part in any discussion or decision on such a matter and, depending on the nature of the interest, may be asked to leave the room during the discussion.

**3 Minutes of the Meeting of the Committee held on 16 March 2020
(Pages 1 - 8)**

General Counsel

The Committee is asked to approve the minutes of the meeting of the Committee held on 16 March 2020 and authorise the Chair to sign them.

4 Matters Arising and Actions List (Pages 9 - 12)

General Counsel

The Committee is asked to note the updated actions list.

5 TfL's Statement of Accounts for the Year Ended 31 March 2020 (Pages 13 - 48)

Chief Finance Officer

The Committee is asked to note 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.

Appendix 1 - Statement of Accounts for Year Ended 31 March 2020 - to be published on 31 May 2020

6 Review of Governance and the Annual Governance Statement for Year Ended 31 March 2020 (Pages 49 - 58)

General Counsel

The Committee is asked to approve 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 2019/20 Annual Report and Accounts.

7 Independent Investment Programme Advisory Group Quarterly Report (Pages 59 - 80)

Director of Risk and Assurance

The Committee is asked to note the report and the supplementary information on Part 2 of the agenda.

External Audit Items

8 EY Report to Those Charged with Governance - To Follow

Chief Finance Officer

The Committee is asked to note the report.

9 EY Letter on Independence and Objectivity (Pages 81 - 84)

Chief Finance Officer

The Committee is asked to note the report.

10 EY Report on Non-Audit Fees for Six Months Ended 31 March 2020 (Pages 85 - 88)

Chief Finance Officer

The Committee is asked to note the report.

Audit, Risk and Assurance Items

11 Risk and Assurance Quarter 4 Report 2019/20 (Pages 89 - 122)

Director of Risk and Assurance Report

The Committee is asked to note the report and the supplementary information on Part 2 of the agenda.

12 Risk and Assurance Annual Report (Pages 123 - 148)

Director of Risk and Assurance Report

The Committee is asked to approve the annual report.

Accounting and Governance

13 Member suggestions for future agenda discussions (Pages 149 - 152)

General Counsel

The Committee is asked to note the forward programme and is invited to raise any suggestions for future discussion items for the forward programme and for informal briefings.

14 Any Other Business the Chair Considers Urgent

The Chair will state the reason for urgency of any item taken.

15 Date of Next Meeting

Wednesday 16 September 2020 at 10.00am.

16 Exclusion of Press and Public

The Committee is recommended to agree to exclude the press and public from the meeting, in accordance with paragraph 3 of Schedule 12A to the Local Government Act 1972 (as amended), in order to consider the following items of business.

Agenda Part 2

Papers containing supplemental confidential or exempt information not included in the related item on Part 1 of the agenda.

17 Independent Investment Programme Advisory Group Quarterly Report (Pages 153 - 160)

Director of Risk and Assurance

Exempt supplemental information relating to the item on Part 1.

18 Risk and Assurance Quarter 4 Report 2019/20 (Pages 161 - 172)

Director of Risk and Assurance

Exempt supplemental information relating to the item on Part 1.

[page left intentionally blank]

Transport for London

Minutes of the Audit and Assurance Committee

Endeavour Square, London E20 1JN
10.00am, Monday 16 March 2020

Members

Anne McMeel	Chair
Dr Lynn Sloman	Vice Chair (by phone)
Kay Carberry CBE	Member (by phone)
Dr Mee Ling Ng OBE	Member

Executive Committee

Howard Carter	General Counsel
---------------	-----------------

Staff

Siwan Hayward OBE	Director of Compliance, Policing and On-Street Services (for minutes 05/03/20 and 06/03/20)
Lorraine Humphrey	Head of Project Assurance, General Counsel
Tony King	Interim Group Finance Director and Statutory Chief Finance Officer
Nico Lategan	Head of Enterprise Risk, General Counsel
Richard Mullings	Head of Counter-Fraud and Corruption, General Counsel
Rachel Shaw	Head of External Reporting, Finance
Mike Shirbon	Head of Integrated Assurance, General Counsel
Clive Walker	Director of Risk and Assurance, General Counsel

Jamie Mordue	Secretariat
--------------	-------------

Also In Attendance

Karl Havers	Partner, Ernst & Young (EY) (by phone)
Alison Munro	Chair, Independent Investment Programme Advisory Group

01/03/20 Apologies for Absence and Chair's Announcements

Apologies for absence were received from Dr Nelson Ogunshakin OBE. Simon Kilonback was also unable to attend.

To reflect TfL's focus on safety, the Chair invited Members to raise any safety issues in relation to items on the agenda or within the remit of the Committee at the start of the item or under Matters Arising. Any other safety issues than these could be discussed with the General Counsel or an appropriate member of the Executive Committee after the meeting.

02/03/20 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 that related specifically to items on the agenda.

03/03/20 Minutes of the Meeting Held on 3 December 2019

The minutes of the meeting held on 3 December 2019 were approved as a correct record and signed by the Chair.

04/03/20 Matters Arising and Actions List

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

The action in relation to minute 70/12/19 was due to be complete by the next meeting of the Committee.

The Committee noted the Actions List.

05/03/20 Strategic Risk Update - Protective Security (SR17)

Siwan Hayward introduced the paper, which provided an update on the activity underway to reduce and control the risk from terrorism and other security threats.

TfL had a pan-TfL protective security programme with controls and mitigations against the risks. The programme complemented the specific London Underground Programme, the pan-TfL approach to countering fraud and corruption, and the work undertaken to address the risk of a cyber incident (Strategic Risk 4). There was potential for combining Strategic Risks (SRs) 4 and 17 into a single strategic risk that focused on the overall security culture, but this was not currently planned.

TfL had established a Security sub-committee (SSC) of TfL's Executive Committee to guide decision making and ensure effective oversight of protective security management. It was attended by senior leaders in TfL and representatives from the Metropolitan Police Service, the British Transport Police and Security Services. The SCC steered various programmes underway to address vulnerabilities across the organisation and worked towards building a security culture in TfL. It was also used to spearhead good governance in security across TfL.

The work on the management of insider risk was going through the quality impact assessment process and TfL was engaging with staff groups, particularly BAME and faith groups, to ensure that the tone did not cause staff to feel negatively about the procedure. The insider risk management procedure would be shared with the Committee, once completed. **[Action: Siwan Hayward]**

A new e-learning package on security had been rolled out. TfL had a good relationship with London Councils and knowledge and best practice are increasingly being disseminated to the boroughs.

TfL also was encouraging bus operators to review their current practices, through chief executive meetings and a programme of engagement, and looked for opportunities to bring changes to practices through the supply chain and contractual renewals.

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

06/03/20 Personal Data Disclosure to the Police and Other Agencies

Siwan Hayward introduced the paper, which provided an update to the Committee on the disclosure of personal data to the police and other Statutory Law Enforcement Agencies for the prevention and detection of crime in London.

The Compliance, Policing and On-Street Services (CPOS) team comprised permanent members and attachments from the British Transport Police and Metropolitan Police. The team operated as a single disclosure team and worked to support the policy. The attachment of colleagues from the policing partners meant that the team was better able to deal with an increase in requests for data, at no cost to TfL.

Requests were triaged on the level of risk and harm, with an aim to respond to every request within 36 hours. The team was in operation 24 hours a day.

There was an increase in requests for data in 2019, largely because of more data requests from the police for the investigation of theft, robbery and violence against the person.

With regards to data requests relating to taxi and private hire (TPH), there had been a significant increase from 2018. At the end of 2017, a new procedure was introduced whereby all operators would share a complaint of potential criminal acts with the police and TfL. In 2018 CPOS received 294 requests from the police, with regards to sexual offences against passengers of TPH vehicles. This represented an increase of 120 requests and highlighted that the policy had a positive impact in triggering necessary investigations. The increase in requests in 2018 was largely due to the new policy meaning the police could investigate historic complaints.

Future reports would contain more context around the numbers and have the data normalised.

[Action: Siwan Hayward]

The Committee noted the paper.

07/03/20 Independent Investment Programme Advisory Group Quarterly Report

Lorraine Humphrey introduced the report, which set out the Independent Investment Programme Advisory Group's (IIPAG's) Quarterly Report and annual Review of the Effectiveness of the First and Second Lines of Defence. Alison Munro told the Committee that IIPAG had found that the first and second line of defence had lots of good process and resource. There were some issues around ensuring that processes were complied with across TfL and the broadening of the planning of assurance would be of benefit.

Recommendations would be tracked throughout the year to ensure that progress was being made.

There was scope to improve the impact of sub programme reviews and IIPAG had recently held workshops with Project Assurance to identify how the impact could be developed further.

IIPAG had looked at engineering resource with TfL colleagues and a report on benchmarking would be produced. An additional crosscutting report would be provided on value for money and TfL engineering standards and there would be a crosscutting review of the Project Management Office.

Lorraine Humphrey told the Committee that, since the publication of the agenda, the number of overdue recommendations had reduced from 30 to 20.

The Review of Effectiveness had been well received. The approval process was being looked at and the key things to ascertain would be who the appropriate owners, approvers and managers were. Discussions were ongoing with other areas of TfL. Several recommendations for the second line of defence had been implemented already.

A balance was needed on the resources within Project Assurance. New frameworks would allow recruitment of experts from a wider base and, where necessary, specialist resource could be recruited.

The Committee welcomed the step change in TfL's engagement with IIPAG and the detail of IIPAG's constructive feedback.

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

08/03/20 Risk and Assurance Quarter 3 Report 2019/20

Clive Walker introduced the paper, which updated the Committee on the completed, in progress and planned work done by the Risk and Assurance Directorate during Quarter 3 (Q3) 2019/20. The Committee noted that the Head of Internal Audit, Dili Origbo, had left TfL.

On Enterprise Risk Management, five of the Level 0 risks had been updated in the quarter and a half day workshop had been held with representatives for most of the Strategic Risks to model the financial impact of TfL's top Strategic Risks. The workshop was useful in understanding the full risk landscape, the interconnectedness of risks and avoiding the double counting of risks.

There had been meetings between TfL, Crossrail Limited (CRL) and Network Rail to share Strategic Risks and may be broadened to level 1 and level 2 risks in future, at the request of CRL.

The annual cycle of Strategic Risks being considered by the relevant Committee or Panel had been completed and lessons learned would be incorporated into future submissions.

The number of audits delivered in Q3 was slightly above that of Q3 in 2018/19. Whilst this was still below target, an increased rate of delivery was expected in Q4. The number of management actions that were more than 60 days overdue had increased slightly, primarily owing to the Christmas period. All 10 significantly overdue recommendations had since been addressed.

The audit work in CRL was now underway, using a mix of in-house resource and the co-source audit partner PriceWaterhouseCoopers. No audit reports were issued for CRL in Q3 but three had been published since the end of the quarter and more were expected before the end of the financial year.

In Project Assurance, 23 project assurance reviews had been completed, with the Independent Investment Programme Advisory Group taking part in nine. Work was ongoing with the investment appraisal team in Finance, which had received good feedback.

There were 54 counter-fraud and corruption cases open in Q3, which was slightly less than Q3 in 2018/19. A significant amount of fraud prevention work had been undertaken to increase staff awareness of fraud. A counterfeit ticketing operation with London Underground had been completed and the Counter-fraud and Corruption Steering Group had met twice. A senior HR representative would be appointed to the Steering Group to ensure that HR policies and anti-fraud and corruption issues are co-ordinated. An additional investigator had also been recruited.

The number of poorly controlled audit reports had increased in each quarter, compared with 2018/19. It was difficult to determine whether this indicated a weakening of the control environment or if the trend could be partly attributed to business areas being challenged more and higher risk areas being identified for audit by the Risk and Assurance Directorate. It was possible that TfL's Transformation programme and several new colleagues in certain roles could be a factor. The trend would be monitored going forward and results presented to the Committee as necessary.

The number of planned audits had been reduced, compared to previous years, and it was felt that this was more achievable, whilst recognising that a certain degree of over programming was useful.

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

09/03/20 Integrated Assurance Plan 2020/21

Clive Walker introduced the paper, which presented the 2020/21 Integrated Assurance Plan (IAP) for approval.

In the development of the IAP, senior management had been consulted to see where they felt assurance work could add value. The draft had been shared with senior staff in London Underground, Surface Transport, Finance and with members of the TfL Executive Committee. It has also been shared with the Independent Investment Programme Advisory Group (IIPAG) to identify areas where TfL and IIPAG could work collaboratively. The level of resource had been considered and the number of audits planned reduced accordingly. Each audit was assigned against a Strategic Risk, although some would be applicable to multiple Strategic Risks.

The IAP highlighted areas where the second line of defence would be provided by other teams, such as the Integrated Assurance and Project Assurance teams within Risk and Assurance. The Counter-Fraud and Corruption team often identified control issues during its investigations and worked closely with Internal Audit to assist in developing recommended actions.

As the opening of central section of the Elizabeth line was a critical objective for both TfL and Crossrail Limited (CRL), the IAP included a programme of audits within CRL, which focused on delivery of the project to time and budget.

On Strategic Risk 1, Achieving Safety Outcomes, conversations had been held with the Chief Safety, Health & Environment Officer on what the most important areas of focus should be. The River business unit had not been included previously and was therefore included in the 2020/21 IAP. Over the year, it was likely that the overall Vision Zero programme would be looked at to ensure the correct areas were being targeted.

In future submissions of the IAP, further context would be given around those Strategic Risks where no work was planned in the IAP, such as Strategic Risks 9 and 15. Members asked that consideration be given to developing a medium-term plan to assure the Committee that Strategic Risks that were not being picked up in a single year's IAP were included in future work plans. **[Action: Clive Walker]**

The Committee noted the paper and approved the Plan.

10/03/20 Lessons Learned from the First Full Year of the Enterprise Risk Framework

Nico Lategan introduced the paper, which updated the Committee on the lessons learned following the first full year of reporting to the Board, Committees and Panels on Enterprise Risk Management (ERM).

There had been some variability in the quality of the papers over the past year, but these had significantly improved, with fonts and legibility of papers becoming more consistent. Guidance on report content would be produced to improve the quality of reports further. Discussions of risk had changed focus from the risk process to the substance of the individual Strategic Risks.

A schedule for presenting Strategic Risks to the Board, Committees and Panels had been developed and guidance on the content of papers had been provided.

Areas for further development included:

- (a) considering whether there were opportunities to streamline the number of Strategic Risks;
- (b) focussing attention on post risk event controls, as risk managers had generally found it easier to identify preventative controls;
- (c) improving understanding of the risk template; and
- (d) improving understanding of the interconnectivity of risks.

There had been a big cultural shift on risk in TfL. More conversations were being had on risk, including regular updates to the TfL Executive Committee, and the necessary processes were becoming increasingly embedded.

Members noted that the Executive Committee would review the proposed streamlining of risks, prior to their consideration by the Committee. TfL's approach to risks had matured which would allow for some interconnectivity between different risks. The review would focus on agreeing the appropriate risks faced by TfL rather than seeking to arrive at a predetermined number. The development of revised risks would begin in summer 2020, with an update provided to the next meeting ahead of firm proposals in September 2020.

[Action: Clive Walker]

The Committee noted the paper.

11/02/20 External Audit Services Policy

Tony King introduced the paper, which presented the draft revised Policy on External Audit and Non-Audit Services for approval.

The Policy provided guidance on the types of work that was acceptable for the external auditor to undertake and set limits on the volume of non-audit work that may be undertaken. TfL's external auditors were required to report on their compliance with the Policy twice a year.

The Committee approved the revised Policy.

12/03/20 Register of Gifts and Hospitality for Members and Senior Staff

Howard Carter introduced the standing item on details of the gifts and hospitality declared by the Board and senior staff.

The Committee noted the paper.

13/03/20 Members' Suggestions for Future Discussion Items

Howard Carter presented the forward plan. Other than the actions identified above, there were no suggestions for future agenda items.

The Committee noted the paper.

14/03/20 Any Other Business the Chair Considers Urgent

There was no urgent business.

15/03/20 Date of Next Meeting

The next scheduled meeting was due to be held on Monday 8 June 2020 at 10.00am.

16/03/20 Exclusion of Press and Public

The Committee agreed to exclude the press and public from the meeting, in accordance with paragraphs 3 & 7 of Schedule 12A to the Local Government Act 1972 (as amended), in order to consider the following items of business: Strategic Risk Update – Protective Security (SR17); Independent Investment Programme Advisory Group Quarterly Report; and Risk and Assurance Quarter 3 Report 2019/20.

The meeting closed at 12.40pm.

Chair: _____

Date: _____

Audit and Assurance Committee



Date: 8 June 2020

Item: Matters Arising and Actions List

This paper will be considered in public

1 Summary

1.1 This paper informs the Committee of progress against actions agreed at previous meetings.

2 Recommendation

2.1 **The Committee is asked to note the Actions List.**

List of appendices to this report:

Appendix 1: Actions List

List of Background Papers:

Minutes of previous meetings of the Audit and Assurance Committee.

Contact Officer: Howard Carter, General Counsel

Number: 020 3054 7832

Email: HowardCarter@tfl.gov.uk

[page left intentionally blank]

Audit and Assurance Committee Actions List (reported to 8 June 2020 meeting)

Actions from last meeting

Minute No.	Item/Description	Action By	Target Date	Status/Note
05/03/20	Strategic Risk Update - Protective Security (SR17) – insider risk management The insider risk management procedure would be shared with the Committee, once completed.	Siwan Hayward	September 2020	Agreed.
06/03/20	Personal Data Disclosure to the Police and Other Agencies – normalisation of data Future reports would contain more context around the numbers and have the data normalised.	Siwan Hayward	March 2021	Agreed.
09/03/20	Integrated Assurance Plan 2020/21 – context of Strategic Risk and medium-term planning In future submissions of the IAP, further context would be given around those Strategic Risks where no work was planned in the IAP... Members asked that consideration be given to developing a medium-term plan to assure the Committee that Strategic Risks that were not being picked up in a single year's IAP were included in future work plans.	Clive Walker	March 2021	Agreed.
10/03/20	Lessons Learned from the First Full Year of the Enterprise Risk Framework – revised risks The development of revised risks would begin in summer 2020, with an update provided to the next meeting ahead of firm proposals in September 2020.	Clive Walker	September 2020	A list of the proposed new strategic risks being considered by the TfL Executive Committee is included in the Risk and Assurance Quarter 4 Report on this agenda. A fuller update will be provided at the September meeting.

Actions from previous meetings:

Minute No.	Item/Description	Action By	Target Date	Status/Note
65/12/19	Risk and Assurance Quarter 2 Report 2019/20 The Committee requested further information on recent trends in the conclusions from Internal Audit reports.	Clive Walker	8 June 2020 meeting	Information on trends is included in the Risk and Assurance Annual Report. on this agenda.
69/12/19	Cyber Security Update An update report with a roadmap and clear timeline to be reported to a future meeting.	Shashi Verma	September 2020	Scheduled on Forward Plan.

Audit and Assurance Committee



Date: 8 June 2020

Item: TfL Statement of Accounts for the Year Ended 31 March 2020

This paper will be considered in public

1 Summary

- 1.1 This paper presents the draft TfL Group Statement of Accounts, together with the Remuneration Report for the year ended 31 March 2020 to the Committee for consideration. The current drafts of the Statement of Accounts and Remuneration Report are attached to this paper and will be presented to the Board for approval on 29 July 2020.

2 Recommendations

2.1 The members of the Committee are asked to:

- (a) note 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 will be reported to the next meeting of the Committee;**
- (b) recommend 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;**
- (c) **note 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 2020:**
- (i) **TTL Build to Rent Properties Limited;**
 - (ii) **TTL FCHB Properties Limited; and**
 - (iii) **TTL Wembley Park Properties Limited;**
- (d) **note that:**
- (i) **as a result of the application of IFRS 9 Financial Instruments, our auditors, Ernst & Young LLP, have requested 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 [and the template for the letter to be signed is included in Appendix 2].**

3 Background

- 3.1 The Statement of Accounts has been prepared in accordance with the provisions of the Local Audit and Accountability Act 2014 and the Accounts and Audit Regulations 2015 (“the Regulations”). The form, content and accounting policies followed in preparing the Statement of Accounts are as prescribed in the Regulations and by the Code of Practice on Local Authority Accounting which is developed and published by the CIPFA/LASAAC joint committee (“the Code”). The Code is based on International Financial Reporting Standards (“IFRS”).
- 3.2 The Regulations require that the responsible financial officer, namely the Statutory Chief Finance Officer, sign and date the Statement of Accounts before the commencement of the period for the exercise of public rights, and certify that it presents a true and fair view of the financial position of TfL at the end of the year to which it relates and of TfL’s income and expenditure for that year.
- 3.3 The certified Statement of Accounts, which are at this stage unaudited, together with the Annual Governance Statement must be published on TfL’s website, and an appropriate notice providing details of how public rights may be exercised is also required to be published. The period for exercise of public rights commences the next working day after all these conditions have been fulfilled and runs for a period of 30 working days.

- 3.4 After the conclusion of the 30 working day period, the Statutory Chief Finance Officer again certifies the Statement of Accounts, and following this re-certification the Statement of Accounts, with the addition of the Independent Auditor's Report, will be considered and approved by the Board.
- 3.5 The unaudited Statement of Accounts was certified by the Statutory Chief Finance Officer on 31 May and published on TfL's website together with the Annual Governance Statement on that day. Appropriate notices have been placed on TfL's website. The period for exercise of public rights consequently commenced on 1 June and will conclude on 10 July. Following the conclusion of the period it is planned that the Board should consider the accounts at the Board meeting on 29 July 2020.
- 3.6 The period for exercise of public rights includes rights of objection and questioning as well as inspection. Should any questions or objections be raised, these will be reported to the Committee at its next meeting.

4 Results for the Year

- 4.1 There are significant differences in the basis of preparation of the Group Comprehensive Income Statement compared with management reports (see section 11 below) and the Income Statement shows a surplus on the provision of services after tax of £1,404m, up from £659m in 2018/19. The favourable movement is due, primarily, to unrealised revaluation gains recognised on the revaluation of our investment properties, reflecting the creation of a consolidated commercial property portfolio. This is the vehicle to support delivery of homes under the Mayor's Transport Strategy, and a growing sustainable income stream, as well as to facilitate the ability to generate both debt and equity to fund capital requirements. As a result, gains recognised within financing and investment income increased from £5m in 2018/19 to £934m in 2019/20. A related deferred tax charge of £243m partially offsets the impact of this gain. It should, however, be noted that neither the gain, nor the deferred tax charge, represent cash gains or losses – and the net impact is reflected in our unusable reserves at 31 March 2020.
- 4.2 As at 31 March 2020, the Group had usable reserves of £1,604m, down from £1,627m at 31 March 2019, and below the forecast level of £1,789m set out in the December 2019 Business Plan. The £185m shortfall against the Business Plan forecast was attributable to lost revenues in the last two weeks of the year as a result of the coronavirus pandemic and the consequent travel restrictions that were imposed. The impact of the coronavirus outbreak on the 2019/20 results was limited as the lockdown in the UK was not imposed until 23 March. However, the impact on revenues since the year end has been severe. Modelling has indicated a possible reduction in passenger revenues ranging from £1.4bn to £3.5bn by the end of 2020/21. As a consequence, the Mayor has secured an extraordinary funding and financing package from the Secretary of State which gives TfL access to £1.6bn of funding for an initial Support Period until 17 October 2020. At that point in time, as the longer-term impact of the coronavirus outbreak becomes clearer, a further, medium-term support package will be put in place, to secure TfL's ability to continue to operate and support

London and the United Kingdom through the pandemic and into economic recovery. This support package has enabled TfL to continue to prepare these accounts on a going concern basis.

- 4.3 Earmarked reserves of £1,081m represent the majority of the Group's usable reserve balance at 31 March 2020. They arise because the Group has received funding in advance of incurring costs and completing projects. Central government funding, previously received in the form of General and Investment Grant from the DfT has now been replaced by a share of Business Rates Retention income retained by the GLA. This is receivable in line with the schedule previously agreed with the DfT and is allocated to the Investment Programme to fund the delivery of a number of strategically important projects to specified milestones, details of which are set out in Annex B of the 2017 Funding Agreement letter from the Department for Transport.
- 4.4 Earmarked reserves reduced by £376m during 2019/20, primarily reflecting a transfer from earmarked reserves to the General Fund during the year. Earmarked reserves form part of the overall funding pot for the Investment Programme and are allocated in TfL's Business Plan to be spent on delivering investment projects to improve transport in London, including not only Crossrail, but also the Northern line and Barking Riverside extensions, the Deep Tube Upgrade, and major station upgrades. Since these sums are fully allocated to transport improvements as part of the Investment Programme, they are not available to spend on additional projects.
- 4.5 The General Fund balance at 31 March 2020 increased to £500m from £150m as at 31 March 2019. The General Fund is held to ensure sufficient cash-backed reserves are maintained by the Group to cover risks that may arise. The level was reviewed during 2019/20, following a benchmarking exercise, and uplifted to a level determined to be the minimum level appropriate given the scale of the Group's operations.

5 Accounting Policies

- 5.1 The revised Code for 2019/20 has deferred adoption of IFRS 16 Leases for 24 months until the year beginning 1 April 2021. The Transport Trading Limited (TTL) Group (TfL's group of trading subsidiaries), however, reports under full IFRS, and has had to apply the requirements of IFRS 16 from 1 April 2019. In 2019/20, therefore, TfL early adopted IFRS 16 Leases to align the accounting for leases at a TfL Group level with the IFRS accounting requirements of its subsidiaries. The application of this standard has had a significant impact on TfL's accounts.
- 5.2 IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases. It requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17.

- 5.3 The lease liability is measured at the present value of future lease payments, discounted using the Group's incremental borrowing rate. Subsequent to initial recognition the liability is increased by the application of an imputed interest charge on the outstanding lease liability and reduced by lease payments made.
- 5.4 A related right-of-use asset is also recognised, initially at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease. The asset is then depreciated over the remaining term of the lease.
- 5.5 In the Comprehensive Income and Expenditure Statement, leasing charges, previously recognised within operating expenditure, are replaced with an amortisation charge on the right-of-use assets, and a financing charge, included within financing and investment expenditure.
- 5.6 On application of the new standard, TfL applied the modified retrospective transition method, under which comparative information has not been restated. The Group also performed an assessment to identify significant contracts which were not previously classified as leases but that are classified as leases under the new guidance. This resulted in the recognition of new lease assets and liabilities in respect of the buses used by our bus operators.
- 5.7 The impact of the application of the new standard on the Group's transitional balance sheet at 1 April 2019 has been the recognition of new leased assets (in addition to those previously recognised as finance leases) totalling £1,759m and of associated lease liabilities totalling £1,768m. As at 31 March 2020, right-of-use assets totalled £2,310m, with right-of-use liabilities totalling £2,417m. The increase is primarily attributable to the acceptance of new leased rolling stock during the year.
- 5.8 With the exception of the above no other changes to the Code have had an impact on the financial statements.

6 Remuneration Disclosure

- 6.1 The requirements for producing the various elements of remuneration disclosure are unchanged from earlier years. To aid understanding, the required disclosures are made in an extended Remuneration Report, presented outside the financial statements. Audited sections have been clearly identified and are cross-referenced in the notes to the financial statements.

7 Disclosure of Pension Fund Deficit

- 7.1 The Group balance sheet includes the deficit on the Public Sector section of the TfL Pension Fund, TfL's share of the deficit on the Local Government Pension Scheme, the deficit on the Crossrail Section of the Railways Pension Scheme, and the liability in respect of unfunded pension obligations, all calculated in accordance with IAS 19 Employment Benefits. The total deficit on TfL's defined benefit pension schemes, calculated in accordance with IAS 19, has fallen from £5.4bn at 31 March 2019 to £4.1bn at 31 March 2020. The main reasons for this decrease are the change in the financial assumptions adopted (primarily the fall

in expected price inflation) and positive member experience (compared to the assumptions made). These have both served to reduce the value placed on the liabilities.

- 7.2 These factors have been partially offset by the return on assets being lower than expected (based on last year's discount rate) and the value of the benefits accrued by active members over the year being more than the contributions paid by TfL.
- 7.3 The IAS 19 basis of valuation is different to that used by the Fund Actuary in the triennial valuations which determine the level of contributions that TfL is required to make to the TfL Pension Fund. The last such valuation was at 31 March 2018 and revealed a deficit of £603m for the Public Sector section. Employer's contributions for 2019/20 for the Public Sector section were 26.9 per cent of pensionable pay. From 1 April 2020 until 31 March 2026 employer contributions will rise to 33.3 per cent, comprising the future service contributions of 26.9 per cent, plus additional deficit recovery repayments at 6.4 per cent of pensionable pay.
- 7.4 The difference between the funding valuation and the IAS 19 valuation is due to the different rules applying to the two valuation bases, particularly the different discount rate. The discount rate for the IAS 19 valuation is required to be based on AA corporate bond yields, but the discount rate for the funding valuation is based on expected returns on the Scheme's assets. There are also differences in the other assumptions. The pension fund Trustees are required to adopt "prudent" assumptions whereas IAS 19 requires "best estimate". In the reconciliation below the most significant items in the £1.5bn "best estimates" adjustment figure are the effect of allowing for lower RPI inflation and lower real salary growth assumptions for IAS 19, as well as the impact of allowing for a less prudent mortality assumption for IAS19.

Public Sector Section	£bn
Deficit on funding basis (estimated at 31 March 2020)	(2.4)
Lower discount rate used for IAS 19 valuation	(3.0)
Impact of "best estimate" assumptions rather than "prudent"	1.5
Deficit at 31 March 2020 under IAS 19	<u>(3.9)</u>

- 7.5 The Code requires that IAS 19 does not impact on Council Tax rates. The income and expenditure account therefore includes an appropriation from or to the Pensions Reserve. The result of these entries is that the pension deficit is not charged to the General Fund, and is instead charged to a separate reserve, and only the actual contributions paid to the pension funds impact on the General Fund.

8 Borrowings

- 8.1 Incremental direct borrowing for the year was £545m, taking the nominal value of TfL's total borrowing at 31 March 2019 to £11.72 bn. Of the new direct borrowings drawn down in the year, £100m related to drawdowns under facilities with the European Investment Bank, £516m related to five tranches drawn down from the Public Works Loan Board (PWLB) and £25m was drawn down as short-term Commercial Paper. Offsetting these increases were £96m of scheduled PWLB and EIB repayments made in the year.

9 Derivatives and Hedging

- 9.1 TfL, through a wholly owned subsidiary, holds a portfolio of derivatives to hedge interest rates on its issued and future borrowings. As at 31 March 2020, the Group had in place interest rate swaps to fix the interest rate on £225m of floating rate borrowings currently in issue. The Group also held £208.6m of interest rate swaps to hedge the interest rate risk in respect of rolling stock leases.
- 9.2 At 31 March 2020, the Group held forward foreign exchange derivative contracts in Euros, Canadian Dollars, Swiss Francs, Swedish Krona and Chinese Yuan Renminbi to hedge planned foreign currency capital expenditure payments with a net nominal value of £443m.
- 9.3 TfL has adopted hedge accounting for the above derivatives. The effect of this is that movements in the fair value of the derivatives are initially deferred in reserves rather than flowing through the income and expenditure statement. Gains or losses ultimately realised on derivatives are subsequently recognised in the income statement as the hedged items are recognised. In 2019/20 this resulted in the recognition as a financing expense of £9m previously deferred in respect of gilt locks, as net losses incurred in previous years were released over the terms of the debt issuances to which they related.
- 9.4 The Group also invested in approved counterparties in Euros, employing foreign currency swaps and forwards to swap these investments back into Sterling as a matter of course. Hedge accounting was not applied to these derivatives as, at the Group level, unrealised fair value movements on the derivatives net off with the unrealised exchange rate gains or losses resulting from the retranslation of the foreign currency investments themselves within the Surplus on the Provision of Services.

10 Property Valuations

- 10.1 2019/20 saw a significant increase in property valuations, with investment properties (including those classified as 'assets held for sale') seeing a total net increase in fair value of £934m. This reflected the transfer of operational assets, previously held at depreciated cost, into a consolidated commercial property portfolio, created as the vehicle to support delivery of homes under the Mayor's Transport Strategy, and a growing sustainable income stream, as well as to facilitate the ability to generate both debt and equity to fund capital requirements. All valuations were undertaken by external professionally qualified

valuers in accordance with the appropriate sections of the Red Book, RICS Valuation – Global Standards 2017 published by the Royal Institute of Chartered Surveyors and are compliant with International Valuation Standards.

- 10.2 The Group share of loss after tax of associated undertakings of £52m included our 37 per cent share of a decrease in the valuation of the Earls Court site held by Earls Court Partnership Limited. The valuation included in our accounts at 31 March reflected our share of the valuation included in the partnership's own financial statements prepared for the period up to 31 December 2019.
- 10.3 Valuation gains on property are unrealised and therefore do not represent cash resources available to TfL.

11 Reconciliation between the Quarterly Performance Report and Profit and Loss

- 11.1 The net cost of operations as reported in the Quarterly Performance Report for 2019/20 was £(423)m. The surplus on provision of services before tax in the Group Comprehensive Income and Expenditure Statement was £1,404m. Some of the differences relate to items not included in the Quarterly Performance Report but which are required to be included in the Income and Expenditure Statement, and other differences arise from differing treatment of items explained below and summarised in the table in 11.4.
- 11.2 Items not included in net cost of operations in the Quarterly Performance Report but included in the Income and Expenditure Statement comprise:
- (a) gains and losses on the disposal of fixed assets;
 - (b) valuation gains and losses on the revaluation of investment property;
 - (c) share of gains or losses from associated undertakings and joint ventures;
and
 - (d) Exceptional items
 - (e) Deferred tax
- 11.3 Items where the treatment is different:
- (a) Depreciation, amortisation and impairment charges in relation to property, plant and equipment assets are not included in the Quarterly Performance Report. Instead the Operating Account includes a line item for "capital renewals" which represents the proportion of capital expenditure during the year that has been invested in renewing, rather than enhancing or expanding, existing transport infrastructure.
 - (b) The cost of retirement benefits in the Quarterly Performance Report is based on cash flows rather than the IAS 19 service cost and financing cost;
 - (c) Borrowing costs capitalised into the cost of construction of property, plant and equipment are shown within financing costs in net cost of operations in

the Quarterly Performance Report, but as capital additions in the Statement of Accounts.

- (d) all grant income, whether capital or revenue in nature, is required to be included in the Income and Expenditure Statement, whereas in the Quarterly Performance Report only revenue grants are included in the Operating Account, with capital grants being included separately in the Capital Account
- (e) Internal management reporting includes a charge within operating expenditure, for the costs of right-of-use leases, calculated on an IAS 17 basis (the former lease accounting standard). In the net cost of services included within these financial statements, this charge has been stripped out and replaced with the depreciation charge in respect of right-of-use assets within net cost of services and a financing charge included within financing and investment expenditure in the Comprehensive Income and Expenditure Statement.

11.4 A reconciliation from the Operating Account as included in the Quarterly Performance Report to the Comprehensive Income and Expenditure Statement as included in the financial statements is set out below.

	£m
Net cost of operations as reported in the Quarterly Performance Report	(423)
Depreciation and amortisation	(1,404)
Lease expenses recorded on an IAS 17 basis	350
Pensions differences	(418)
Exceptional items	(19)
Capital grant income	2,163
Valuation gains on investment property	934
Loss on disposal of property, plant and equipment	(31)
Gain on disposal of investment properties	32
Capitalisation of interest	109
Share of loss of associated undertakings	(52)
Deferred tax	(253)
Other	(36)
Less: capital renewals	452
Surplus on provision of services before tax in the Accounts	1,404

12 Audit Opinion

12.1 Under the Local Audit and Accountability Act 2014, TfL's auditors, Ernst & Young LLP are required to opine on the following:

- (a) whether the financial statements, in their opinion, give a true and fair view of the financial position of the Transport for London Corporation and Group as at 31 March 2020 and of its expenditure and income for the year then ended
- (b) whether the financial statements have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting the United Kingdom 2019/20; and

(c) whether they are satisfied that, in all significant respects, Transport for London has put in place proper arrangement to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

12.2 Ernst & Young's update in respect of audit progress in relation to the above is not covered by this paper, but is addressed in the EY Report to those charged with governance included elsewhere in the Audit and Assurance Committee agenda.

13 Subsidiary Companies Audit Exemption

13.1 For the year ended 31 March 2014, the Group took advantage of changes under section 479A of the Companies Act 2006 that enable certain UK subsidiary companies to claim exemption from audit of their accounts.

13.2 The exemption is conditional on a parent undertaking giving a guarantee to its subsidiary in respect of all liabilities of that subsidiary outstanding at the balance sheet date, and on 5 June 2014, under authority delegated by the Board on 26 March 2014, the then Finance and Policy Committee agreed that, for the year ended 31 March 2014 and for future years until withdrawn, the holding company for TfL's trading subsidiaries, Transport Trading Limited, will offer the guarantee to a majority of its subsidiaries.

13.3 For the year ended 31 March 2020, the majority of TTL's subsidiaries will again claim exemption from audit.

List of appendices to this report:

Appendix 1: Draft TfL Financial Statements – To follow

Appendix 2: Template for annual letter of support from TfL to its subsidiary companies

Appendix 3: Remuneration Report

List of Background Papers:

None

Contact: Antony King, Group Finance Director
Statutory Chief Finance Officer

Number: 020 7126 2880

Email: AntonyKing@TfL.gov.uk

[page left intentionally blank]

Appendix 2 – Template for annual letter of support from TfL to its subsidiary companies

The Directors

<insert Company name & address>

<insert date>

Dear Sirs

<insert Company name>

The Board of Transport for London has agreed that, as a TfL Officer, I am authorised to agree and execute any documentation to be entered into by TfL in connection with the incorporation of the Company.

In line with the standard letter of financial support provided to TfL subsidiaries, and having considered the financial position of the Company, I confirm that, from the date of its acquisition as a subsidiary within the TfL Group and for as long as the Company remains a subsidiary within the TfL Group, Transport for London shall continue to provide the Company with sufficient financial means to enable it to pay all its debts as they fall due.

We will inform you as soon as reasonably practicable in the event that circumstances change in a manner such that it would or might no longer be open to us to continue to provide such financial support.

This commitment has been reaffirmed as at 31 March <insert year end>.

Yours faithfully

.....

Chief Finance Officer, Transport for London

[page left intentionally blank]

Remuneration Report

2019/20

Introduction

In challenging conditions, we must stay focused on safety and delivering for London

As chair of TfL's Remuneration Committee, I must ensure that TfL has an appropriate remuneration policy to recruit and retain senior employees with the right experience to lead the organisation and deliver the Mayor's priorities.

The Annual Report sets out what TfL has delivered over the last year, while facing a number of financial challenges. These included a subdued economy caused by uncertainty over the UK's exit from the European Union and the ongoing delays to the opening of the Elizabeth line. Further to this, in March 2020, along with the rest of the UK – and indeed the world – TfL had to cope with the coronavirus pandemic and needed to make quick decisions to keep staff and customers safe. We are greatly saddened by the loss of our colleagues and friends who have died as a result of coronavirus and we remember the incredibly important role that they have played for this city.

Before the coronavirus pandemic, TfL's prudent management of its finances and operations meant it was in a sound financial position. The coronavirus crisis has had a significant impact on TfL's finances. Consequently, TfL has made use of the

Government's Coronavirus Job Retention Scheme, and has secured an extraordinary funding and financing package from the Government to ensure it can play its full part in the recovery.

To confront the significant challenges that lie ahead, it is vital that we can attract and retain the right leadership to see the organisation through this difficult time and help get London moving and working again, safely and sustainably.

The Committee is responsible for setting a policy that allows TfL to compete in a global market to secure the right talent, while delivering value for money. Extensive external benchmarking provides confidence that we have an appropriate and balanced approach to rewarding senior staff that meets that goal.

Ben Story
Chair, TfL Remuneration Committee

'It is vital that we can attract and retain the right leadership to see the organisation through this difficult time'



Governance

Remuneration Committee members



Ben Story
Chair



Kay Carberry CBE
Vice Chair



Heidi Alexander



Ron Kalifa OBE

Remuneration Committee role and responsibilities

Remuneration policy is set by TfL's Remuneration Committee to attract and retain the highest calibre individuals to successfully manage a large and complex business, while being mindful of its status as a public sector organisation that is principally funded by fare payers.

The Committee's full terms of reference are published on the TfL website and essentially involve keeping an overview of TfL's reward and remuneration policies and its arrangements for talent management and succession planning. From time to time the Committee will review and set the remuneration of the Commissioner, Managing Directors, General Counsel, Chief Finance Officer and other direct reports of the Commissioner. The Committee also helps to review the remuneration strategies for the entire senior manager group, particularly regarding performance-related pay.

The remuneration of the Chief Executive of Crossrail is determined by the Crossrail Remuneration Committee. Crossrail is a wholly owned subsidiary of TfL, with its own independent governance arrangements. These include a board comprising executive and independent non-executive directors, as well as two non-executive directors appointed by TfL and the Department for Transport.

Dates of meetings during 2019/20

The Committee met formally on five occasions: 18 June 2019, 11 July 2019, 6 November 2019, 5 February 2020 and 11 March 2020.

Activities of the Remuneration Committee during 2019/20

In June 2019, the Committee reviewed overall performance against the TfL and individual scorecard areas for 2018/19. Final performance awards for the most senior employees were also agreed.

Also at the June meeting, the Committee were provided with an update on TfL's pay gap analysis, with a particular focus on gender and ethnicity, as at 31 March 2018. TfL has undertaken a significant campaign to improve the level of disclosure of protected characteristics of its staff. This resulted in proportionately more men declaring; while this impacted negatively on the pay gap figures, it did mean the statistics were more accurate and would be more reliable for tracking improvements going forwards. Further work to reduce the level of non-disclosure is under way.

At the November meeting, the Committee were provided with an update on TfL's approach to talent management, how it planned to ensure it had the right skills in place to deliver the Business Plan and the Mayor's Transport Strategy and work to create succession plans for Executive Committee members. The nature of TfL's business has changed significantly in recent years and it also operates in an increasingly complex and challenging operational and financial climate. It is vital therefore to ensure we attract, develop and retain staff with the right skills and capabilities to meet these challenges.

The Committee requested a review of the Performance Award Scheme for senior managers to ensure that there was a permanent solution to the issue of alignment between scorecard results and performance award thresholds. At the February meeting the Committee approved the approach to use the existing balanced scorecard and calibrate all individual scorecard measures (including implementing a sliding scale approach) to ensure reward outcomes are aligned to an appropriate level of performance delivery.

The 2020/21 TfL Scorecard and Performance Award Thresholds were presented to the Committee at the March meeting before the country went into lockdown as a result of the coronavirus pandemic. As we better understand the impact, we will review and reset the 2020/21 Budget and scorecard during the year and publish any update when it is appropriate.

During 2019, TfL implemented a number of changes as a result of the Dawn Jarvis review. These included reducing the notice periods given to new TfL senior staff from 12 months to six months for future managing directors, and reducing the period for directors from six months to three months.

Throughout the year, the Committee has been responsible for approving salaries of £100,000 or more for any new appointments.

Policy

Board remuneration

Board members receive a basic fee of £16,000 per annum. Additional fees are paid for each appointment to a committee or panel, up to a maximum total remuneration of £20,000 per annum.

The additional fees are paid at the rate of £1,000 per annum as a member and £2,000 per annum as the Chair of a committee or panel. Members are also entitled to receive free travel on the TfL transport network. No allowances are paid to members.

Any expenses claimed by members, in relation to fulfilling their role as a TfL board member, are published on the board members page of our website, along with details of any gifts or hospitality received.

The remuneration for each member for the year ended 31 March 2020 is shown in Appendix 5.

No fee is paid to the Chair or Deputy Chair of TfL.

General remuneration

Our general policy is to provide remuneration that attracts, retains and motivates individuals of the right calibre to manage a large, complex organisation. Remuneration packages reflect responsibilities, experience, performance and the market from which we recruit.

The reward structure that has been developed is commensurate with this policy. It includes a base salary and a performance award scheme against the achievement of a range of public transport, customer, people and financial targets.

The main objective of the remuneration policy is to ensure that reward is based on performance to drive delivery while ensuring that the overall reward package is affordable.

Executive remuneration

The base pay and the total remuneration of the Commissioner, Managing Directors, General Counsel, Chief Finance Officer and other direct reports of the Commissioner is set by the Remuneration Committee, which uses external benchmarking and other comparative information to determine remuneration. This is broken down into the following components:



Component	Purpose	Operation	Maximum
Base pay	To reflect the individual's role, experience and contribution. Set at a level to attract and retain individuals of the calibre required to lead a business of TfL's size and complexity.	<p>The following factors are taken into account:</p> <ul style="list-style-type: none"> • Remuneration benchmark information from a specific peer group to identify a market median range of base pay, which reflects what TfL's Commissioner, Managing Directors, General Counsel and Chief Finance Officer would receive if they were to work in a similar role in another company of similar size, complexity and scope • The scope and responsibility of the role • The individual's skill, experience and performance against targets • Affordability for TfL 	There is no prescribed maximum salary. There will be no increases to base pay (where the accountabilities for the role remain unchanged) for the Commissioner, Managing Directors, General Counsel, Chief Finance Officer and Directors during the Mayor's current term in office.
Performance-related pay	To incentivise delivery of stretching one-year key performance targets (both individual and collective) as measured through individual performance rating and scorecard results.	<p>Performance awards are calculated using a matrix, which sets out the percentage performance award an employee will receive based on a combination of the scorecard result and their individual performance rating.</p> <p>Depending on the business area an employee works in, either the TfL Scorecard alone or a combination of the TfL Scorecard and the Delivery Business Scorecard sets the budget available for performance awards.</p> <p>An employee's contribution, in the form of a personal performance rating, determines the percentage performance award received from the available budget using a multiplier approach.</p> <p>Awards are paid in the following financial year.</p>	<p>The maximum award for the Commissioner is 50 per cent of base pay.</p> <p>The maximum award for Managing Directors, General Counsel and Chief Finance Officer is 30 per cent of base pay.</p>

Component	Purpose	Operation	Maximum
Benefits	To provide a competitive total reward package that supports attraction, retention and motivation.	<p>The Commissioner, Managing Directors, General Counsel and Chief Finance Officer receive the same core benefits as all other TfL employees. The only enhancements are full family cover for private medical benefit and an annual health assessment (which is available to all TfL directors).</p> <p>Membership of the TfL Pension Fund, a 'defined benefit' scheme which provides for a pension payable from age 65, based on 1/60th of pensionable salary for each year of service or, if invited and eligible, similar benefits provided on an unfunded basis.</p> <p>Some legacy arrangements apply for certain employees whereby an employer contribution of 10 per cent of salary is paid to either a defined contribution arrangement or as cash supplement at a discounted amount.</p>	Pensionable salary is capped at £166,200 from 6 April 2019 for members who joined after 31 May 1989.

The remuneration received by the Commissioner, Managing Directors, General Counsel and Chief Finance Officer for 2019/20 is shown on page 14.

Performance-related pay

Approved by the Board, the scorecard details our key priorities, providing an objective method for tracking performance. We use 20 measures, which have been developed to provide a clear link between the long-term vision of the Mayor's Transport Strategy, the five-year Business Plan and the 2019/20 Budget. These measures are used to determine any performance-related pay.

The measures are aligned with the three key themes of the Mayor's Transport Strategy – Healthy Streets and healthy people, a good public transport experience, and new homes and jobs. They are further grouped into four key areas of Safety and operations, Customers, People, and Financial, with each carrying an equal weighting of 25 per cent.

Outcome	Measure	2019/20 Target	Category	
Healthy Streets and healthy people (12.5%)				
London's transport system will be safe and secure	Reduction in people killed or seriously injured on the roads from 2005-09 baseline (%)	42.3	Safety and operations (25%)	
	Reduction in people killed or seriously injured on roads from 2005-09 baseline – incidents involving buses (%)	58.7		
London's streets will be clean and green	Number of London buses that are Euro VI compliant	8,350		
London's streets will be used more efficiently and have less traffic	Traffic signal changes to support Healthy Streets (person hours per day)	15,000		
More people will travel actively in London	Healthy Streets check for designers (average % uplift)	9		
A good public transport experience (30%)				
Public transport will be accessible to all	Reduction in customers and workforce killed and seriously injured (%)	56 fewer people killed or seriously injured (2.5% reduction)		
	Additional time to make step-free journeys (minutes)	8.3		
Journeys by public transport will be fast and reliable	Tube excess journey time (minutes)	4.52		
	Weighted bus customer journey times (minutes)	33.5		
The public transport network will meet the needs of a growing London	Customer satisfaction – percentage of Londoners who agree we care about our customers (%)	53	Customers (25%)	
	Deliver key investment milestones (%)	90		
	Start of TfL Rail/Elizabeth line services between Paddington and Reading	December 2019		

- 1 Cycling trips in central London only
- 2 Percentage point improvement from 2018/19 end-of-year position
- 3 Net operating surplus is the net cost of operations before renewals and financing costs

Outcome	Measure	2019/20 Target	Category
New homes and jobs (2.5%)			
Transport investment will unlock the delivery of new homes and jobs	The cumulative percentage of affordable homes on TfL land with planning applications submitted – post May 2016 (%)	50	Customers (continued)
Mode share (5%)			
80% of journeys will be made by sustainable modes in 2041	Public transport trips (millions)	3,967	People (25%)
	Average kilometres cycled per day (thousands) ¹	529	
People (25%)			
A capable and engaged workforce representative of London	Workforce representativeness ²		People (25%)
	- all staff (%)	+1	
	- director/band 5 (%)	+0.5	
	Inclusion index (%)	46	
	Total engagement (%)	57	
Financial (25%)			
We are prudent and cover our costs	Net operating surplus (£m) ³	625	Financial (25%)
	Investment programme (£m)	1,679	

Severance policy

Most employees who leave owing to redundancy do so under TfL's voluntary severance arrangements.

Voluntary severance terms for employees may include, dependent on circumstances, some or all of the following:

- A number of weeks of pay based on length of service, age and weekly pay
- Notice period that an employee may work or receive as a payment in lieu of notice
- Outplacement support or an equivalent cash payment
- Enhanced pension provision

There are minimum service requirements for some of these terms and some elements vary if employees volunteer to leave early during organisational change.

There are also some variations to these terms which have been agreed as local arrangements for the small number of employees who are members of the Local Government and Principal Civil Service Pension Schemes.

Following the Dawn Jarvis report, which was commissioned by the Mayor to review termination clauses and payments for senior employees across the GLA Group, the Remuneration Committee will have oversight of any proposed exit payments for the Commissioner, Managing Directors and other Senior Directors reporting to the Commissioner.

In addition, any exit payment outside of standard redundancy terms and which exceeds £100,000 (excluding notice periods, which are contractual) will be considered by the Remuneration Committee.

Other severance arrangements

In non-redundancy situations, TfL may enter into severance arrangements where to do so is in the interests of the organisation and represents value for money. All such arrangements are considered on a case-by-case basis.



Remuneration

Benchmarking of senior executives' pay

The Remuneration Committee uses data from remuneration consultants Aon Hewitt to benchmark the remuneration for the Commissioner, Managing Directors, General Counsel and Chief Finance Officer using two separate peer groups. The first is made up of comparable (scale, complexity and sector) private and public sector companies with a focus on transport, infrastructure and engineering (with data mainly derived from Aon's Executive Total Reward Survey (ETRS)); while the second is a peer group constituted solely from publicly accountable organisations.

The ETRS peer group comprises around 170 organisations focusing on the transportation, infrastructure and engineering sectors, and excluding those less relevant such as financial services. This provides a broad cross-section of the UK private sector market while incorporating some key public sector businesses as well.

The publicly accountable group comprises a range of 14 UK organisations with some degree of public accountability and, in most cases, a focus on infrastructure and transportation.

Each role is benchmarked against its respective counterparts in comparator organisations, with the scope of each role matched using Aon's JobLink system and TfL's internal Hay job evaluation scores. For combined roles, or where an incumbent has remit over multiple functions, benchmark data separately for each relevant role match is provided.

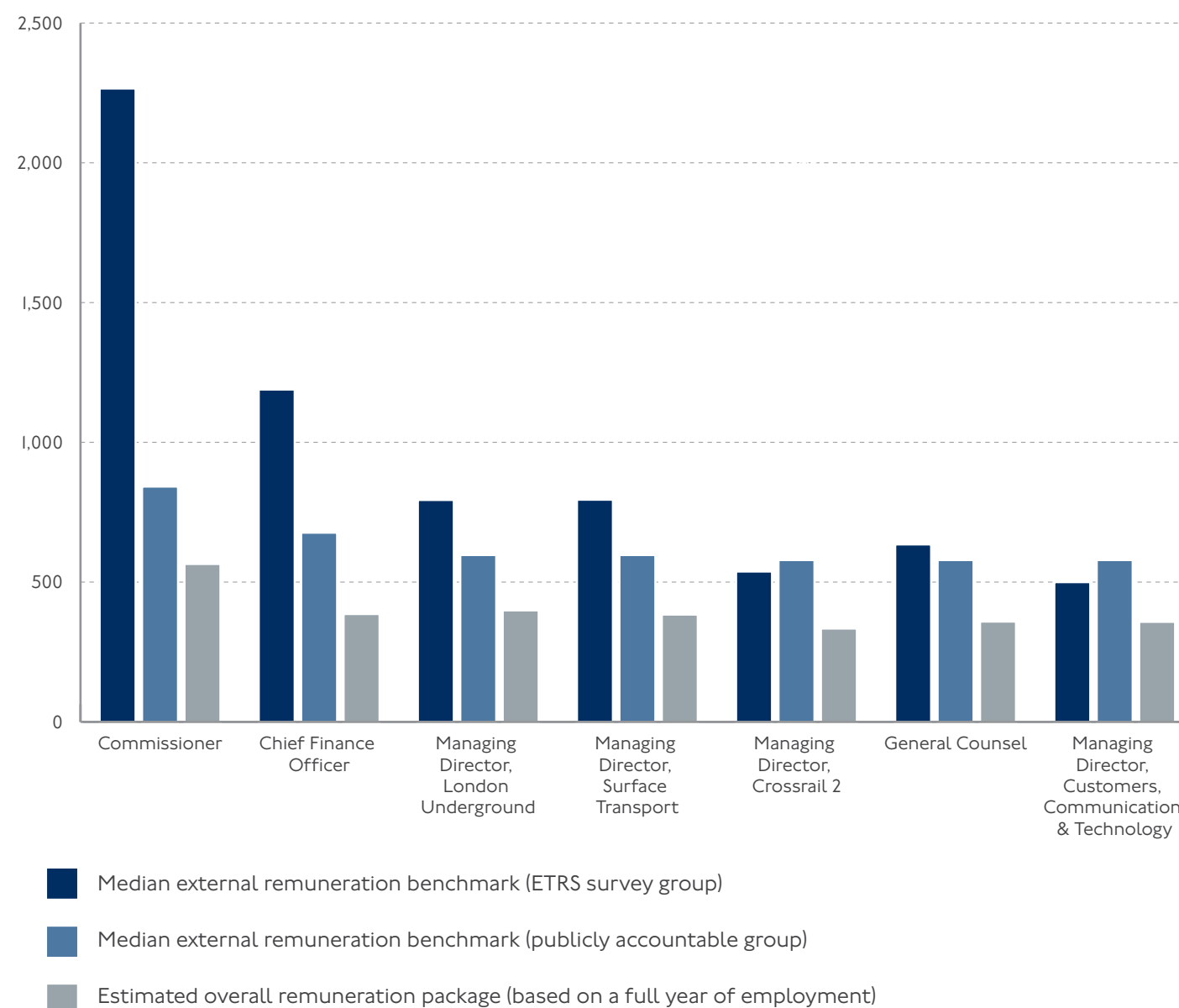
JobLink Levels are assigned to market data based on the scope and responsibilities of individual roles, as well as their seniority within their organisation and the scope of the organisation itself (typically with reference to group or divisional revenue). Role matching based on JobLink therefore ensures that a like-for-like comparison can be made between each role at TfL and the market data.

Estimated overall remuneration for each role has been calculated to include the base salary and estimates for performance-related pay and pension provision.

Performance-related pay has been based on the average level of performance over recent years, and the value of the pension provision is based on standard actuarial assumptions. The value of the estimated overall remuneration package will therefore be different to the actual remuneration paid.

The benchmarking has shown that the base salaries and comparable remuneration for the Commissioner, Managing Directors, General Counsel and Chief Finance Officer are significantly below the market level; total estimated overall remuneration is on average 55 per cent of the ETRS survey group market benchmark levels and 62 per cent of the publicly accountable group market benchmark levels. Individual alignment is shown in the following chart.

Benchmarking of remuneration for Commissioner, Chief Finance Officer, Managing Directors and General Counsel (£000s)



Comparison of senior executive pay to rest of TfL

The base salary of the Commissioner in 2019/20 was £355,944. This compares with the median base salary of £51,578 and the lowest base salary (excluding apprentices) of £20,255. The ratio between the Commissioner's salary and median base salary is 6.9:1 and the ratio to the lowest base salary is 17.6:1.

The following table shows how total remuneration is split between employees by grade.

	Percentage of total remuneration
Commissioner, Managing Directors, CFO and General Counsel	0.2
Directors	0.7
General managers	1.8
All other TfL employees	97.3

Note: employees' remuneration is consistent with the definition on pages 14-18 and includes salaries, fees, performance-related pay, benefits in kind, lump sums and termination payments. It excludes employer pension contributions and employer National Insurance contributions paid, and is based on remuneration received by employees during the relevant year.

Summary of employee information

Total headcount (including agency staff) increased by 323 full-time equivalents (FTEs), from 27,280 FTE on 31 March 2019 to 27,603 FTE on 31 March 2020. The average headcount (permanent and fixed-term contract) has reduced by 558 since last year.

Total remuneration costs increased by just £2.6m (0.1 per cent) compared to 2018/19, despite inflation-linked pay increases for some employees.

Year	Average headcount*	Total remuneration costs (£m) *
2015/16	27,501	1,942.0
2016/17	27,131	1,963.9
2017/18	26,994	2,250.6
2018/19	26,372	2,176.8
2019/20	25,814	2,179.4

Note: average headcount and total remuneration costs include permanent, and fixed-term contract. Total remuneration costs include IAS 19 pension charges of £587.6m in 2019/20 (2018/19 £613.0m).

* From statutory accounts

Other employees' remuneration (including Crossrail)

We publish the remuneration of all employees, including those working in our subsidiaries, whose total remuneration was more than £50,000 over the course of the financial year, grouped in rising bands of £5,000. This information is included as Appendix I of this report.

The impact of the transfer of employees into and out of the Corporation* from subsidiaries can cause distortion for year-on-year comparison purposes. An additional voluntary disclosure for the Group** is therefore provided that shows the combined employee bands for TfL and its subsidiaries (Appendix I of this report).

The remuneration disclosure is also affected by the Crossrail project. The number of employees of Crossrail Limited receiving total remuneration of £50,000 or more decreased from 240 in 2018/19 to 201 in 2019/20. The corresponding figures for those receiving total remuneration of more than £100,000 per year decreased from 47 in 2018/19 to 36 in 2019/20.

Employees with a total remuneration of more than £100,000 per year

In 2019/20, 178 people earned a total remuneration of more than £100,000 during the financial year and had a base salary of £100,000 or more per year, compared with 171 in 2018/19.

Overtime was worked by specialist engineers and highly skilled project employees, 131 of whom earn a base salary of less than £100,000 per year, but the overtime they earned took their total remuneration above the threshold, compared with 80 in 2018/19. Many of these people are specialist engineers working overnight and at weekends on major projects, such as the Northern Line Extension, Bank Station Upgrade, London Overground Barking Riverside Extension and installing new signalling on the Circle, District, Hammersmith & City and Metropolitan lines.

A total of 82 people (compared with 117 in 2018/19) who were on a base salary of less than £100,000 per year received a one-off voluntary severance payment that took their total remuneration above this threshold. This is largely due to people leaving as part of our transformation programme, which is working to reduce management layers and eliminate duplication to improve efficiency and deliver recurring savings.

Therefore, the total number of TfL staff (excluding Crossrail) who received total remuneration of more than £100,000 per year, including severance payments and overtime, was 521 in 2019/20 compared with 468 in 2018/19.

	2019/20	2018/19
Base salary of £100k or more	178	171
Base salary between £80k and £100k	130	100
Voluntary severance payments taking earnings over £100k	82	117
Level of overtime worked taking earnings over £100k	131	80
Total TfL	521	468
Crossrail	36	47
Total (including Crossrail)	557	515

* The Corporation is made up of London Streets, Taxi and Private Hire, and the corporate centre which, for legal and accounting purposes, constitutes TfL

** The TfL Group is made up of the Corporation and its subsidiaries

Appendices

I: Number of employees who received total remuneration of more than £50,000*

Employees' remuneration

This includes salaries, fees, performance-related pay, benefits in kind, lump sums and

termination payments, but excludes pension contributions paid by the employer.

Remuneration (£)	Group 2020 number**	Group 2019 number	Corporation 2020 number***	Corporation 2019 number
50,000 - 54,999	3,990	4,427	739	846
55,000 - 59,999	3,881	3,616	688	636
60,000 - 64,999	1,808	1,802	515	509
65,000 - 69,999	1,428	1,427	438	435
70,000 - 74,999	962	967	328	321
75,000 - 79,999	794	759	264	242
80,000 - 84,999	538	564	173	167
85,000 - 89,999	396	379	127	127
90,000 - 94,999	264	243	90	83
95,000 - 99,999	192	186	71	65
100,000 - 104,999	136	121	47	57
105,000 - 109,999	77	64	35	27
110,000 - 114,999	64	49	22	23

Remuneration (£)	Group 2020 number**	Group 2019 number	Corporation 2020 number***	Corporation 2019 number
115,000 - 119,999	53	45	21	27
120,000 - 124,999	33	35	15	17
125,000 - 129,999	27	33	11	22
130,000 - 134,999	20	17	5	10
135,000 - 139,999	23	9	12	6
140,000 - 144,999	16	15	7	10
145,000 - 149,999	4	18	1	11
150,000 - 154,999	11	9	9	4
155,000 - 159,999	9	11	6	8
160,000 - 164,999	12	4	4	2
165,000 - 169,999	9	5	5	2
170,000 - 174,999	7	9	6	2
175,000 - 179,999	3	5	-	4
180,000 - 184,999	4	1	2	1
185,000 - 189,999	6	7	4	4
190,000 - 194,999	4	9	3	6
195,000 - 199,999	-	4	-	3
200,000 - 204,999	7	4	2	2
205,000 - 209,999	2	5	2	3
210,000 - 214,999	2	3	1	2
215,000 - 219,999	2	1	2	1
220,000 - 224,999	1	2	-	1
225,000 - 229,999	2	2	2	-

* Information subject to audit

** The TfL Group is made up of the Corporation and its subsidiaries

*** The Corporation is made up of London Streets, Taxi and Private Hire, and the corporate centre which, for legal and accounting purposes, constitutes TfL

Remuneration (£)	Group 2020 number**	Group 2019 number	Corporation 2020 number***	Corporation 2019 number
230,000 - 234,999	-	1	-	1
235,000 - 239,999	4	1	4	1
240,000 - 244,999	2	1	2	1
245,000 - 249,999	-	3	-	1
250,000 - 254,999	2	-	2	-
255,000 - 259,999	-	2	-	1
260,000 - 264,999	-	2	-	-
265,000 - 269,999	-	2	-	1
270,000 - 274,999	2	1	2	1
275,000 - 279,999	1	-	-	-
290,000 - 294,999	1	1	1	-
295,000 - 299,999	-	1	-	-
300,000 - 304,999	-	1	-	1
305,000 - 309,999	-	2	-	1
310,000 - 314,999	-	1	-	-
315,000 - 319,999	1	2	1	1
330,000 - 334,999	-	1	-	1
355,000 - 359,999	3	2	2	2
360,000 - 364,999	2	-	2	-
370,000 - 374,999	1	-	1	-
375,000 - 379,999	1	-	1	-
400,000 - 404,999	1	1	-	-
415,000 - 419,999	-	1	-	-
475,000 - 479,999	1	1	-	1
505,000 - 509,999	-	1	-	1
515,000 - 519,999	1	-	1	-
Total	14,810	14,885	3,676	3,701

Remuneration for senior employees

The Accounts and Audit Regulations 2015 require disclosure of individual remuneration details for senior employees with a base salary of £150,000 or more, calculated on a full-time equivalent basis for those working part-time.

Disclosure is made for each financial year under various categories and set out in the tables from page 14.

Employer's pension contributions include the contribution in respect of future benefit accrual. Member contributions are payable by employees at a fixed rate of five per cent of pensionable salary.

Salary, fees and allowances are disclosed on an earned basis. Although performance-related pay is reported on a cash paid basis, it may not be determined for many months after the end of the relevant year.

** The TfL Group is made up of the Corporation and its subsidiaries

*** The Corporation is made up of London Streets, Taxi and Private Hire, and the corporate centre which, for legal and accounting purposes, constitutes TfL

2: Named employees receiving a base annual salary in excess of £150,000 at 31 March 2020*

Name	Notes	Salary (including fees & allowances) 2019/20 (£)	Performance-related pay (PRP) for 2018/19 paid in the year 2019/20 (£)	Compensation for loss of employment 2019/20 (£)	Benefits in kind 2019/20 (£)	Total remuneration excluding pension contributions 2019/20 (£)	Employer's contribution to pension 2019/20 (£)***	Salary (including fees & allowances) 2018/19 (£)	PRP for 2017/18 paid in the year 2018/19 (£)	Total remuneration excluding pension 2018/19 (£)****
TfL employees including subsidiary companies but excluding Crossrail										
Mike Brown MVO, Commissioner	a	**372,227	145,225	-	2,209	519,661	-	**372,506	133,586	508,301
Howard Carter, General Counsel	b	**232,905	58,255	-	2,186	293,346	-	**255,697	57,090	314,973
Michèle Dix, Managing Director, Crossrail 2	c	**169,037	31,856	-	1,706	202,599	-	**169,056	40,498	211,260
Vernon Everitt, Managing Director, Customers, Communication and Technology	d	252,642	61,622	-	2,186	316,450	-	243,485	57,875	303,546
Simon Kilonback, Chief Finance Officer	e	**306,361	65,170	-	2,186	373,717	-	**273,180	44,712	320,067
Andy Lord, Managing Director, London Underground	f	**128,911	-	-	877	129,788	-	-	-	-
Gareth Powell, Managing Director, Surface Transport	g	**305,773	68,692	-	2,186	376,651	9,434	**305,649	50,648	358,483
Fiona Brunskill, Director of Business Partnering and Employee Relations	h	37,027	-	-	498	37,525	9,408	-	-	-
George Clark, Director of TfL Engineering		165,000	7,755	-	1,706	174,461	42,751	165,000	27,770	194,476
Andrea Clarke, Director of Legal	i	162,200	29,436	-	1,706	193,342	42,850	165,369	28,675	195,750

* Information subject to audit

** Salary, fees and allowances include an allowance paid as a result of the individual opting out of part or all of the benefits provided by the TfL Savings for Retirement Plan or TfL Pension Fund. The allowance is paid at the rate of the employer contribution foregone, discounted by the employer rate of National Insurance to ensure no additional employer cost is incurred. It also includes an allowance available to employees on fixed-term contracts who choose to join a defined contribution scheme rather than the TfL Pension Fund

*** A number of senior employees opted out of the TfL Pension Fund during 2015/16. They are instead accruing equivalent benefits under an unfunded defined benefit pension scheme

**** Total remuneration for 2018/19 also includes benefits in kind as reported in last year's Statement of Accounts

a salary sacrificed for pension of £8,306 (2018/19 £8,035)

b salary sacrificed for pension of £8,306 (2018/19 £8,035) and holiday buy of £4,558 (2018/19 £nil)

c salary sacrificed for pension of £22,000 (2018/19 £22,000). Paid for providing services four days per week

d salary sacrificed for pension of £8,306 (2018/19 £8,035) and received higher duty pay of £9,428 to cover a period of greater responsibility when acting as Managing Director of London Underground and TfL Engineering

e changed role in 2018/19, formerly interim Chief Finance Officer

f entered service 4 November 2019

g salary sacrificed for Cycle to Work scheme of £538 (2018/19 £462)

h entered service 6 January 2020

i salary sacrificed for holiday buy of £3,169 (2018/19 £nil)

Name	Notes	Salary (including fees & allowances) 2019/20 (£)	Performance-related pay (PRP) for 2018/19 paid in the year 2019/20 (£)	Compensation for loss of employment 2019/20 (£)	Benefits in kind 2019/20 (£)	Total remuneration excluding pension contributions 2019/20 (£)	Employer's contribution to pension 2019/20 (£)***	Salary (including fees & allowances) 2018/19 (£)	PRP for 2017/18 paid in the year 2018/19 (£)	Total remuneration excluding pension 2018/19 (£)****
Tanya Coff, Divisional Finance and Procurement Director, London Underground	j	176,211	26,406	-	1,706	204,323	42,606	162,000	28,091	191,797
Graeme Craig, Director of Commercial Development		185,000	24,235	-	1,706	210,941	44,688	185,000	24,069	210,775
Patrick Doig, Divisional Finance and Procurement Director, Surface Transport	k	178,290	28,480	-	1,706	208,476	42,196	159,611	27,744	189,061
Stephen Field, Director of Compensation and Benefits	l	**190,047	28,525	-	1,706	220,278	-	**190,349	65,345	257,400
Lester Hampson, Property Development Director	m	177,301	179,638	-	1,706	358,645	44,688	177,216	113,750	292,672
Michael Hardaker, Director of Network Extensions	n	182,996	-	-	2,186	185,182	44,688	42,026	-	42,524
Stuart Harvey, Director of Major Projects		**277,136	78,913	-	1,706	357,755	-	**277,136	77,240	356,082
Joanna Hawkes, Corporate Finance and Strategy Director	o	**9,172	-	-	-	9,172	-	-	-	-
Chris Hobden, Project Director, Four Lines Modernisation		150,000	36,870	-	1,706	188,576	32,564	141,950	14,400	158,056
Antony King, Group Finance Director	p	**208,287	27,590	-	1,706	237,583	732	190,079	-	191,785
Chris MacLeod, Customer and Revenue Director		**207,439	29,370	-	-	236,809	-	**207,456	28,611	236,067

** Salary, fees and allowances include an allowance paid as a result of the individual opting out of part or all of the benefits provided by the TfL Savings for Retirement Plan or TfL Pension Fund. The allowance is paid at the rate of the employer contribution foregone, discounted by the employer rate of National Insurance to ensure no additional employer cost is incurred. It also includes an allowance available to employees on fixed-term contracts who choose to join a defined contribution scheme rather than the TfL Pension Fund

*** A number of senior employees opted out of the TfL Pension Fund during 2015/16. They are instead accruing equivalent benefits under an unfunded defined benefit pension scheme

**** Total remuneration for 2018/19 also includes benefits in kind as reported in last year's Statement of Accounts

j took on increased responsibility during 2019/20. Salary sacrificed for holiday buy of £2,149 (2018/19 £nil)

k took on increased responsibility during 2019/20. Salary sacrificed for Cycle to Work scheme of £71 (2018/19 £389)

l salary sacrificed for pension of £8,306 (2018/19 £8,012)

m performance-related pay disclosed as received in 2019/20 also includes a deferred payment in respect of 2017/18 totalling £30,608

n entered service 7 January 2019

o entered service 16 March 2020

p changed role in 2019/20, formerly Divisional Finance Director, Major Projects Directorate

Name	Notes	Salary (including fees & allowances) 2019/20 (£)	Performance-related pay (PRP) for 2018/19 paid in the year 2019/20 (£)	Compensation for loss of employment 2019/20 (£)	Benefits in kind 2019/20 (£)	Total remuneration excluding pension contributions 2019/20 (£)	Employer's contribution to pension 2019/20 (£)***	Salary (including fees & allowances) 2018/19 (£)	PRP for 2017/18 paid in the year 2018/19 (£)	Total remuneration excluding pension 2018/19 (£)****
Lilli Matson, Chief Safety, Health and Environment Officer	q	149,969	16,335	-	1,706	168,010	36,407	134,154	13,553	148,870
Peter McNaught, Director of Operational Readiness	r	166,622	18,336	-	1,706	186,664	41,406	162,756	26,928	191,390
Helen Murphy, Director of TfL Consulting and International Operations	s	151,000	15,067	-	1,706	167,773	38,985	124,523	-	125,929
Jonathan Patrick, Chief Procurement Officer	t	111,788	-	-	382	112,170	22,476	-	-	-
Caroline Sheridan, Director of TfL Engineering Delivery		162,584	18,336	-	769	181,689	41,406	163,080	8,126	171,246
Shashi Verma, Director of Strategy and Chief Technology Officer		234,615	36,675	-	769	272,059	55,630	233,983	34,160	268,912
Alex Williams, Director of City Planning		**206,569	30,260	-	-	236,829	-	**206,019	26,928	232,947
Brian Woodhead, Director of Customer Service		**234,907	42,920	-	1,706	279,533	-	**232,013	63,660	297,379
Tricia Wright, Chief People Officer	u	**235,839	36,675	-	769	273,283	-	**236,005	35,640	272,414
Ken Youngman, Divisional Finance Director, Commercial Development		**169,884	54,250	-	1,706	225,840	14,885	**169,895	-	171,601

** Salary, fees and allowances include an allowance paid as a result of the individual opting out of part or all of the benefits provided by the TfL Savings for Retirement Plan or TfL Pension Fund. The allowance is paid at the rate of the employer contribution foregone, discounted by the employer rate of National Insurance to ensure no additional employer cost is incurred. It also includes an allowance available to employees on fixed-term contracts who choose to join a defined contribution scheme rather than the TfL Pension Fund

*** A number of senior employees opted out of the TfL Pension Fund during 2015/16. They are instead accruing equivalent benefits under an unfunded defined benefit pension scheme

**** Total remuneration for 2018/19 also includes benefits in kind as reported in last year's Statement of Accounts

q changed role in 2019/20. Salary sacrificed for Cycle to Work scheme of £154 (2018/19 £846)

r changed role in 2019/20, formerly Asset Operations Director. Salary sacrificed for holiday buy of £943 (2018/19 £nil)

s entered service 4 June 2018

t entered service 30 September 2019. Salary sacrificed for holiday buy of £1,327 (2018/19 £nil)

u salary sacrificed for pension of £8,306 (2018/19 £8,012)

Name	Notes	Salary (including fees & allowances) 2019/20 (£)	Performance-related pay (PRP) for 2018/19 paid in the year 2019/20 (£)	Compensation for loss of employment 2019/20 (£)	Benefits in kind 2019/20 (£)	Total remuneration excluding pension contributions 2019/20 (£)	Employer's contribution to pension 2019/20 (£)***	Salary (including fees & allowances) 2018/19 (£)	PRP for 2017/18 paid in the year 2018/19 (£)	Total remuneration excluding pension 2018/19 (£)****
Crossrail current office holders/employees										
Tony Meggs, Non-Executive Chairman	v	200,000	-	-	-	200,000	-	46,209	-	46,209
Nick Raynsford, Non-Executive Deputy Chairman	w	48,000	-	-	-	48,000	-	10,544	-	10,544
Mark Wild, Chief Executive	x	**446,133	31,692	-	1,706	479,531	-	333,669	69,312	404,937
Chris Sexton, Deputy Chief Executive	y	302,784	100,000	-	1,706	404,490	32,064	274,045	29,486	305,237
Carole Bardell-Wise, Health, Safety, Quality and Environment Director	z	129,740	-	-	1,413	131,153	12,655	-	-	-
Susan Beadles, General Counsel		155,872	-	-	1,706	157,578	27,810	140,143	17,063	158,912
Chris Binns, Chief Engineer		179,618	-	-	1,706	181,324	17,749	175,636	18,135	195,477
Jim Crawford, Chief Programme Officer	aa	61,381	-	-	289	61,670	-	-	-	-
Alexandra Kaufman, Communications Director	ab	78,863	-	-	402	79,265	7,886	-	-	-
Rachel McLean, Chief Finance Officer	ac	57,295	-	-	522	57,817	10,994	-	-	-
Howard Smith, Chief Operations Officer	ad	**182,447	21,175	-	1,706	205,328	-	**182,803	64,453	248,962
Andy Weber, Delivery Construction Manager	ae	149,356	-	-	769	150,125	15,084	137,009	6,032	143,810

** Salary, fees and allowances include an allowance paid as a result of the individual opting out of part or all of the benefits provided by the TfL Savings for Retirement Plan or TfL Pension Fund. The allowance is paid at the rate of the employer contribution foregone, discounted by the employer rate of National Insurance to ensure no additional employer cost is incurred. It also includes an allowance available to employees on fixed-term contracts who choose to join a defined contribution scheme rather than the TfL Pension Fund

*** A number of senior employees opted out of the TfL Pension Fund during 2015/16. They are instead accruing equivalent benefits under an unfunded defined benefit pension scheme

**** Total remuneration for 2018/19 also includes benefits in kind as reported in last year's Statement of Accounts

v entered service 14 January 2019. Paid for providing services two days per week

w entered service 14 January 2019. Paid for providing services five days per month

x role at Crossrail started 19 November 2018. Formerly Managing Director, London Underground and PRP received relates to that role. Salary sacrificed for Cycle to Work scheme of £nil (2018/19 £77)

y PRP disclosed relates to retention payment only

z entered service 3 June 2019

aa entered service 30 January 2020

ab entered service 23 September 2019

ac entered service 2 January 2020

ad salary sacrificed for pension of £8,306 (2018/19 £8,012)

ae salary sacrificed for childcare vouchers of £1,488 (2018/19 £1,488)

Name	Notes	Salary (including fees & allowances) 2019/20 (£)	Performance-related pay (PRP) for 2018/19 paid in the year 2019/20 (£)	Compensation for loss of employment 2019/20 (£)	Benefits in kind 2019/20 (£)	Total remuneration excluding pension contributions 2019/20 (£)	Employer's contribution to pension 2019/20 (£)***	Salary (including fees & allowances) 2018/19 (£)	PRP for 2017/18 paid in the year 2018/19 (£)	Total remuneration excluding pension 2018/19 (£)****
Former employees										
Sarah Bradley, Group Financial Controller	af	**61,804	16,940	278,686	260	357,690	3,530	163,579	15,176	179,524
Jean Cockerill, Director of Business Partnering and Employee Relations	ag	37,457	-	-	190	37,647	9,743	157,403	26,877	185,049
Nigel Holness, Managing Director, London Underground	ah	**336,993	14,921	-	562	352,476	-	**282,722	36,185	335,293
David Hughes, TfL Investment Delivery Planning Director	ai	**137,720	29,073	-	1,308	168,101	32,477	182,275	40,970	224,951
Andrew Pollins, Transformation and Business Services Director	aj	**227,066	21,175	-	1,472	249,713	6,699	222,428	25,970	250,104
Paul Thomas, Head of Transport Systems, Deep Tube Upgrade Programme	ak	129,541	3,910	-	1,298	134,749	33,246	172,458	5,100	179,264
David Wylie, Chief Procurement Officer	al	28,333	10,000	116,962	291	155,586	7,339	171,058	25,500	198,264
Jeremy Bates, Head of Assurance, Crossrail	am	96,282	67,320	-	956	164,558	17,809	168,123	17,056	186,885
Paul Grammer, Commercial Director, Crossrail	an	20,366	-	77,541	140	98,047	-	243,200	18,323	263,229
David Hendry, Chief Finance Officer, Crossrail	ao	**189,547	-	-	-	189,547	-	**90,810	-	90,810

** Salary, fees and allowances include an allowance paid as a result of the individual opting out of part or all of the benefits provided by the TfL Savings for Retirement Plan or TfL Pension Fund. The allowance is paid at the rate of the employer contribution foregone, discounted by the employer rate of National Insurance to ensure no additional employer cost is incurred. It also includes an allowance available to employees on fixed-term contracts who choose to join a defined contribution scheme rather than the TfL Pension Fund

*** A number of senior employees opted out of the TfL Pension Fund during 2015/16. They are instead accruing equivalent benefits under an unfunded defined benefit pension scheme

**** Total remuneration for 2018/19 also includes benefits in kind as reported in last year's Statement of Accounts

af left service 31 July 2019

ag left service 28 June 2019

ah left service 28 July 2019

ai left service 3 January 2020

aj left service 7 February 2020

ak left service 1 January 2020

al left service 31 May 2019

am left service 22 October 2019

an left service 30 April 2019

ao left service 20 December 2019

3: Severance payments*

We have also published the number and cost of compulsory and voluntary severance termination packages agreed during the year. This is fully in line with the Code. Our policy on severance is found on page 8.

Termination payments disclosed in the tables below include Crossrail and are reported on a cash paid basis to provide certainty on the amounts reported, and include pension contributions in respect of added years, ex-gratia payments and other related costs.

	Group 2020 (number)	Group 2020 (£m)	Corporation 2020 (number)	Corporation 2020 (£m)
Non-compulsory exit packages (£)				
0 - 20,000	28	0.4	24	0.4
20,001 - 40,000	40	1.2	28	0.9
40,001 - 60,000	44	2.2	25	1.3
60,001 - 80,000	41	2.8	25	1.7
80,001 - 100,000	30	2.7	11	1.0
100,001 - 150,000	35	4.1	16	1.9
150,001 - 200,000	9	1.6	7	1.2
200,001 - 250,000	2	0.4	2	0.4
250,001 - 300,000	5	1.4	4	1.1
300,001 - 350,000	2	0.6	2	0.6
350,001 - 400,000	2	0.8	2	0.8
400,001 - 450,000	1	0.4	1	0.4
Total non-compulsory exit packages	239	18.6	147	11.7
Compulsory exit packages				
0 - 20,000	-	-	-	-
Total	239	18.6	147	11.7

	Group 2019 (number)	Group 2019 (£m)	Corporation 2019 (number)	Corporation 2019 (£m)
Non-compulsory exit packages (£)				
0 - 20,000	86	1.1	24	0.4
20,001 - 40,000	98	2.9	34	1.0
40,001 - 60,000	86	4.2	47	2.3
60,001 - 80,000	59	4.1	35	2.5
80,001 - 100,000	48	4.3	25	2.2
100,001 - 150,000	67	8.1	30	3.6
150,001 - 200,000	22	3.6	13	2.1
200,001 - 250,000	4	0.9	1	0.2
250,001 - 300,000	4	1.1	-	-
300,001 - 350,000	-	-	-	-
350,001 - 400,000	-	-	-	-
400,001 - 450,000	1	0.4	1	0.4
Total non-compulsory exit packages	475	30.7	210	14.7
Compulsory exit packages				
0 - 20,000	-	-	-	-
Total	475	30.7	210	14.7

* Information subject to audit

4: Representation of equalities groups at different pay levels as at 31 March 2020* **

	<£20,000		£20,001 to £30,000		£30,001 to £40,000		£40,001 to £50,000		£50,001 to £60,000		£60,001 to £70,000		£70,001 to £80,000		£80,001 to £90,000		£90,001 to £100,000		>£100,000		
	No	%	No	%	No	%	No	%	No	%	No	%	No	%	No	%	No	%	No	%	
Gender																					
Female	14	52	513	35	2,097	35	1,271	26	1,533	17	451	16	187	16	88	20	44	24	41	26	
Male	13	48	960	65	3,923	65	3,663	74	7,340	83	2,290	84	1,045	84	346	80	136	76	115	74	
Total	27		1,473		6,020		4,934		8,873		2,741		1,232		434		180		156		
Ethnicity																					
Black, Asian and minority ethnic	10	37	678	46	2,392	40	1,639	33	2,829	32	616	23	233	19	56	13	17	9	13	8	
White	14	52	504	34	2,335	39	2,679	54	4,905	55	1,764	64	850	69	313	72	136	76	129	83	
Not stated	3	11	291	20	1,293	21	616	13	1,139	13	361	13	149	12	65	15	27	15	14	9	
Total	27		1,473		6,020		4,934		8,873		2,741		1,232		434		180		156		
Disabled/Not disabled																					
Disabled	2	7	61	4	205	3	127	3	197	2	83	3	32	3	25	6	1	1	3	2	
Not disabled	18	67	889	60	3,377	56	2,673	54	4,743	54	1,418	52	617	50	226	52	123	68	116	74	
Not stated	7	26	523	36	2,438	41	2,134	43	3,933	44	1,240	45	583	47	183	42	56	31	37	24	
Total	27		1,473		6,020		4,934		8,873		2,741		1,232		434		180		156		

* Excluding Crossrail and TfL apprentices

** Information not subject to audit

5: Board remuneration*

	For the year ended 31/03/20 (£)
Current Board Member	
Sadiq Khan	Not remunerated by TfL
Heidi Alexander	Not remunerated by TfL
Kay Carberry CBE	20,000
Professor Greg Clark CBE	19,000
Bronwen Handyside	18,000
Ron Kalifa OBE	20,000
Dr Alice Maynard CBE	18,000
Anne McMeel	20,000
Dr Mee Ling Ng OBE	20,000
Dr Nelson Ogunshakin OBE	19,000
Mark Phillips	18,000
Dr Nina Skorupska CBE	19,000
Dr Lynn Sloman	19,000
Ben Story	20,000
Members who have left during the year	
Val Shawcross CBE**	1,475

* Information subject to audit

** Left service 30 April 2019

*** Information not subject to audit

6: Trade union facility time***

The Trade Union (Facility Time Publication Requirements) Regulations 2017 place a requirement on relevant public sector employers to collate and publish, on an annual basis, a range of data on the amount and cost of trade union facility time within their organisation. Facility time is the provision of paid or unpaid time off from an employee's normal role to undertake trade union duties and activities as a union representative.

Within TfL the following trade unions are represented:

- TSSA
- RMT
- Prospect
- UNISON
- Unite
- PCS
- ASLEF

As at 31 March 2020, TfL had 857 members of staff who are elected as union representatives. These employees spent the following amount of their working hours on facility time:

Time (%)	Number of employees
0	-
1 - 50	776
51 - 99	41
100	40
Total	857

We allow representatives paid time off to carry out union duties and meeting these costs represents 0.4 per cent of our total wage bill.

Total cost of facility time (£m)	8.9
Total remuneration costs for all TfL employees (£m)	2,179.4
Percentage of pay bill spent on facility time (%)	0.4

We do not provide paid time off for representatives to carry out union activities. The above approach to paid time off, and the number of representatives for our 28,000 employees is in line with legislation guidelines from ACAS and agreements with the trade unions.

Audit and Assurance Committee

Date: 8 June 2020

Item: **Review of Governance and the Annual Governance Statement for Year Ended 31 March 2020**

This paper will be considered in public

1 Summary

- 1.1 This paper provides a review of compliance with the TfL Code of Governance in 2019/20 and asks the Committee to approve the Annual Governance Statement, as set out in Appendix 1, to be signed by the Chair of TfL and the Commissioner for inclusion in the 2019/20 Annual Report and Accounts. The paper also reports on progress against the 2019/20 Improvement Plan (Appendix 2).
- 1.2 As TfL's financial and governance models will need to be reviewed due to the impact of managing Covid-19, it is not proposed to submit an Improvement Plan for 2020/21 at this point. An Improvement Plan will be submitted to the next meeting of the Committee.

2 Recommendation

- 2.1 **The Committee is asked to note the paper and:**
- (a) approve the Annual Governance Statement, as set out in Appendix 1 of this paper, for signing by the Chair of TfL and the Commissioner, for inclusion in the 2019/20 Annual Report and Accounts; and**
 - (b) note the progress against the 2019/20 Improvement Plan, as set out in Appendix 2 and that a plan for 2020/21 will be submitted to the next meeting of the Committee.**

3 Background

- 3.1 The Accounts and Audit Regulations 2015 require that TfL's Statement of Accounts be accompanied by a Statement on Internal Control, prepared in accordance with proper practices. The Chartered Institute of Public Finance and Accountancy/Society of Local Authority Chief Executives (CIPFA/SOLACE) provides guidance on what should be included in an Annual Governance Statement, which is substantially different from the template that it previously provided.
- 3.2 The Audit and Assurance Committee has the delegated responsibility to monitor TfL's on-going compliance with TfL's own Code of Governance, which

is based on the updated CIPFA/SOLACE Governance Framework and was approved by TfL in March 2008.

4 The 2019/20 Review and the Annual Governance Statement

The 2019/20 Review

- 4.1 The annual review considers the degree of compliance with each undertaking in TfL's Code of Governance. The assessments for the degree of compliance with the Code of Governance's undertakings are consistently high.
- 4.2 The 2019/20 annual review concluded that TfL had a satisfactory level of compliance with the Code of Governance and highlighted the potential governance challenges involved in a number of anticipated changes.

The Annual Governance Statement

- 4.3 The Annual Governance Statement sets out the key elements of TfL's governance and how TfL complies with the core principles set out in the CIPFA/SOLACE Delivering Good Governance in Local Government Framework (2016). It draws on the Head of Internal Audit's opinion and while that does not identify any significant governance issues, it does set out areas of improvement in 2020/21. In addition, the impact of Covid-19 will require a review of TfL's operations and finances and consequently our governance processes will also need to be reviewed, renewed and refreshed. The draft Annual Governance Statement is included as Appendix 1.
- 4.4 The previous Annual Governance Statement report included an improvement plan for 2019/20 and progress against that plan is set out in Appendix 2.

List of appendices to this report:

Appendix 1: Annual Governance Statement
Appendix 2: Progress Against Improvement Plan 2019/20

List of Background Papers:

- CIPFA Delivering Good Governance in Local Government: Framework 2016 Edition
- CIPFA Delivering Good Governance in Local Government: Framework (CIPFA/SOLACE) Review of Annual Governance Statements 2016/17
- CIPFA Developing An Effective Annual Governance Statement 2018

Contact Officer: Howard Carter, General Counsel
Number: 020 3054 7832
Email: HowardCarter@tfl.gov.uk

Annual Governance Statement

The CIPFA/SOLACE Delivering Good Governance in Local Government Framework (2016) (the Framework) requires local authorities, which includes TfL, to publish an Annual Governance Statement, and to be responsible for ensuring that:

- its business is conducted in accordance with all relevant laws and regulations;
- public money is safeguarded and properly accounted for; and
- resources are used economically, efficiently and effectively to achieve agreed priorities which benefit local people.

As a functional body of the Greater London Authority (GLA), TfL is a signatory to the GLA Group Framework Agreement, which was updated in 2016. The Agreement is an overarching commitment in relation to the culture and individual behaviours of the GLA Group and contains specific corporate governance commitments. TfL has in place protocols and processes that address all the requirements of the Agreement.

TfL has approved and adopted a Code of Governance (the Code), which is consistent with the Framework and is published online at tfl.gov.uk. The statement explains how TfL complies with the Code and meets the requirements of the Accounts and Audit Regulations 2015 in relation to the publication of a statement on internal control.

TfL's governance framework, has been in place since the year ended 31 March 2001 and remains in place at the date of approval of the 2019/20 Statement of Accounts. The key elements of the Governance Framework are set out below:

Key Elements of TfL's Governance Framework

Chair, Board, Committees & Panels	The Mayor appoints the Board and is the Chair. The Board provides leadership and determines and agrees TfL's strategic direction and oversees the performance of the executive team to deliver the Mayor's Transport Strategy. The Budget, Business Plan and Capital Strategy set out how the Mayor's Transport Strategy will be delivered and are supported by TfL's Group and individual business area Scorecards. The Board's effectiveness is reviewed annually.
Decision Making	Standing Orders set out TfL's decision-making process and are regularly reviewed. The roles of Members and the executive are clearly defined. The Board, its four Committees and two Panels meet in public and all decisions taken are published. The approval of Financial, Programme & Project, Procurement and Land authority by the Commissioner and Chief Finance Officer is also reported to Committees.
Audit and Assurance Committee	The Committee reviews the effectiveness of the system of internal controls, including the integrated assurance framework and considers fraud and risk management issues. It also reviews the Annual Accounts prior to submission to the Board and TfL's compliance with the UK

	Corporate Governance Code (where applicable). The Risk and Assurance directorate and External Auditors support the work of the Committee.
Risk Management	TfL has an Enterprise Risk Management System which sets out TfL's strategic risks, supported by local risk registers throughout TfL, which are monitored by the appropriate senior manager. The Audit and Assurance Committee oversees the implementation of the risk management system with individual Committees and Panels reviewing each strategic risk within their remit at least annually. The Executive Committee also regularly reviews all the Strategic Risks.
Scrutiny and review	The Board, Committees and Panels each receive regular quarterly reports on TfL's performance, covering: performance against the Scorecard, Financial performance, Customer and Operational Performance, Safety, Health and Environment and Human Resources. The Audit and Assurance Committee reviews TfL's overall audit and assurance arrangements.
The Commissioner and the Executive Committee	The Commissioner and Executive Committee are responsible for the delivery of day to day operations. The statutory Chief Finance Officer (TfL's s127 GLA Act officer) is responsible for safeguarding TfL's financial position. The postholder reports directly to TfL's Chief Finance Officer and, while not on the Executive Committee, plays an active part in TfL strategic decision-making through involvement in all key decisions with a significant financial implication and has management responsibility to produce the Business Plan and statutory accounts. The General Counsel, along with the Commissioner, is responsible for ensuring legality and promoting good corporate governance and high standards of public conduct. The Director of Risk and Assurance annually comments on the effectiveness of the Code.

Applying the Framework Principles

Principle A: Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law: TfL's Code of Conduct for members and staff reinforces a public service ethos and high standards of behaviour. It is supported by more detailed guidance, including a Modern Slavery Statement and TfL's Whistleblowing Procedures and guidance on conflicts of interest. The General Counsel and Commissioner have specific responsibilities to ensure that TfL's decisions meet legal requirements. Declarations of interests for Members and the most senior staff are published on tfl.gov.uk and declared at meetings.

Principle B: Ensuring openness and comprehensive stakeholder engagement: TfL has a transparency strategy and publishes a substantial amount of information. It

engages with stakeholders and partners through consultation and its work with London Councils and individual boroughs. It cooperates with appropriate organisations to ensure there is independent scrutiny of its financial and operational reporting processes. Board, Committee and Panel meetings are held in public and TfL has an active social media presence including Facebook, Twitter and YouTube.

Principle C: Defining outcomes in terms of sustainable economic, social, and environmental benefits. TfL's meets this objective through its delivery of the Mayor's Transport Strategy, supported by its Business Plan and the annual Scorecard process. The Business Plan and Scorecard measures flow through to team and individual staff objectives. The quarterly reports to the Board, Committees and Panels, as well as papers seeking authority for projects, provide commentary on how they support the objective of delivering the Mayor's Transport Strategy.

Principle D: Determining the intervention necessary to achieve intended outcomes. The Quarterly Performance Report and other key quarterly reports submitted to Committees and Panels track TfL's activities in terms of key performance indicators and delivery of the Mayor's Transport Strategy. These also highlight remedial actions taken where slippage occurs. During the year, TfL has continued to increase its oversight of the Crossrail project, including representation on the Crossrail Limited Board and enhanced reporting to TfL's Board and its Programmes and Investment Committee.

Principle E: Developing TfL's capacity, including the capability of its leadership and individuals within it: TfL undertakes a wide range of HR activities to develop the capacity of its people. Regular update reports are submitted to the Safety, Sustainability and Human Resources Panel and the Remuneration Committee on this and key initiatives like the leadership programme, succession planning and TfL's graduate and apprenticeship programmes. Members are developed through induction, briefings and site visits.

Principle F: Managing risks and performance through strong internal control and financial management. TfL's enterprise risk management system sets out TfL's main strategic risks and mitigations, with more detailed risk registers held throughout TfL and reflected in individual staff objectives. The Executive Committee reviews all strategic risks, with reports against each risk also reported to the relevant Committee or Panel at least once annually. The Audit and Assurance Committee maintains overall responsibility for scrutinising TfL's approach to risk and receives reports to each meeting. The Finance Committee scrutinises TfL's financial performance and reports on this to the Board. TfL has also continued to embed the TfL HSE management system and has continuous improvement plans in place to strengthen the maturity of compliance.

Principle G: Implementing good practices in transparency, reporting and audit to deliver effective accountability. TfL follows the Government Communication Service guidance on providing clear and accurate information. It has a published transparency strategy and has developed both its website and the format of its reports to improve transparency and accessibility. Minutes of meetings, key decisions taken outside of meetings, the registers of Members and the most senior

staff's interests and acceptance of gifts and hospitality, along with details of contracts awarded over £5,000 are published on tfl.gov.uk.

Review of Effectiveness

TfL conducts, at least annually, a review of the effectiveness of its governance framework including the system of internal control, which is reported to the Audit and Assurance Committee. There is also an annual Board Effectiveness Review.

TfL has several ways to review the effectiveness of its governance arrangements. The review includes all aspects of TfL's operations including its relationships with its group entities. The Risk and Assurance Annual Report includes the opinion of the Head of Internal Audit on the overall framework of TfL's governance, risk management and internal control in the year. The opinion for the year ending 31 March 2020 concluded that TfL's governance framework was adequate for TfL's business needs and operated in an effective manner. The opinion highlighted work that was in progress to address previously highlighted weaknesses in several audits of governance and financial controls relating to procurement and contract management. These issues are being addressed by the Procurement and Supply Chain team, which has seen significant changes in its management, who are leading a programme of transformation activity aimed at strengthening commercial / procurement controls. These controls will be the subject of further audits in 2020/21.

The Covid-19 pandemic has had a significant impact on TfL's operational activities and its finances. A Governance Improvement Plan will be developed for 2020/21 that reflects this and a review will be conducted with the Department for Transport on TfL's sustainability and financial model going forwards.

Conclusion

TfL is satisfied that appropriate governance arrangements are in place. It recognises that there is always more that can be done and remains committed to maintaining and where possible improving these arrangements. The key ways of doing this are:

- keeping its governance arrangements under continuous review, including through the annual Board Effectiveness Review;
- addressing issues identified by Internal Audit as requiring improvement;
- reviewing and enhancing performance reporting to focus on key risks and areas for improvement; and
- listening to feedback from key stakeholders.

Signed:

Chair of TfL Board

Signed:

Commissioner

Improvement Plan 2019/20

Proposed Activity	Responsible Managing Director	Status Update
Conclude and implement any recommendations from an externally led Board Effectiveness Review and prepare for any changes to the Board arising from the 2020 Mayoral Election.	General Counsel	Largely completed. Cllr Julian Bell was nominated to the Board by London Councils. The staggering of Board appointments has been impacted by the delay to the Mayoral Election and the need for stability to manage the operational impact of the Covid-19 pandemic.
To establish the governance and reporting processes for the new integrated HSE function	General Counsel and Chief SHE Officer	The new Safety, Health and Environment team was stood up during the year and governance and reporting processes have been developed and continue to be refined.
To continue to implement and embed the TfL HSE management system.	MD London Underground/ Executive Committee	This work is ongoing and has benefitted from the establishment of the new integrated SHE function.
Implement relevant recommendations from the Internal Audit benchmarking review of TfL's governance against the new version of the UK Corporate Governance Code, published in 2018 and coming into effect in 2020.	General Counsel and Director of Risk and Assurance	Completed. Most recommendations were completed for the 2018/19 annual report.
Continue to disseminate advice to new and existing statutory directors of subsidiary companies explaining their duties and responsibilities under the Companies Act 2006, particularly in light of the expected increase in the number of companies to support commercial development activity.	General Counsel	Ongoing. Existing Directors and New appointees are offered advice and guidance as required.

Proposed Activity	Responsible Managing Director	Status Update
Continue with the development of a TfL wide integrated Management System.	General Counsel	This work is ongoing.
Continue to develop TfL's operating model and processes in accordance with agreed organisational change programmes.	Executive Committee	The transformation programme work has continued at pace during the year. TfL's operating model and processes will be reviewed as the impact of the Covid-19 pandemic becomes clearer.
Continue to develop TfL's Scorecard and effective operational and performance measurement processes.	Executive Committee	A revised and significantly improved Scorecard was approved for 2019/20. It was reviewed during the year for a further evolution and is currently being reviewed in light of the impact of the Covid-19 pandemic.
Continue to develop TfL's proactive approach to transparency.	MD Customers, Communication and Technology/ General Counsel	TfL has continued to publish more information during the year, with a greater focus on being proactive and has continued to achieve very good performance in responding to FOI requests.
Continue to develop TfL's Strategic Risk processes and deliver key improvements including clarification of risk responsibilities, consistent risk processes and Committee/Panel oversight of key risk topics.	Chief Finance Officer/ General Counsel/ Director of Risk and Assurance / Executive Committee	The Strategic Risk processes were further developed and all Strategic Risks have been reported to the relevant Committee / Panel, with a lessons learned report to the Audit and Assurance Committee demonstrating a clear in-year improvement in reporting.

Proposed Activity	Responsible Managing Director	Status Update
<p>Continue to review and adapt governance arrangements for Crossrail 2, to be included in the updated Strategic Outline Business Case (SOBC) to be submitted to Government. Governance arrangements will reflect lessons learned from the KPMG review of governance of the Crossrail 1 project.</p>	<p>General Counsel/ MD Crossrail 2</p>	<p>The SOBC was submitted. Governance arrangements will be reviewed once funding decisions are made and they will reflect lessons learned from the Crossrail 1 project.</p>
<p>Continue to review and adapt governance arrangements for Crossrail, including ensuring all recommendations from the KPMG review are implemented and to start to develop plans for an orderly transition of decision-making and accountability to TfL once the new project plan and timetable for delivery of the service has been established.</p>	<p>Executive Committee</p>	<p>Governance arrangements have been kept under review and reporting enhanced. Both TfL and DfT have strengthened their representation on the Crossrail Board.</p>

[page left intentionally blank]

Audit and Assurance Committee



Date: 8 June 2020

Item: Independent Investment Programme Advisory Group
Quarterly Report

This paper will be considered in public

1 Summary

- 1.1 This paper presents the Independent Investment Programme Advisory Group (IIPAG) Quarterly Report for April 2020. It describes the work undertaken since the last report presented to the Committee on 16 March 2020.
- 1.2 A paper is included on Part 2 of the agenda which contains exempt supplementary information. The information is exempt by virtue of paragraph 3 of Schedule 12A of the Local Government Act 1972 in that it contains information relating to the business affairs of TfL. Any discussion of that exempt information must take place after the press and public have been excluded from this meeting.

2 Recommendations

- 2.1 **The Committee is asked to note the Independent Investment Programme Advisory Group's quarterly report, benchmarking review for 2019/20, the management response set out below and the exempt supplementary information on Part 2 of the agenda.**

3 IIPAG Quarterly Report

- 3.1 Under its Terms of Reference, IIPAG is required to produce quarterly reports of its advice on strategic and systemic issues, logs of progress on actions and recommendations and the effectiveness of the first and second lines of project and programme assurance. IIPAG's Quarterly Report for April 2020 is included as Appendix 1 to this paper.
- 3.2 Figure 1 on the following page sets out the status of the IIPAG recommendations at the end of each of the last three quarters.

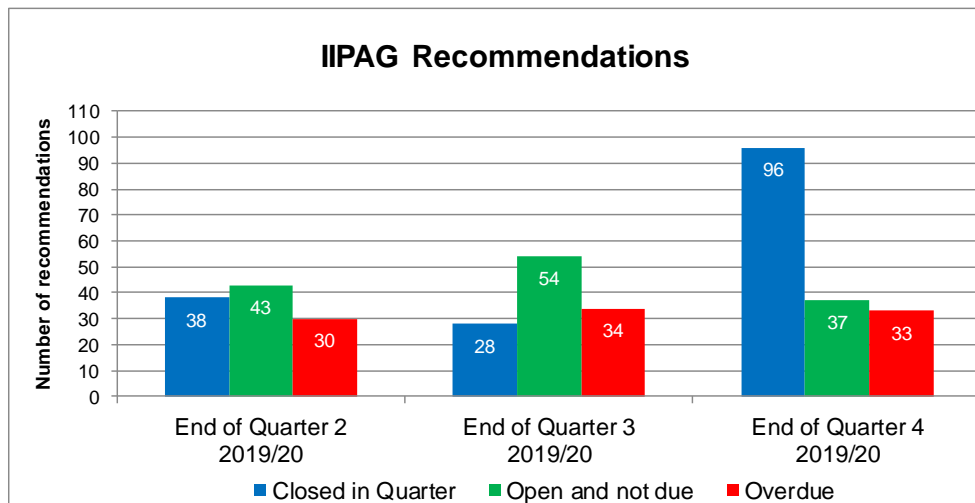


Figure 1: Status of IIPAG Recommendations

- 3.3 A number of overdue recommendations were closed during quarter 4, but with further recommendations becoming overdue in the quarter the number of overdue recommendations at the end of the quarter stood at 33. One of these overdue recommendations is a critical issue. There were no new unagreed IIPAG recommendations during the quarter.

4 IIPAG Work Programme for 2020/21

- 4.1 IIPAG prepared a work programme for 2020/21, which was intended to be presented at this meeting. However, following the Covid-19 outbreak and the subsequent 'lockdown', the work programme will need to be substantially revised once its impacts on TfL's Investment Programme are understood. The revised work programme will be presented to the September 2020 meeting of the Audit and Assurance Committee.

5 IIPAG Benchmarking Review 2019/20

- 5.1 Under their Terms of Reference IIPAG are required to undertake an annual review of TfL's benchmarking activities. The IIPAG Benchmarking Review for 2019/20 is included as Appendix 2 to this paper.

6 Management Response

- 6.1 The IIPAG annual report on benchmarking in TfL is welcomed by TfL. It recognises the breadth of benchmarking efforts across TfL, and the level of external focus. We note IIPAG's advice that management should continue to support the inquisitive, externally focussed, mindset which is essential for driving value from any benchmarking exercise.

List of appendices to this report:

Appendix 1: Independent Investment Programme Advisory Group - Quarterly Report April 2020

Appendix 2: Independent Investment Programme Advisory Group - Benchmarking Review for 2019/20

A paper containing exempt supplemental information is included on Part 2 of the agenda.

List of Background Papers:

None

Contact Officer: Howard Carter, General Counsel
Number: 020 3054 7832
Email: HowardCarter@TfL.gov.uk

[page left intentionally blank]

Independent Investment Programme Advisory Group – Quarterly Report April 2020

This paper will be considered in public

1. Introduction

- 1.1. This is a report of the activities of IIPAG since our last report, covering the period from early February to mid-April 2020. It provides updates on issues arising from project and sub-programme reviews and our cross-cutting work.

2. New recommendations and strategic advice

- 2.1. Our new insights at the strategic level this quarter come from our annual review of TfL's benchmarking activities. This is covered later in the report. There are no new strategic recommendations.

3. IIPAG reviews of projects and sub-programmes

- 3.1. We have participated with TfL Project Assurance (PA) in the following reviews.

Programmes

- DLR Rolling Stock Replacement Programme.

Projects

- Bank Station Capacity Upgrade.
- Cycling Network Development.
- Asset Resilience.

- 3.2. We keep a watching brief on the 4LM programme. We also participated in reviews with PA on Crossrail 2 development costs, and an advisory session on Bakerloo Line Upgrade and Enhancement, but we did not produce separate reports on these.
- 3.3. We have also continued to engage with the business through participation in Investment Group, London Underground Executive and Surface Transport Leadership Group.

4. Recurring themes

- 4.1. This has been a relatively light period, and no new themes have been identified. We recognise of course that COVID-19 will have a major impact directly on the delivery of the investment programme, and through its effects on TfL's finances. This will clearly be a consideration for future reviews.

5. Management progress on IIPAG recommendations

- 5.1. The covering paper to this appendix reports progress with management's responses to our recommendations.

6. Cross-cutting work

Benchmarking Review

- 6.1. In this period we completed our annual report on benchmarking in TfL, as required by our Terms of Reference. We were impressed at the breadth of benchmarking efforts across TfL. The organisation is commendably externally focussed. We found that asking '*how do others approach this?*' is a normal and unforced question across the enterprise. This mindset prompts not only full participation in a number of well-established international benchmarking studies, but a constant flow of more specific exercises.
- 6.2. Benchmarking is a valuable way of judging performance against comparators but is also time-consuming and difficult to do well. Within TfL, the central effort expended on benchmarking has reduced in recent years but, overall, we think that this has prompted helpful focus. Insights from major studies do not change quickly, so we also support reducing the effort put into external publication of benchmarking findings.
- 6.3. In summary our advice was:
- We feel the current effort, which plays a full role in the International Benchmarking studies but focusses analysis and reporting on areas of greatest importance for TfL, is appropriate and should continue.
 - The organisation should continue to regard internal performance variability as an opportunity for improvement, particularly as TfL aligns around common policies, systems and processes through Transformation.
 - Investment project benchmarking can be valuable but is difficult. Major studies should be focussed on the largest projects.
 - Involvement in the Transport Infrastructure Efficiency Taskforce is unlikely to yield major benefits in its early years but should be supported for the value it may bring in the longer term.
- 6.4. Our overall advice is that management should continue to support the inquisitive, externally focussed, mindset which is essential for driving value from any benchmarking exercise.

Other cross-cutting work

- 6.5. Our reviews of value for money (business cases and prioritisation), TfL standards, and assurance of commercial development are almost complete. We will be sharing these soon with senior executives in TfL for discussion. We are continuing to review engineering resources and project initiation. A review of the operation of the Programme Management Office (PMO) is planned to start shortly.

List of appendices to this report:

None

List of background papers:

None

Contact Officer: Alison Munro, Chair of IIPAG
AlisonMunro1@tfl.gov.uk

[page left intentionally blank]

Independent Investment Programme
Advisory Group
Benchmarking Review 2019/20

Status: Final
Date: 27th February 2020
Author: Jonathan Simcock
Distribution: TfL Audit and Assurance
Committee

1. SUMMARY

This report provides a summary of TfL's benchmarking work in 2019/20, together with comments on work undertaken since the last IIPAG review of benchmarking in 2017.

We have been impressed at the breadth of benchmarking efforts across TfL. The organisation is commendably externally focussed. We find that asking '*how do others approach this?*' is a normal and unforced question across the enterprise. This mindset prompts not only full participation in a number of well-established international benchmarking studies, but a constant flow of more specific exercises.

Benchmarking is a valuable way of judging performance against comparators but is also time-consuming and difficult to do well. Within TfL, the central effort expended on benchmarking has reduced in recent years but, overall, we think that this has prompted helpful focus. Insights from major studies do not change quickly, so we also support reducing the effort put into external publication of benchmarking findings.

In summary our advice is

- We feel the current effort, which plays a full role in the International Benchmarking studies but focusses analysis and reporting on areas of greatest importance for TfL, is appropriate and should continue.
- The organisation should continue to regard internal performance variability as an opportunity for improvement, particularly as TfL aligns around common policies, systems and processes through Transformation.
- Investment project benchmarking can be valuable but is difficult. Major studies should be focussed on the largest projects.
- Involvement in the Transport Infrastructure Efficiency Taskforce is unlikely to yield major benefits in its early years but should be supported for the value it may bring in the longer term.

Our overall advice is that management should continue to support the inquisitive, externally focussed, mindset which is essential for driving value from any benchmarking exercise.

In 2020/21 we intend to undertake a shorter review which will assess the benchmarking work undertaken in the year, and consider the extent to which insights from the current benchmarking activities have driven action.

2. INTRODUCTION

TfL and its predecessor organisations have an illustrious history of benchmarking.

London Underground carried out its first in-depth benchmarking study in 1982 when it compared its performance with that of Hamburg Hochbahn. In the 1990s it was a founder member of the global benchmarking community for large and then medium-

sized metros. TfL was a founder member of the international suburban rail benchmarking group in 2010 and then of the international bus benchmarking group. Some of the organisation's executives, particularly in London Underground, have been recognised as champions of the value of benchmarking.

IIPAG has been involved in TfL's benchmarking work since its inception in 2010. Initially its involvement was very hands-on, but over the years IIPAG's focus on benchmarking has reduced. (Between 2013/14 and 2016/17 the input reduced from 150 days per year to 26). The outputs from IIPAG contracted too. The IIPAG annual benchmarking reports became increasingly cursory, amounting by 2016/17 to one page in the overall IIPAG Annual Report. When IIPAG was refreshed in 2018, the new Terms of Reference retained the requirement that IIPAG '*produce and publish an Annual Benchmarking Report for the TfL Board and its Committees, interpreting benchmarking data, next steps and actions needed*'. This report fulfils that requirement for the year 2019/20.

Because of the break in IIPAG's involvement in benchmarking in recent years, this report is intended to be a review of the general health of benchmarking across the organisation. Terms of Reference are in Appendix A.

3. BENCHMARKING

The Power of Benchmarking - a TfL case study

In 2006, TfL benchmarked the cost of revenue collection with other public transport agencies around the globe. TfL's costs as a percentage of revenue were found to be comparable to others. The spread in costs of participants was not hard to explain. High volume networks with newer, simpler payment systems had lower costs than TfL and low revenue networks were more expensive. But the organisation was not satisfied with explaining its performance. The benchmarking data informed a systematic approach to reducing the cost of passenger payment systems over time. This effort eventually led to the world-leading contactless systems in use across TfL today.

This success was not achieved by finding a cheaper operator and slavishly copying it. The key to improvement lay in being open minded about opportunities that the data implied for alternative approaches, which might not otherwise have been obvious.

This example is witness to some important truths about benchmarking. Benchmarking is valuable, but not sufficient in itself to provide answers. And delivering the changes that benchmarking may inspire is rarely either easy or quick.

Benchmarking is the use of exogenous information to challenge performance, plans, targets, standards and practices. Typically, a benchmarking exercise has three

phases: gathering and validating data; analysing the data to develop insight; and using the insight to support actions or decisions.

In a diverse organisation like TfL, benchmarking can take a multitude of forms. At one end of the spectrum are large multiparty studies, facilitated by an independent moderator. At the other are specific enquiries into how other organisations address a particular challenge. Benchmarking does not always have to involve external parties. Internal benchmarking, being the evaluation of performance differences through time or across the organisation, can also lead to valuable insight.

What are the benefits of benchmarking? Firstly, judging itself in comparison to others can prompt an organisation to question how and why its performance differs. Benchmarking analysis can inform strategic direction, prioritisation and setting of performance targets. It can be particularly valuable in a public sector or monopoly business in which performance cannot be inferred from commercial success in a competitive context.

Secondly, rigorous benchmarking can help to reduce subjectivity in decision making. Introducing comparative data allows the organisation to judge the art of the possible and learn from the experience of others. Access to external knowledge and experience can raise confidence in difficult judgements and decisions. High-quality benchmarking can provide stakeholders with assurance that performance and practice has been tested against internal and external comparators.

Finally, benchmarking can have a spin-off benefit of promoting inquisitiveness and an external mindset. It isn't always necessary to have a formal study in order to solicit new ideas or to see how others solve similar problems and the relationships developed between benchmarking partners may yield insight beyond simply comparative data.

And what are its pitfalls? Getting valuable insight from benchmarking is hard work. It is easier to commission a study than to generate valuable actions from its results. It can take considerable effort to understand comparative data and adjust for the differences between companies and countries. The reality is that external organisations, operations and projects are rarely precisely comparable. It is not usually possible to find an exact comparator who may be slavishly copied. The challenge, particularly for a public sector organisation operating in a transparent environment, is to avoid benchmarking deteriorating into a defensive exercise of explaining why 'our' apples are not equivalent to 'their' pears.

On the other hand, superficial benchmarking which fails to unearth what underlies the performance data of others, can result in a false diagnosis and misplaced confidence about a particular course of action. Driving value from benchmarking data needs an unusual mix of experience, scepticism, open-mindedness and humility.

4. BENCHMARKING IN TFL

4.1 Organisation of Benchmarking in TfL

In 2016, the fourteen strong dedicated benchmarking team in TfL was disbanded as part of Transformation. Since then the co-ordination and direction of benchmarking is undertaken by the Business Strategy functions in TfL, Surface and LU, although no roles within these teams are dedicated exclusively to this.

Although the central activity has inevitably reduced in line with the resource, we feel that this has driven more focus into the central benchmarking activity. Guided by a tailored annual plan, the teams are now focussing on areas which are strategically important for the business and have the strongest organisational sponsorship. We have seen evidence of pragmatic decision making about how to engage with the main international benchmarking exercises. We have also seen constructive effort to make data gathering and submission more efficient.

We also support some tempering of previous ambitions to expand formal benchmarking into less mature areas such as walking, cycling and the road network. In a time of financial challenge, we do not feel that major new benchmarking efforts would compete with other demands on limited budgets and management attention.

Beyond the business strategy teams, there are two other enterprise wide centres related to benchmarking. The first is for cost estimating and resides in the Commercial function. The central estimating team draws on a framework of six professional firms, one of which maintains the **TfL Estimating Book**, which is a collection of benchmarked cost data and is updated several times per year. The TfL Estimating Book is reported as good practice by the Infrastructure and Projects Authority.¹ Cost estimating is the subject of a separate review which is underway in the TfL Project Assurance team and we will therefore not comment further here.

Finally, the **Benefits and Value Functional team** within the PMO owns the subject of benchmarking for Major Projects. Compared to operational benchmarking in TfL, this area is relatively immature. The organisation's Pathway processes for the Capital Delivery Lifecycle do include consideration of benchmarking, but there are no benchmarking products in the Pathway product suite. The priority of central benchmarking in the PMO is quite low. We comment on Investment Programme Benchmarking later in this report, but in the context of all the other demands on the PMO, we are satisfied that developing a universal TfL approach to project benchmarking is not the highest priority for the organisation.

¹ IPA report: Best Practice in Benchmarking.
<https://www.gov.uk/government/publications/best-practice-in-benchmarking>

In summary, therefore, we feel that the investment in benchmarking across TfL is appropriate. We have found plentiful evidence of an external and inquisitive mindset in the organisation.

4.2 Publication of Benchmarking Reports

Pan-TfL benchmarking reports were published in 2017 and 2018 covering the outcomes of the international benchmarking studies in which TfL participates. (In previous years London Underground specific reports were published.) These were excellent publications, but consumed considerable effort to produce. Because many of the structural insights from these studies do not vary very much year on year, the reports gave limited value to the organisation itself and we think it is a pragmatic decision not to produce them each year.

We note that, in response to a number of Mayoral questions, a simplified summary of the IBBG Bus benchmarking report will be published externally in 2020.

In the paragraphs below we summarise the current benchmarking efforts across TfL.

4.3 International Benchmarking Studies.

TfL contributes data to four annual International Benchmarking exercises covering London Underground, DLR, London Overground and London Buses. They are all managed by the Transport Strategy Centre (TSC) at Imperial College London. In most cases TfL was an original member of these benchmarking communities and acts as something of an anchor tenant, which encourages participation by others. TfL's contribution and commitment is near or at the top of the list of its peers and the organisation's engagement is praised and valued by the TSC.

Metros: CoMET and Nova

TfL was a founding member of CoMET (the Community of Metros), a group which has now expanded to include 18 of the largest metros from around the world. Since 2013, DLR has been represented in a group of medium sized metros known as Nova. The two groups work closely together, with mutual sharing of data and practices. Every year there are two main meetings of the community – the Management Meeting where the future work programme is determined and the Annual General Meeting including a CEO day where benchmarking outcomes are discussed. TfL typically attends at Director level.

Each year KPIs are gathered and reported on **safety, operating and maintenance costs, productivity, reliability, energy efficiency and cost recovery**. The most recent CoMET and Nova benchmarking KPI report was received in December 2019 and is currently being analysed in the Business Strategy team. The insights will support a presentation from the TSC to the London Underground executive team including the new Managing Director.

The insights from CoMET tend to reflect underlying realities and therefore do not change significantly from year to year. London Underground is amongst the metros with the highest **service frequency**. On other performance metrics it compares relatively poorly to the newer Asian metros on many performance measures but more favourably with older, mainly European, networks. Current and future modernisation and upgrade projects should improve London Underground's standing, but reaching world leading performance against many CoMET indicators is probably an unaffordable ambition given the network's heritage. Both the Underground and DLR achieve better **cost recovery ratios** than most metros and consequently have somewhat less dependency on government subsidies.

Each year, in addition to the annual KPI report, members of CoMET and Nova choose subjects for one off studies. TfL contributes heavily to most of these studies – but is pragmatic about whether taking part will add value. For example, TfL recently opted out of a study into the **reliability of signalling equipment** in light of the burden on the relevant team which is heavily committed to ongoing projects including 4LM.

In recent years CoMET studies have included **metro security, station manning, escalator management** (the output of which has informed the Escalator Asset Management strategy), **energy saving** (which will inform the Underground Energy Strategy) and **absenteeism** (which has fed into a cross-TfL project to address attendance issues).

Studies are now underway into **noise and vibration** in metros, approaches to **digital transformation** in metro operations, and how service quality can be improved through **real-time travel information**. Data gathering is underway on these subjects and final reports will be received later in the year.

Finally, the bi-lateral relationships built up through CoMET membership promote informal exchange on approaches to a host of business issues.

London Overground: ISBeRG

London Overground is one of 14 members of ISBeRG (the International Suburban Rail Benchmarking Group). Data gathering is currently underway for this year's report. As with CoMET, there is a rolling programme of case studies to which TfL contributes as long as it has a particular interest and if resource is available.

London Overground is one of the smaller networks in the group with **shorter average journeys at lower speeds** between **closer stations**, but at relatively high **capacity utilisation**. The **average fare** per passenger km is higher in London Overground than the other participants.

While the findings of the annual KPI study inform the Overground business plan priorities, ISBeRG is relatively less valuable to TfL than CoMET. The fact that TfL is

not directly responsible for the rail infrastructure makes some comparisons less helpful. There are no recent cases of London Overground making any changes as a result of the ISBeRG reports, although the case studies and networking do add to the organisation's overall organisational knowledge. Sometimes these insights can be quite practical. For example, at a recent ISBeRG conference, TfL saw a newly refurbished train which had luggage storage features which the organisation is keen to adopt should the opportunity arise.

Buses: IBBG

TfL is one of 15 members of IBBG (the International Bus Benchmarking Group). Performance data is submitted every year, and results in a detailed report each Autumn. The results are shared across TfL bus operations, although insights from the annual surveys tend not to change radically year on year.

The IBBG benchmarking reveals that TfL provides a more even **service distribution** throughout the day than most cities, which are weighted more towards morning and evening peak periods. This contributes to overall **capacity utilisation** being slightly lower in London. **Trip lengths** are typically lower in London as are the **average fares** per trip. Financially London compares well, with **operating costs** reasonably low given the high wage environment and **recovery of costs** through fares being in the upper quartile.

One area of focus in recent years has been **bus safety**. Since the IBBG benchmarking highlighted that **collision rates** in London were above average, Vision Zero and Bus Safety Standard efforts have been made to drive improvement.

On top of the annual KPI report, TfL contributes to specific IBBG studies. In recent years these have included benchmarking of **bus electrification** and **bus speeds**. This year two studies have been commissioned, into **how drivers interact with customers** and how **innovation** is improving internal processes and customer experience.

TfL are active members of the IBBG group, regularly responding to questions from the group and nurturing bilateral relationships with other group members.

4.4 Annual Viewpoint Survey

In common with many large organisations, TfL conducts an annual staff survey which is focussed on measuring levels of **staff engagement** in a number of areas. This exercise provides excellent benchmarking insights against a collection of public and private sector organisations. It also benchmarks between different divisions and demographic groups within TfL. Viewpoint insights lead to improvement initiatives within the organisation and engagement scores are included in executive scorecards.

Since Viewpoint results are communicated into TfL governance separately, we do not comment further here, except to note that this is another example of excellent benchmarking.

4.5 Internal Benchmarking

Viewpoint is an example of the value of internal as well as external comparison. Internal benchmarking can be undertaken across different parts of the business, across projects of similar nature, and across the same organisation over time.

The advantage of internal over external benchmarking is that it is typically easier to access data and to ensure that it is valid and comparable. The disadvantage is that internal assessment in isolation can lead to myopia and missing of potentially larger opportunities.

The most obvious example of internal benchmarking in TfL is the use of historical business performance in setting targets and budgets in business planning. This happens across the organisation as a matter of course. However, as the following two examples show, internal benchmarking has much wider application in the organisation.

Until 2017 London Underground produced, for IIPAG, an annual Benchmarking Unit Rate Report.² The report presented **unit cost** and **reliability data** for **fleet, signals, track and stations** over time and between lines. The 2017 report showed, for example, that the number of **incidents causing a greater than 5-minute delay** reduced by 34% between 2011/12 and 2015/16, but that, within these numbers, the Jubilee line had improved by 80% while the Central line had deteriorated by 44%.

While the full report is no longer produced, the analysis continues to be undertaken to inform business planning and target setting in London Underground.

The second example comes from 2016, when London Underground published its first Asset Management Strategy.³ This report demonstrated, for example, an improvement in **Mean Distance Between Failures (MDBF)** of rolling stock of over 300% between 2003 and 2015 and a reduction in **incidents caused by Signalling and Control assets** from 230 per period in 2009/10 to 135 per period in 2015/16, leading to a reduction in **lost customer hours** of around 45%.

However, two recent examples show that even internal benchmarking is not straightforward. Assessment of the **cost of Cycle Superhighway schemes** shows costs per km varying between £1.0m and £6.7m depending on the complexity of the route and the extent of road junction improvements required.⁴ The second example

² London Underground - Benchmarking Unit Rate Report v1.1 2017

³ London Underground - Asset Management Strategy June 2016 Version 1.2

⁴ TfL Benchmarking: Where we are, our opportunities and how we link these to TIET - 2019

is **rolling stock procurement** where one might expect cost benchmarking would be very straightforward. In fact, when comparing prospective costs for new cars with actual costs on existing lines the results are completely different depending on whether the benchmark used is cost per car, or cost per metre of car length.

These examples demonstrate that even internal benchmarking needs to be carried out with an objective and analytical mindset.

In our view, wherever there is internal variability there is an opportunity for learning through benchmarking. In particular, as Transformation drives towards greater standardisation of processes and systems, internal benchmarking has a role to play in determining which practice is best and should become the standard.

4.6 Investment Project Benchmarking

In 2019, in light of a number of major transport project problems (including, amongst others, the overrun of Crossrail), DfT and IPA produced a report entitled ‘Lessons from transport for the sponsorship of major projects’. One of the twenty-four lessons was the importance of testing value for money through benchmarking. The recommendation was to *collect and review cost data across government and use cross-sectoral and international comparisons for common cost items. Challenge the delivery organisation and its supply chain to evidence their cost estimates. Ensure this evidence employs both top-down and bottom up benchmarking to test value for money.*⁵

The potential value of cost benchmarking in the development of major projects is obvious. At best it can build confidence in the business case or conversely prompt reconsideration of a cost estimate that, once benchmarked, looks questionable. However, benchmarking of major project costs can also be a large and costly exercise and it does not always lead to better estimates. Arguably, benchmarking of the cost of High-Speed Rail projects against international comparators led to some unrealistic views in Government about what Britain’s projects would cost.

In recent years TfL has undertaken studies for specific major projects. These have typically focused less on costs and more on approaches to delivery. Most significantly, between 2013 and 2016, the organisation undertook a number of in-depth benchmarking studies to inform the **Deep Tube Upgrade Programme (DTUP)**. These included overall **approaches to delivery, market analysis of Communications-based train control (CBTC) systems, approaches to procurement of signalling and rolling stock, and railway reliability during upgrade projects.**

⁵ Lessons from transport for the sponsorship of major projects.
https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/796294/dft-review-of-lessons.pdf

Another recent example, concluding in 2017, concerned the **Step Free Access Programme**. Data from 40 stations were considered to inform judgements about **design specifications, delivery and commercial strategies** and **supply chain management**. The programme is now considering further benchmarking to inform the next phase of investment, focussing on **unit costs** and **technical specifications**.

4.7 Transport Infrastructure Efficiency Taskforce

There is a further initiative which relates to project cost benchmarking and may add significant value in the future.

TfL is an original member of the Transport Infrastructure Efficiency Taskforce which was launched by the UK Government at the end of 2017 in order to drive greater efficiency throughout the design, build and operations of UK transport infrastructure. The other original members were Crossrail Ltd, HS2 Ltd, Highways England, Network Rail and the Department for Transport. The taskforce is now chaired by the TfL Commissioner. The third of the seven challenges to be addressed by the taskforce was to create a **transport infrastructure performance benchmarking forum** in order to share best practice and innovation.

As might be anticipated, each of the contributing organisations captures data in a different way, so building a benchmarking club is not a straightforward matter. Much of the group's early work is going into how to make data available to all participants in a consistent and comparable way.

The Taskforce has agreed three early areas for benchmarking focus, which are **Earthworks, Bridges** and **Preliminaries** (being the supplier-side cost of administering a project and providing the facilities and services that are not included in unit rates). These initial focus areas are not of prime interest to TfL but the organisation recognises that it will not benefit from all benchmarking exercises and has to contribute to the club in order to gain advantage later on.

4.8 Other Recent and Ongoing Examples of Benchmarking

In this final section we list a number of other exercises that demonstrate the breadth of external focus in TfL. There is such a lot of benchmarking in the organisation that we doubt whether this is a completely exhaustive survey and apologise for any omissions.

Apprenticeship Schemes: In 2018 a study considered how TfL's approach to **Apprenticeship schemes** compared to other large UK schemes. The TfL schemes were found to have many strengths and were best in class in some areas. The study also identified opportunities to streamline the apprenticeship offering, and to focus more on recruitment on-line rather than through events. There were learnings about **diversity** and **pay practices** as well as practical matters to do with **training of placement managers** and the way **apprentice progressions** fit into overall

workforce plans. This study was a follow up to a 2016 study on **Graduate induction** which compared the TfL Graduate Scheme to similar graduate recruiters and industry wide benchmarks in order to identify best practice and find potential efficiencies. That study contributed to decisions to reduce the number of graduate schemes offered and to introduce new guidelines for further degree sponsorship and external training and led to some improvements in scheme efficiency.

Comparative Fare Costs: In response to a 2019 tweet about London's apparent high costs, especially for young people, a comparison of the **costs of city travelling** in London versus other European cities, and a basic analysis of the drivers of fare levels, was prepared for City Hall.

Driver Fatigue: Work is underway, together with Loughborough University, into how TfL and other operators of heavy engineering equipment address the potential issues with **driver tiredness**.

Tram Speed limiting: A survey of how other tram operators **limit tram speed** was conducted in response to the Croydon tram derailment.

Tram Maintenance staffing: In 2019 London Trams commissioned a review to understand the fatigue levels experienced by the Trams maintenance teams. As part of this work, the **maintenance staffing levels** were benchmarked against other tram operators in the UK. The study recommended the introduction of additional maintenance staff and changes to the rostering arrangements.

Technology & Data Operating Model: Several years after being brought together as a single organisation, Technology and Data has commissioned a well-known IT research and advisory consultant to benchmark its **operating model** against external comparators.

Appendix A: Benchmarking Review 2019/20 Terms of Reference

Purpose of the Review

The overriding purpose of the review is to provide the TfL Board and its stakeholders with assurance that appropriate and effective benchmarking is being used to drive better performance, and to identify opportunities for improvement.

In particular, the review will aim to answer the following questions:

- What is the current suite of benchmarking activities telling TfL?
- Has benchmarking led to change and improvement?
- Is benchmarking intelligence being shared and utilised widely enough?
- To what extent is TfL leadership, and the wider organisation, supportive of benchmarking and receptive to its findings?
- Is the benchmarking plan fit for purpose? To what extent does it target appropriate strategic and tactical objectives?
- Is benchmarking embedded in relevant departmental processes, such as business planning, project development, cost estimating and value engineering.
- Does benchmarking in TfL follow best-practice? Does it represent value-for-money?
- Is benchmarking appropriately resourced and managed.

The output of the review will be the Annual IIPAG Benchmarking Report for 2019, which will be presented to the TfL board and published.

[page left intentionally blank]

Audit and Assurance Committee



Date: 8 June 2020

Item: EY Letter on Independence and Objectivity

This paper will be considered in public

1 Summary

1.1 To report to the Audit and Assurance Committee on the independence and objectivity of Ernst & Young LLP (EY).

2 Recommendation

2.1 **The Committee is asked to note the paper.**

3 Background

3.1 EY are required to report annually to the Audit and Assurance Committee on their independence and objectivity, taking into account guidance including the National Audit Office's Code of Audit Practice.

3.2 EY have reviewed their procedures and their letter is attached for the Committee's review.

List of appendices to this report:

Appendix 1: Letter from EY

List of Background Papers:

None

Contact: Antony King, Group Finance Director
Statutory Chief Finance Officer
Number: 020 7126 2880
Email: AntonyKing@TfL.gov.uk

[page left intentionally blank]

Audit and Assurance Committee
Company Secretariat
Transport for London
Post Point 10 City Hall
The Queen's Walk
London SE1 2AA

29 May 2020
Direct line: 01189 281502
Email: KHavers@uk.ey.com

Dear Sirs

Independence and objectivity – Transport for London 2019/20

In order to carry out our duties and responsibilities as auditor, we are required to consider our independence and objectivity within the context of the regulatory and professional framework in which we operate. We are also mindful of all stakeholders, including the Public Sector Audit Appointments Ltd (PSAA) and the National Audit Office (NAO). For further details of specific independence requirements for PSAA appointments, refer to the PSAA Terms of Appointment at <http://www.psaa.co.uk/appointing-auditors/terms-of-appointment/>.

Appendix 1 to this letter highlights the significant facts and matters that may be reasonably considered to bear upon our objectivity and independence, including any principal threats. It also contains reference to the key policies and processes in place within EY for maintaining objectivity and independence. We consider these throughout our audit and are required to communicate with you whenever any significant judgements are made about threats to objectivity and independence and the appropriateness of safeguards put in place, for example, when accepting an engagement to provide non-audit services.

For 2019/20, we have undertaken non-audit assignments, as reported in our summary of non audit fees.

Overall, we confirm that as of 29 May 2020, in our professional judgment, EY is independent within the meaning of regulatory and professional requirements and the objectivity of the partner and audit engagement team have not been compromised.

Yours faithfully

Karl Havers
Partner
For and on behalf of Ernst & Young LLP

Appendix 1

Self-interest threats

A self-interest threat arises when EY has financial or other interests in your entity. Examples include where we have an investment in your entity; where we receive significant fees in respect of non-audit services; where we need to recover long outstanding fees; or where we enter into a business relationship with you.

A self-interest threat may also arise if members of our audit engagement team have objectives or are rewarded in relation to sales of non-audit services to you.

Self-review threats

Self-review threats arise when the results of a non-audit service performed by EY or others within the EY network are reflected in the amounts included or disclosed in the financial statements.

Management threats

Partners and employees of EY are prohibited from taking decisions on behalf of management of your entity. Management threats may also arise during the provision of a non-audit service where management is required to make judgements or decisions based on that work.

Other threats

Other threats, such as advocacy, familiarity or intimidation, may arise.

We believe that it is appropriate for us to undertake permissible non-audit services and we will comply with the policies that you have approved for financial year ending 31 March 2020. In addition, when the ratio of non-audit fees to audit fees exceeds 1:1, we are required to discuss this with our Ethics Partner, as set out by the APB Ethical Standards, and if necessary agree additional safeguards or not accept the non-audit engagement. We will also discuss this with you.

Policies and procedures in place

EY has policies and procedures that instil professional values as part of firm culture and ensure that the highest standards of objectivity, independence and integrity are maintained.

Details of the key policies and processes in place within EY for maintaining objectivity and independence can be found in our annual Transparency Report which the firm is required to publish by law. The most recent version of this Report is for the year ended June 2019 and can be found at:

https://www.ey.com/en_uk/who-we-are/transparency-report-2019

Audit and Assurance Committee



Date: 8 June 2020

Item: EY Report on Non-Audit Fees for Six Months ended 31 March 2020

This paper will be considered in public

1 Summary

1.1 To report to the Audit and Assurance Committee on fees billed by EY for non-audit services.

2 Recommendation

2.1 **The Committee is asked to note this report.**

3 Background

3.1 Under TfL's policy on external audit services EY is required to report to the Audit and Assurance Committee every six months on fees billed for non-audit services. EY's report is attached for the Committee's review.

List of appendices to this report:

Appendix 1: Letter from EY

List of Background Papers:

None

Contact: Antony King, Group Finance Director
Statutory Chief Finance Officer
Number: 020 7126 2880
Email: AntonyKing@TfL.gov.uk

[page left intentionally blank]

Audit and Assurance Committee
Company Secretariat
Transport for London
Post Point 10 City Hall
The Queen's Walk
London SE1 2AA

29 May 2020

Direct line: 01189 281502
Email: KHavers@uk.ey.com

Dear Sirs

Audit fees – 6 months to 31 March 2020

Under Transport for London's policy on external audit services we are required to provide to the Audit and Assurance Committee, on a six-monthly basis, a report on fees for all services, we reported the non audit services incurred in the 6 months to 30 September 2020 to a previous committee meeting, however for completeness we have included in the attached the one assignment completed in that first six months. Appendix 1 to this letter includes a summary of our audit and non-audit fees for 2019/20.

Yours faithfully

Karl Havers
Partner
For and on behalf of Ernst & Young LLP

Appendix 1

Summary of fees

	TfL Corporation 2019/20 £	Transport Trading Limited 2019/20 £	Comments
Statutory audit fee – TfL*	120,062		Statutory audit fee 2019/20 services required to meet the Code of Audit Practice requirements (including Value for Money and Whole of Government Accounts)
Statutory audit fee – TTL*		1,081,000	Statutory audit fee in respect TTL Group subsidiaries for services required to enable EY to issue an audit opinion on the annual accounts in accordance with the Companies Act.
Additional 18/19 audit fees		164,245	Additional statutory audit fees agreed in relation to completion of the 18/19 audit, incurred in relation to VfM/procurement and new accounting standards
Agreed upon procedures		16,321	Reporting on 3Emotion grant claim
Assurance reporting under listing rules for bond issue		75,000	Reporting on Comfort Letter
Previously reported and incurred in the first six months of 19/20			
Agreed upon procedures		11,500	Reporting on ORR returns for 18/19

*Statutory audit fees for the full year included for context.

Audit and Assurance Committee



Date: 8 June 2020

Item: Risk and Assurance Quarter 4 Report 2019/20

This paper will be considered in public

1 Summary

- 1.1 The purpose of this report is to inform the Committee of the work completed by the Risk and Assurance Directorate during Quarter 4 of 2019/20, the work in progress and planned to start, and other information about the Directorate's activities.
- 1.2 A paper is included on Part 2 of the agenda, which contains exempt supplemental information and documentation. Subject to the decision of the Committee, this paper is exempt and is therefore not for publication to the public or press by virtue of paragraphs 3, 5 and 7 of Schedule 12A of the Local Government Act 1972 in that it contains information relating to the business and financial affairs of TfL, that is commercially sensitive and likely to prejudice TfL's commercial position; and information relating to ongoing fraud and criminal investigations and the disclosure of this information is likely to prejudice the prevention or detection of crime and the apprehension or prosecution of offenders.

2 Recommendation

- 2.1 **The Committee is asked to note the report and the supplemental information on Part 2 of the agenda.**

3 Background

- 3.1 This is the fourth and final 2019/20 quarterly report to the Audit and Assurance Committee highlighting the activities of the five teams making up the Risk and Assurance Directorate, namely: Enterprise Risk; Internal Audit; Integrated Assurance; Project Assurance; and Counter-fraud and Corruption. This quarterly report is shorter than usual, since it has been restricted to covering information on work done during the quarter to avoid duplicating material covered in the Risk and Assurance Annual Report elsewhere on this agenda.

4 Enterprise Risk Management

- 4.1 The Coronavirus pandemic has altered TfL's short to medium term goals, operating environment and risk landscape.
- 4.2 The following Level 0 risks were updated prior to the outbreak in the UK:

- (a) Major cyber security incident (SR4) – discussions in progress to reflect the current strategic cyber risks and mitigations;
- (b) Inability to meet changing demand (SR9) – updates include consideration of economic factors and travel demand. Risk manager updated and financial impact quantified; and
- (c) Opening of the Elizabeth Line (SR16) – updates to current status and change of risk ownership.

4.3 A list of the current Level 0 and Level 1 risks is included in Appendix 1.

4.4 Meetings have taken place between the TfL Enterprise Risk team and their counterparts in Crossrail Limited and Network Rail with the objective of sharing strategic risk information in order to understand the full risk landscape; a joint paper has been prepared for the Crossrail Board.

4.5 Following the onset of the pandemic and the ensuing 'lockdown', the Enterprise Risk team has been supporting TfL in two main areas. On a tactical level, we are working with the team planning for TfL's 'restart' and 'recovery'. Seven workstreams were identified to return TfL's operations to a level commensurate with demand given social distancing measures required to be in place. These were: Operations, Finances, Projects, People & ways of working, Communications & engagement, Strategy and Supply chain. The Enterprise Risk team are supporting the workstream leads, each of whom is responsible for identifying and managing the risks to the objectives of their respective workstreams.

4.6 On a longer-term, strategic level we are working with the business on revisiting and reframing the organisation's Enterprise Risks in the light of the challenges and new operating environment resulting from the Coronavirus outbreak. Proposals for a revised set of 10 Level 0 risks, linked to the recovery workstreams are being considered by the TfL Executive Committee.

4.7 The proposed new Strategic Risks are:

- (a) Major health, safety or environmental incident;
- (b) Physical and digital security;
- (c) Programme delivery;
- (d) Supply chain disruption;
- (e) Major service disruption;
- (f) IT system strain;
- (g) Protecting the wellbeing of TfL's workforce;
- (h) Loss of stakeholder trust;

- (i) Ability to recover ridership; and
- (j) Financial sustainability.

4.8 These risks are to be assessed and mitigations proposed over the coming quarter.

5 Audit and Assurance

5.1 In TfL, assurance is delivered in accordance with the ‘three lines of defence’ model:

- (a) First line of defence – control and monitoring arrangements carried out by the functions responsible for managing the risks/ controls;
- (b) Second line of defence – typically audit and inspection regimes carried out by teams separate from those responsible for managing the risks/ controls, but reporting through the TfL management hierarchy; and
- (c) Third line of defence – fully independent audit and review activities, typically with a strategic focus, and reporting to Executive Committee, Audit and Assurance Committee and other Board Committees and Panels.

5.2 Within the Risk and Assurance Directorate, the Internal Audit function provides third line assurance, whilst the Integrated Assurance and Project Assurance teams provide second line assurance. Further information regarding the work of these teams during Q4 is set out below.

5.3 The table below maps the outcomes of audit and project assurance reviews carried out by the teams in Risk and Assurance up to the end of Q4 against the TfL Strategic Risks. If a risk is not listed, this means that no work has been completed against it during the year.

	←2nd line assurance			Total	←3rd line assurance			Total		
SR1 Achieving safety outcomes	0	6	5	21	4	1	5			
SR2 Talent attraction and retention					1		1			
SR3 Governance and control suitability					1	3	2	6		
SR4 Major cyber security incident					1	1	2			
SR6 Loss of external stakeholder trust					1	1	2			
SR7 Financial sustainability	1	7	7	15	1	4	3	1	7	16
SR8 Inability to deliver predicted revenue growth					2	5	7			
SR12 Delivery of key investment programmes		22	32	54	1	3	4			
SR13 Operational reliability	3	4	9	2	4	22				
SR16 Opening of the Elizabeth Line	1			1	3	3				
SR17 Protective Security	1			1		1				
LTM					1	1	2			

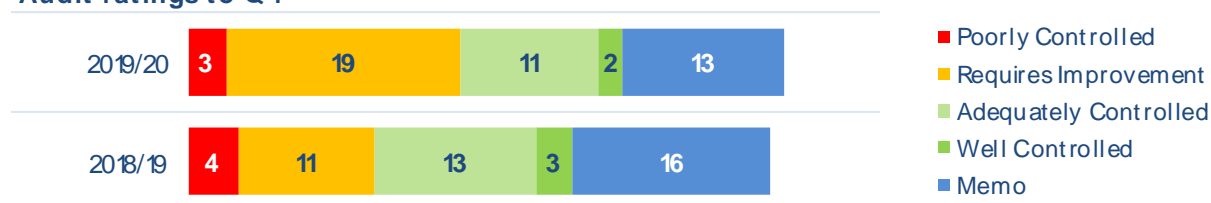
Audit rating/PA review outcome

■	Poorly controlled
■	Requires improvement/critical recommendations
■	Adequately controlled/recommendations
■	Well controlled
■	Memo or consultancy

Internal Audit

- 5.4 The Internal Audit plan forms part of the integrated assurance plan that the Audit and Assurance Committee approved on 14 March 2019. Schedule 1: Internal Audit Q4 summary includes highlights from work completed during the quarter, an overview of the delivery of the audit plan, a summary of the reports issued and conclusions and information on overdue audit actions.
- 5.5 The chart below summarises the reports issued up to the end of Q4 2019/20, together with comparative figures for 2018/19:

Audit ratings to Q4



- 5.6 By the end of Q4, we had delivered 48 audits (2018/19: 47 audits) over the course of the year. Delivery in March was adversely impacted by the 'lockdown' arising from the Covid-19 outbreak, and we believe that several more reports would have been issued by the end of the year had that not occurred.
- 5.7 A full list of audit reports issued during the quarter can be found as Appendix 2. Audits in progress at the end of Q4 can be found in Appendix 3.
- 5.8 This report would usually include a list of audits due to start during Q1 of 2020/21. However, as a result of the lockdown and subsequent furlough of the majority of Internal Audit staff, no new audits will commence during Q1, other than our annual audit of the TfL Scorecard outturn. We will be working with the business to agree a revised audit schedule to be delivered as TfL's recovery phase begins.

Mayoral Directives

- 5.9 Mayoral Directions fall into three broad categories: those addressing technical issues relating to statutory powers; those related to commercial development activities; and those related to projects and programmes.
- 5.10 Since the end of Q3, there have been three directions to TfL, none of which affected Internal Audit activity during Q4 2019/20:
- Directing TfL to incur expenditure (securing third party funding where possible) for the purpose of a series of activities to disseminate a message promoting the goals of Pride, and other related activities on the TfL estate to promote the goals of Pride. (MD2554 on 17 December 2019)
 - An amendment to the London Vehicle Scrappage Scheme to refer to 'businesses' (rather than only microbusinesses) alongside third sector organisations as originally approved. (MD2563 on 14 January 2020)

- (c) Directing TfL to prepare, finance and implement the bus driver retention payment scheme to incentivise people to remain employed as a bus driver, to ensure an appropriately skilled workforce of bus drivers in London. The scheme will operate until 2024 when it will be reviewed. The GLA will make a revenue grant to TfL of £34m to cover the initial costs of the retention payments. (MD2592 on 2 March 2020)

Management Actions

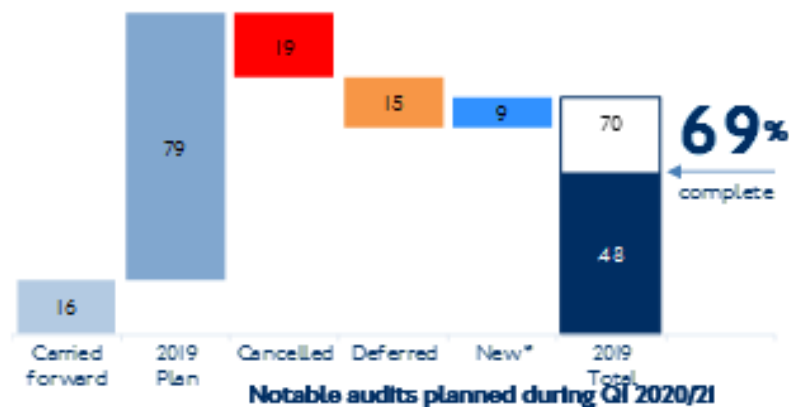
- 5.11 Internal Audit monitors the completion of all management actions and confirms whether management has adequately addressed them. We report by Directorate, on the percentage of actions closed on time over the past six periods. Schedule 1 provides additional information relating to action management trends over the last six periods.
- 5.12 Schedule 1 shows overdue actions at the end of period 13. There were 15 actions more than 60 days overdue at that date, compared to 10 at the end of the previous quarter. Closure of actions at the end of the year was impacted by the 'lockdown' that took effect in the middle of March.

Changes to audit plan

- 5.13 The ability to adapt the plan in order to respond to changing risk and business priorities is a key part of delivering a valuable Internal Audit service to TfL. The Committee will note a number of changes to the plan this quarter.
- 5.14 Following our reprioritisation of the plan, we have added two new audits and deferred seven audits to the 2020/21 plan to better align with business requirements. In addition, six audits have been cancelled. The full list of changes can be found in Appendix 4.

Schedule I: Internal Audit Q4 summary

Audit plan 2019/20 (to Period I3 2019/20 end)



Reports

16 Issued Q4 **48** Issued (to Period I3 end)

Audit ratings by Directorate – rolling I3 period view

	PC	RI	AC	WC	M/C*
Crossrail		3			
CCT	1	5	3	1	3
Finance	1	1	7	1	4
Gen. Counsel					2
HR		1			
LU		3			
Major Projects					
Surface	1	1	1		4
TfL Engineering					
SHE					
Pan TfL		4			
TOTAL	6.3%	39.6%	22.9%	4.2%	27.1%

KEY
 PC: poorly controlled
 RI: requires improvement
 AC: adequately controlled
 WC: well controlled
 M/C: memo/consultancy

Significant Reports Issued in Q4 2019/20

None of the reports issued during Q4 were concluded as Poorly Controlled. Ten reports issued during the quarter were concluded as requires improvement.

Notable reports included:

- Three audit reports in relation to Crossrail covering: The Strategic Approach to Workforce Planning; Management and Control over Project Cost Forecasting; and Management of Tier I Suppliers
- Third Party Supplier Audit (Novacroft) – This identified a need to strengthen fraud prevention

controls

- Delivery of the Roadside Advertising Strategy – priority I issues related to weaknesses in documentation and a need for improved monitoring of the contractor.
- Allowances, Overtime and Higher Duty Pay processes – issues related to authorisations of unsocial hours payments and overtime.

Action management (to Period I3 end)

Overall Tfl performance

Measure	#	%	6-period trend	52 overdue
Closed on time*	73	40%		277 open
Extended*	77	31%		

By Directorate

Directorate	Overdue	Closed on time*
Crossrail		100%
CCT	2	55%
Finance	19	53%
Gen. Counsel		100%
HR	13	6%
LU	2	12%
Major Projects	4	25%
Surface		17%
TfL Engineering		100%
SHE		
Pan TfL		

*based on actions due in the last six periods

Integrated Assurance

- 5.15 The Integrated Assurance team carries out second line of defence audits, primarily in relation to health and safety and engineering compliance, and compliance with Payment Card Industry Data Security Standard (PCI DSS). Audit reports issued by the team follow a similar system of audit conclusions and priority ratings for issues as the Internal Audit team.
- 5.16 A summary of work carried out by Integrated Assurance can be found in Schedule 2: Integrated Assurance Q4 summary.

Project Assurance

- 5.17 The Project Assurance team carries out assurance reviews of projects and programmes across TfL's Investment Programme, with individual projects selected for review following a risk-based assessment. Generally, projects with an Estimated Final Cost over £50m are also subject to (third line) input from the Independent Investment Programme Advisory Group (IIPAG). However, IIPAG's agreed work-bank is determined by the project's risk profile, which includes some projects less than £50m, and not all sub-programmes are reviewed. The IIPAG Quarterly Report is included separately on the Committee Agenda. Reports from Project Assurance Reviews are considered alongside the Authority request at the sub-programme board or operating business board depending on the size of the project.
- 5.18 Project Assurance also conducts reviews of the sub-programmes to inform their annual request for Authority at the Programmes and Investment Committee.
- 5.19 Project Assurance reviews do not carry an overall conclusion in the same way as audit reports, however, issues raised may be designated as critical issues. The Project Assurance team follows up on all recommendations to ensure they have been addressed.
- 5.20 A summary of the work completed by Project Assurance can be found in Schedule 3: Project Assurance Q4 summary.

Schedule 2: Integrated Assurance Q4 Summary

Audit plan 2019/20



Work complete

We delivered 22 audits in Q4. Since Q3 an additional three audits have been cancelled at the request of the senior managers who sponsored the audit. Sixteen audits from the 2019/20 plan have been deferred to the 2020/21 plan, predominantly where intended improvement or corrective actions that were to be the subject of the assurance activity have been delayed.

Current rules on social distancing, traveling and furlough have affected plans for quarter one which will be revised with the business when this is possible.

There were no audits rated as poorly controlled in Q4. Four reports were rated as requires improvement relating to:

- LU management of fatigue risk
- The inclusion of data privacy requirements in TfL procurements
- Management of GLR wheelsets, and
- Principal Designer Role in Surface Transport

All have actions that are being tracked with the

accountable manager in TfL.

Integrated systems audits
Following the successful trial of integrated systems audits in LU Operations these audits have been further rolled out and have already provided useful information to the management teams on trends of non-compliance and subjects that local managers need further support or guidance on.

These audits are designed to provide a snapshot of compliance with key requirements of the management system and rule books on safety, competence, finance and staff matters. The programme for quarter one has been suspended due to social distancing limitations, however LU Operational Management teams have requested that the programme is accelerated upon its resumption.

Reports last 13 periods

	PC	RI	AC	WC	M/C*
Crossrail					4
CCT			2		2
Finance			1		2
Gen. Counsel			1		
HR					
LU	1	3	11	2	5
Major Projects					
Surface	1	7	5		7
TfL Engineering			1		4
SHE					
Pan TfL				4	4
TOTAL	4.1%	20.5%	30.1%	4.1%	41.1%

KEY
 PC: poorly controlled
 RI: requires improvement
 AC: adequately controlled
 WC: well controlled
 M/C: memo/consultancy

Action management (to Period 13 end)

Measure	#	%	6-period trend	26 actions overdue
Closed on time*	56	47%		
Extended*	32	27%		24 due this period

	Overdue	Closed on time*
Crossrail		
CCT	0-30 days	
Finance	31-59 days	30%
Gen. Counsel	60-99 days	100%
HR	100+ days	
LU	2	54%
Major Projects		
Surface	7, 2, 4	37%
TfL Engineering		67%
SHE		
Pan TfL		

*based on actions due in the last six periods

Audit Ratings by Strategic Risk Last 13 Periods



Reviews undertaken in quarter 4 highlighted the need for consistency in robust project costing, with clear and validated cost build up with options being fully identified and considered. Changes in estimated final cost when these occur need to be explained, with business cases updated for significant changes.

Sub-Programme Reviews

	Recommendations (Critical Issues)	Commentary
Piccadilly Line Upgrade	7 (0)	Programme management is robust. The team are trying to reduce the cost pressures and identify further efficiencies. Reporting of dependencies and stakeholder management to be improved. The impact of risks on key milestones should be closely managed.
Four Lines Modernisation	5 (2)	At the time of the review it was noted that an absence of accepted programme and ongoing software challenges would mean further programme slippage and incremental EFC increases highly likely. Long term commercial strategy should be developed and resourced to manage Thales performance and assist programme delivery going forward.
LU Renewals & Enhancement Fleet	7 (0)	Delivery prioritisation well managed and structured. Progress made on programme controls since last years review, but further improvement can be made. Roles and responsibilities between asset managers, sponsors, and delivery team are clear and well understood.
Barking Riverside Extension	6 (0)	The project is well managed with a clear plan to the end of the construction phase. The risks are understood and captured with good mitigation measures in place. A dependency schedule should be produced, and an escalation process for National Rail matters introduced.
Surface Assets	8 (0)	The priority for 2020/21 is to improve asset condition, a detailed plan is required to ensure current delivery rates are maintained. Funding pressures continue for the larger projects. Five procurement frameworks end in March 2021, impacts and mitigations of the transition to new contracts need to be implemented consistently.

	Recommendations (Critical Issues)	Commentary
Public Transport	4 (0)	Programme well managed. Resource re-allocation and planning needs to be completed and pan-TfL lessons learnt identified and incorporated into new projects. Issues being addressed ahead of proposal to enter Housing Infrastructure Fund agreement for East London line. Rotherhithe to Canary Wharf crossing has been moved into this sub-programme.
Air Quality & Environment	9 (0)	Sub-programme has matured over the last 12 months with effective governance implemented. Project delivery is sound and successful launch of ULEZ Central. Majority of current projects in delivery phase, pipeline of projects and sub-programme objectives beyond 2021/22 not yet fully developed.
Tech and Data	8 (0)	T&D is less than three years old, the department has continued to make good progress since the last review. However, staff recruitment and retention issues have improved little since last year and project management competency is variable. Governance is being improved to ensure robust second line assurance is undertaken across the sub-programme.

Overdue Recommendations

As at the end of Q4 there were 68 open recommendations for 11 sub-programme reviews, of these 26 were overdue against their original completion date with 11 of these having become overdue on 1 April 2020.

Project Reviews

Project Assurance completed 23 project reviews in Q4. IIPAG participated in 10 of these. From the reviews undertaken a total of 112 recommendations were made, 90 by Project Assurance and 22 by IIPAG. Of these, seven were critical issues across four of the projects, six of these were raised by Project Assurance and one by IIPAG. Three of these critical issues have subsequently been addressed and closed.

The critical issues raised relate to undertaking robust risk analysis, rigorous peer review of procurement documents prior to issue, business cases not being properly and fully developed, and ensuring programme and cost certainty.

Customer Feedback

- 5.21 The customer feedback data shows an increase in the average scores since the last quarter, with the return rate of 73 per cent in Q4, (Q3: 67 per cent). A summary of the responses to the questionnaire, together with the comparative figures for the previous quarter is included as Appendix 5.

6 Counter-Fraud and Corruption

- 6.1 The Counter-fraud and Corruption team carries out investigations in all cases of suspected and alleged fraud. They also carry out a proactive programme of fraud awareness, prevention and detection activities designed to minimise TfL's exposure to fraud risk. A summary of the team's activities during Q4, including information on significant closed fraud investigations is set out in Schedule 4: Counter-Fraud and Corruption Q4 Summary.
- 6.2 Details of significant new and ongoing fraud investigations during Q4 can be found in the paper on Part 2 of the agenda.

SCHEDULE 4 Preview – [click here for link to document](#)

Schedule 4: Counter-Fraud and Corruption Q4 Summary

Fraud investigation

During Q4, nine new cases were opened (2018/19 Q4: 12 new cases). Of the nine newly opened cases, one was as a result of whistleblowing and four of the allegations related to procurement & supply chain activities. Three financial investigations were conducted involving four subjects and four bank accounts. One Suspicious Activity Report (SAR) check was undertaken, involving one subject and two different bank accounts.

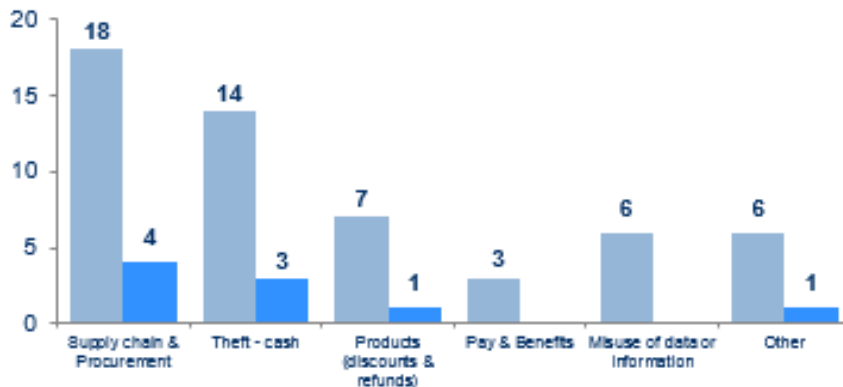
Fraud prevention

- The Counter-fraud & Corruption Team two-year Action Plan was presented to the Executive Committee during December and the Head of Counter-fraud & Corruption provided an overview of significant ongoing cases. The Action Plan, which includes a range of fraud prevention activities and project works, is being co-ordinated through the TfL Communications Team to maximise exposure pan-TfL.
- The Counter-fraud and Corruption Steering Group has continued to meet during quarter 4, discussing a range of fraud issues and supporting delivery of the Counter-fraud and Corruption team's action plan. At its most recent meeting (held in early April) the Steering Group discussed fraud risks associated with the Covid 19 outbreak, including the increase in cyber-related crime, procurement fraud through the purchase of essential PPE, payment fraud within Business Services and refund fraud
- Members of the Counter-fraud & Corruption team held the second and third of three planned Fraud Awareness Weeks at Pier Walk and Palestra. The four-day events attracted significant interest and stakeholder engagement. Further one-day events will be held once circumstances allow
- The Counter-fraud & Corruption Team developed a new process for the covert monitoring and reporting of suspected fraudulent activity against TfL, which is advertised and promoted on popular social media platforms and online marketplaces. The Investigations, Appeals and Prosecutions (IAP) Team have agreed to conduct the checks and these have now begun. The introduction of a new process was deemed for the detection of serious organised crime as identified during the ongoing oyster concessionary fraud investigation
- The Counter-fraud & Corruption Team conducted a series of fraud & corruption workshops during the quarter covering the Surface Transport Commercial Team, DLR management team, the Project Management Office (PMO) Risk & Opportunity Team and Rail for London and London Overground Commercial Managers.

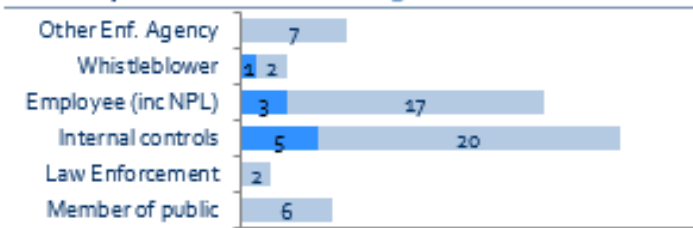
Cases by directorate

Investigations	B/F	New	Closed	C/F
LU	34	6	4	36
Surface Transport	6	0	1	5
CCT	8	1	2	7
Crossrail	2	1	0	3
Major Projects	1	0	0	1
Commercial Dev.	1	0	1	0
Human Resources	1	0	1	0
Finance	1	1	1	1
Total	54	9	10	53

Cases by type New and Brought Forward



Cases by source New and Brought Forward



Significant closed cases

IA18-742 - Customer Service Centre Oyster online refund fraud

Three concessionary customers were defrauded of £3.5k by an outsourced customer service advisor who abused his system access to arrange for accomplices to impersonate the customers and cancel their Travelcards. The customers were fully compensated. The customer service advisor, who resigned before his role in the fraud was detected, was prosecuted as the ringleader and sentenced to ten months' detention in a young offender institution. Additional controls were implemented over high value refunds as a result of this case.

7 Control Environment Trend Indicators

- 7.1 As reported to the Committee in March, the Business Services Finance team has been working in conjunction with the Finance and Commercial teams to develop a revised set of Commercial and Financial indicators. It had been intended that the Committee would be notified of the proposed new indicators at this meeting, but this has been delayed as a result of the outbreak of Covid-19. The remaining Q4 indicators are attached as Appendix 6.

List of appendices to this report:

Appendix 1: Level 0 and Level 1 Risks

Appendix 2: Internal Audit reports issued in Q4 2019/20

Appendix 3: Work in Progress at the end of Q4 2019/20

Appendix 4: Changes to the audit plan at the end of Q4 2019/ 20

Appendix 5: Customer Feedback Form – Summary of Responses Q4

Appendix 6: Control Environment Trend Indicators

A paper containing exempt supplemental information is included on Part 2 of the agenda.

List of Background Papers:

Audit reports, Project Assurance reports.

Contact Officer: Clive Walker, Director of Risk and Assurance

Number: 020 3054 1879

Email: clivewalker@tfl.gov.uk

[page left intentionally blank]

Level 0 TfL Strategic Risks				
#	Risk	Owner	Manager	Mayor's Transport Strategy / Corporate Strategy
SR1	Achieving safety outcomes	Managing Director – Surface Transport	Chief Safety, Health & Environment Officer	MTS: Healthy streets and healthy people
SR2	Talent attraction and retention	Chief People Officer	Head of Strategic Planning and Governance	CS: People
SR3	Governance and controls suitability	General Counsel	Director of Legal	MTS: All MTS outcomes
SR4	Major cyber security incident	MD Customer, Communications & Technology	Director of Strategy and CTO	MTS: A good public transport experience
SR5	Technological or market developments	MD Customer, Communications & Technology	Director of Innovation	MTS: All MTS outcomes
SR6	Loss of external stakeholder trust	MD Customer, Communications & Technology	Director of News and External Relations	MTS: All MTS outcomes
SR7	Financial sustainability	MD - Chief Finance Officer	Acting Group Finance Director	CS: Finance
SR8	Inability to deliver predicted revenue growth	Director of Commercial Development	Divisional Finance Director (CD)	MTS: New homes and jobs
SR9	Inability to meet changing demand	Director of Strategy & Chief Technology Officer	Senior Business Strategy Manager	MTS: New homes and jobs
SR11	Significant technology failure	MD Customer, Communications & Technology	Director of Strategy and CTO	MTS: A good public transport experience
SR12	Delivery of key investment programmes	Director of Major Projects	Head of TfL PMO	MTS: All MTS outcomes
SR13	Operational reliability	LU Managing Director	Interim Director of Asset Operations	MTS: A good public transport experience
SR14	TfL's environmental impact	Director of City Planning	Head of Transport Strategy and Planning	MTS: Healthy streets and healthy people
SR15	Resilience to climate change and extreme weather	Director of City Planning	Head of Transport Strategy and Planning	MTS: All MTS outcomes
SR16	Opening of the Elizabeth Line	LU Managing Director	Director, Elizabeth Line Operations	MTS: New homes and jobs
SR17	TfL Protective Security	Managing Director – Surface Transport	Director Compliance Policy & On-Street	MTS: Healthy streets and healthy people
SR18	Transformation	MD Customer, Communications & Technology	Transformation Programme Manager	CS: People

Level 0 and Level 1 Risks

Level 1 London Underground Strategic Risks				
#	Risk	Owner	Manager	Mayor's Transport Strategy / Corporate Strategy
LU-01	LU Industrial relations	LU Managing Director	Director of Line Operations	CS: People
LU-02	LU Staff attraction and retention	Chief People Officer	LU - Head of HR	CS: People
LU-03	LU Operational reliability	LU Managing Director	Director of Asset Operations	MTS: A good public transport experience
LU-04	LU Revenue forecasts	LU Divisional Finance Director	LU Senior Divisional Financial Controller	CS: Finance
LU-05	LU Cost savings	LU Divisional Finance Director	LU Senior Divisional Financial Controller	CS: Finance
LU-06	LU Major incident - internal	Director of Line Operations	Head of Network Delivery	MTS: A good public transport experience
LU-07	LU Major incident - external	Director of Line Operations	Head of Network Delivery	MTS: A good public transport experience
LU-08	Significant operational cyber security risk (threat) to core LU control system	LU Managing Director	Director of Strategy and CTO	MTS: A good public transport experience
LU-09	LU safety framework ineffective	Director of HSE	Head of HSE LU	MTS: Healthy streets and healthy people
LU-10	LU Data loss, misuse or breach of GDPR	Chief of Staff	Investment Planning & Efficiency Manager	CS: Finance
LU-11	Elizabeth Line revenue assumptions incorrect	LU Divisional Finance Director	Head of Finance (Elizabeth Line)	CS: Finance
LU-12	Inability to deliver R&E programmes and projects	LU Director of Renewals and Enhancements	Head of PMU	All MTS themes: All MTS outcomes

Level 1 Surface Transport Strategic Risks				
#	Risk	Owner	Manager	Mayor's Transport Strategy / Corporate Strategy
ST-02	Inability to deliver Bus income target	Director of Bus Operations	Head of Bus Tendering & Evaluation	MTS: A good public transport experience
ST-03	Inability to deliver the Investment Programme	Director of Project & Programme Delivery	Head of Projects & Programmes Delivery (Assets)	MTS: All MTS outcomes
ST-04	Inability to maintain Highway Infrastructure asset base	Director of TfL Engineering Delivery	Head of Asset Investment	MTS: Healthy streets and healthy people
ST-07	Disruption to quality of service due to planned or unplanned events	Director of Network Management	Head of Control Centre Operations	MTS: A good public transport experience
ST-08	Inability to attract, recruit, engage, develop and retain talent in key competencies	Director of CPOS	Senior HR Business Partner	CS: People
ST-09	Continued declining bus patronage	Director of Bus Operations	Head of Bus Tendering & Evaluation	MTS: A good public transport experience
ST-10	Disruptive technology undermines core business	Director of Innovation	Senior Policy Manager	All MTS themes: All MTS outcomes
ST-11	Achieving health, safety and environmental outcomes and performance	Chief Safety, Health & Environment Officer	Head of Safety, Health and Environment - ST	MTS: Healthy streets and healthy people
ST-12	Major cyber security incident	CTO & Director of CE	Head of T&D – Surface	MTS: A good public transport experience

Level 1 Surface Transport Strategic Risks				
#	Risk	Owner	Manager	Mayor's Transport Strategy / Corporate Strategy
ST-16	Inability to source new revenue stream for roads	Divisional Finance Director (ST)	Senior Divisional Financial Controller	CS: Finance
ST-17	Protective Security	Director of CPOS	Snr Op Security & Crime Reduction Manager	MTS: Healthy streets & healthy people: London's transport system will be safe & secure

Level 1 Commercial Development Strategic Risks				
#	Risk	Owner	Manager	Mayor's Transport Strategy / Corporate Strategy
CD-01	Inability to deliver predicted revenue growth	Director of Commercial Development	Divisional Finance Director (CD)	MTS: New homes and jobs
CD-02	Landlord compliance with legislation	Director of Commercial Development	Estates Management Director	MTS: Healthy streets & healthy people
CD-03	Compliance with Mayor's housing strategy	Director of Commercial Development	Property Development Director	MTS: New homes & jobs
CD-04	Building security	Director of Commercial Development	Estates Management Director	MTS: Healthy streets & healthy people

Level 1 Professional Services Strategic Risks				
#	Risk	Owner	Manager	Mayor's Transport Strategy / Corporate Strategy
City Planning				
CP-01	Changes in legislation	Director of City Planning	Head of Transport Strategy and Planning	All MTS themes: All MTS outcomes
CP-02	Insufficient project funding	Director of City Planning	Head of Transport Planning and Projects	CS: Finance
CP-03	Insufficient progress in meeting the MTS	Director of City Planning	Head of Transport Strategy and Planning	All MTS themes: All MTS outcomes
CP-04	Changes in economic factors	Director of City Planning	Head of Strategic Analysis	All MTS themes: All MTS outcomes
Engineering				
ENG-01	Engineering not understood or consulted	Director of TfL Engineering	COO Engineering	All MTS themes: All MTS outcomes
ENG-02	TfL is not compliant with its ROGS regulations	Director of TfL Engineering	Head of Technical Engineering	MTS: Healthy streets & healthy people
ENG-03	Engineering is unable to deliver its provision	Director of TfL Engineering	COO Engineering	MTS: A good public transport experience
ENG-04	Engineering is unable to attract and retain resources	Director of TfL Engineering	Head of Technical Engineering	CS: People
General Counsel				
GC-01	Significant Legal Non-Compliance	Director of Legal	Director of Legal	All MTS themes: All MTS outcomes
GC-02	Insufficient legal resource to meet demand from the business	Director of Legal	Director of Legal	All MTS themes: All MTS outcomes
GC-03	Significant non-compliance with FOI Act/EIRs	Head of Information Governance and	Information Access Manager	All MTS themes: All MTS outcomes

Level 1 Professional Services Strategic Risks				
#	Risk	Owner	Manager	Mayor's Transport Strategy / Corporate Strategy
		DPO		
GC-04	Significant non-compliance with GDPR and other privacy legislation	Head of Information Governance and DPO	Head of Privacy and Data Protection	All MTS themes: All MTS outcomes
GC-05	Inadequate TfL Management System	Head of Information Governance and DPO	Head of TfL Management Systems	All MTS themes: All MTS outcomes
GC-06	Failure to deliver improvement to the quality of R&A outputs to support decision making	Director of Risk and Assurance	Head of Integrated Assurance	All MTS themes: All MTS outcomes
GC-07	Assurance activities fail to reflect and address business risks and concerns	Director of Risk and Assurance	Head of Integrated Assurance	All MTS themes: All MTS outcomes
Human Resources				
HR-01	Inability to attract the right resources	Chief People Officer	Director of Diversity, Inclusion & Talent	CS: People
HR-02	Inability to retain the right resources	Chief People Officer	Director of Diversity, Inclusion & Talent	CS: People
HR-03	Low or declining employee engagement	Chief People Officer	Head of Strategic Planning & Governance	CS: People
HR-04	Pay becomes neither fair nor equal	Chief People Officer	Director of Compensations & Benefits	CS: People
HR-05	Employee Relations climate deteriorates	Chief People Officer	Director of Business Partnering & ER	CS: People
HR-06	Failure to deliver Organisational Change	Chief People Officer	Head of Strategic Planning & Governance	CS: People
HR-07	TfL Pension Fund funding	Chief People Officer	Director of Compensations & Benefits	CS: People
HR-08	Delivering a seamless Hire to Retire process	Chief People Officer & Transformation Director	Head of Strategic Planning & Governance	CS: People
Technology and Data				
T&D-02	T&D is unable to attract the right resources	Director of Strategy & Chief Technology Officer	Head of Strategy	CS: People
T&D-03	TfL loses role in providing digital services to customers	Director of Strategy & Chief Technology Officer	Head of Digital	MTS: A good public transport experience
T&D-06	Loss, misuse, or breach of GDPR for data owned by Tech & Data	Director of Strategy & Chief Technology Officer	Chief Data Officer	All MTS themes: All MTS outcomes
T&D-09	Under or over spend on budget	Director of Strategy & Chief Technology Officer	Head of Technology - Programmes	CS: Finance
T&D-10	Political pressure to change ticketing policy	Director of Strategy & Chief Technology Officer	Head of Technology & Data - Payments	MTS: A good public transport experience
T&D-14	SAP system out of support	Director of Strategy & Chief Technology Officer	Head of ERP Transformation	CS: Finance
T&D-19	Extreme weather and	Director of Strategy	Head of Technology	CS: Finance

Level 1 Professional Services Strategic Risks				
#	Risk	Owner	Manager	Mayor's Transport Strategy / Corporate Strategy
	climate change effects.	& Chief Technology Officer	& Data - Surface Transport	
T&D-21	Over-reliance on current ticketing supplier	Director of Strategy & Chief Technology Officer	Head of Technology & Data - Payments	CS: Finance
T&D-22	Theft or fraud in the revenue collection process	Director of Strategy & Chief Technology Officer	Head of Technology & Data - Payments	CS: Finance
T&D-23	Risk of ticketing systems failure	Director of Strategy & Chief Technology Officer	Head of Technology & Data - Payments	CS: Finance
T&D-31	TfL is not ready for the switchover from PSTN	Director of Strategy & Chief Technology Officer	Head of Transformation Portfolio – Networks	CS: Finance
T&D-32	Software is non-compliant with licencing agreements	Director of Strategy & Chief Technology Officer	Head of Technology Services Operations	CS: Finance

Level 1 Major Projects Directorate Strategic Risks				
#	Risk	Owner	Manager	Mayor's Transport Strategy / Corporate Strategy
MPD-01	Lack of TfL non-MPD resources, especially Engineering and Commercial	Head of Programme	Head of Programme	CS: People
MPD-02	Poor Supplier Performance	Director of Major Projects	Head of Programme	MTS: A good public transport experience
MPD-03	Lack of Resilience in Access and Closures Plans	Director of Major Projects	Head of Delivery – Access	MTS: A good public transport experience
MPD-04	Major Engineering risks (eg software defects)	Head of Engineering MPD	Head of Engineering MPD	MTS: Healthy streets and healthy people
MPD-05	Imperfect coordination of interfaces with Network Rail	Head of Programme	Senior Commercial Manager NRA	MTS: A good public transport experience
MPD-06	Scope Creep due to requirements for non-conformance rectification and asset condition worse than assumed	Head of Programme	Head of Programme	MTS: A good public transport experience
MPD-07	Crossrail delay may impact on other TfL programmes	Director of Major Projects	Director of Major Projects	MTS: All MTS outcomes
MPD-08	MPD projects cancelled, descope or deferred as funds reprioritised	Head of Programme	Head of Programme	CS: Finance
MPD-09	External Consents delay projects	Head of Programme	Head of Programme	MTS: A good public transport experience
MPD-10	Projects increased costs due to inability to hand over to Asset Operations	Head of Programme	Head of Programme	CS: Finance

[page left intentionally blank]

Transport for London Audit and Assurance Committee

Internal audit reports issued in Q4 2019/20

Appendix 2

Grouped by Strategic Risk

- Sixteen reports were issued during the quarter

Strategic risk	Directorate	Audit title	Objective	Issued period	Last action date	Conclusion	Current status	P1	P2	P3
Financial sustainability	Customers, Communication & Technology	Clean Mobile Energy Cost Certification 2	To certify costs in respect of EU funding for clean mobile energy (fourth review)	13		Memo	Complete	0	0	0
		Allowances Overtime and Higher Duty Pay Process	To provide assurance on the adequacy and effectiveness of controls in place for allowances, overtime and higher duty pay.	10	30/11/2020	Requires Improvement	Follow-up	1	3	1
	HR	Ill Health Retirees Process	To provide assurance on the adequacy and effectiveness of controls in place for employees retiring due to ill health.	12	31/07/2020	Requires Improvement	Follow-up	0	2	1
	LU	TfL Ambassadors	To provide assurance on the adequacy and effectiveness of controls in place to manage TfL Ambassadors.	11	30/06/2020	Requires Improvement	Follow-up	1	5	0
	Surface Transport	Project Streetwise	To certify costs in respect of EU funding for Project Streetwise	13		Memo	Complete	0	0	0
		Project Driven Cost Certification	To certify costs in respect of EU funding for Project Driven.	11		Memo	Complete	0	0	0

Transport for London Audit and Assurance Committee

Strategic risk	Directorate	Audit title	Objective	Issued period	Last action date	Conclusion	Current status	P1	P2	P3
Governance and control suitability	Customers, Communication & Technology	Governance over the JC Decaux advertising contract	Provide assurance that robust contract management controls are in place to ensure accurate reporting of income.	13	31/12/2020	Requires Improvement	Follow-up	2	2	7
		Third Party Supplier Review - Novacraft	To provide assurance over the adequacy and effectiveness of key controls.	13	29/10/2020	Requires Improvement	Follow-up	2	3	1
Inability to deliver predicted revenue growth	Finance	Governance over Roadside Advertising Contract	Provide assurance on the governance of the Roadside Advertising Contract.	13	31/03/2021	Requires Improvement	Follow-up	2	1	1
		Land Authority Governance Process	Provide assurance on the effectiveness of the implementation plan for the purchase and sale of land.	11	30/06/2020	Adequately Controlled	Follow-up	0	2	1
	Management of Joint Venture Partners and Associated Risks	To provide assurance that the selection of Joint Venture partners, and management of associated risks is effective.	13	31/08/2020	Adequately Controlled	Follow-up	1	1	4	
Loss of external stakeholder trust	Customers, Communication & Technology	Governance of Correspondence and Case Work Management	Provide assurance on the adequacy and effectiveness of controls in place for correspondence received and the following case work management	12		Adequately Controlled	Complete	0	0	0
LTM		Financial Controls	Review the adequacy and effectiveness of key financial processes and controls.	13	31/12/2020	Requires Improvement	Follow-up	0	3	1
CRL- FC1 AFC/DFC exceeds the funding	Crossrail	Management and Control Over Project Cost Forecasting	To provide assurance over the adequacy and effectiveness of project cost forecasting controls	12	29/05/2020	Requires Improvement	Follow-up	0	4	1

Transport for London Audit and Assurance Committee

Strategic risk	Directorate	Audit title	Objective	Issued period	Last action date	Conclusion	Current status	P1	P2	P3
envelope			including 'Anticipated Final Cost' (AFC)							
CRL - RB1 Recruiting and retaining specific skills to prevent shortage		The strategic approach to workforce planning	To provide assurance over the controls to ensure resource planning and retention is adequate and operating effectively to support delivery of the Crossrail Business Plan objectives	10	29/05/2020	Requires Improvement	Follow-up	3	3	1
CRL - SC1 Contractors fail to deliver Earliest Opening Programme		Management of Tier 1 suppliers	To provide assurance over the Commercial management of Tier 1 contractors.	12	30/06/2020	Requires Improvement	Follow-up	0	3	0
Total								12	32	19

[page left intentionally blank]

Transport for London Audit and Assurance Committee

Work in progress at the end of Q4 2019/20

Appendix 3

Grouped by Strategic Risk

- Eighteen audits were in progress at the end of Q4

Strategic risk	Directorate	Audit title	Objective	Current status
Financial sustainability	Customers, Communication & Technology	Use of Whole Life Costings in Procurements (T&D)	Adequacy and effectiveness of the process for procuring new technology	In Progress
	Finance	Management of the ONE Facilities Management (FM) Contract	Provide assurance on the effective management of the ONE FM contract.	Follow-up
		Budget Planning and Forecasting (ST)	To review the adequacy and effectiveness of the ST budget planning and forecasting processes	In Progress
		Use of Consultants	To provide assurance on the adequacy and effectiveness of controls in place for the use of consultants.	In Planning
	Surface Transport	Cost escalation in projects	To review the effectiveness of cost controls in projects and programmes	In Progress
	LT Museum	LTM Fraud Controls	Provide assurance on the adequacy and effectiveness of fraud controls in place within the LTM.	In Progress
Governance and control suitability	Finance	CPC Contract Management Review	To provide assess the adequacy and effectiveness of the revised control environment in relation to the operation of the PSP contract and the 4LM programme.	Reporting

Transport for London Audit and Assurance Committee

Strategic risk	Directorate	Audit title	Objective	Current status
	Surface Transport	Payments to Local Authorities using the Borough Portal	To provide assurance on the effective management of the borough portal	Reporting
Governance and control suitability	Surface Transport	Bus Service Delivery Model	To review the effectiveness of the Bus operating model	In Planning
Talent Attraction and Retention	Surface Transport	Work-Related Violence and Aggression Strategy – Reporting	To assess the adequacy of the systems and processes in place for reporting incidents of violence and aggression in the workplace.	In Planning
Significant technology failure	Customers, Communication & Technology	The strategic approach to cloud computing governance	Review the adequacy of arrangements designed to govern use of cloud computing, including policies and procedures, architectural design, and security controls.	In Progress
		Active Directory Controls: Follow-up	To provide assurance that appropriate action has been taken to control weaknesses identified during 2017/18 to bring risks within acceptable tolerance	In Progress
Opening of the Elizabeth Line	Crossrail	Crossrail Complaints Commissioner Accounts	To provide assurance over the accounts of the Crossrail Complaints Commissioner for the period ending 31 March 2019.	In Progress
CRL- RB2 Governance effect on decision making		Culture Change	To review the degree to which culture has changed and is embedded in line with agreed values and behaviours	In Progress
		Governance and Organisational Effectiveness	To provide assurance over the adequacy and effectiveness of arrangements designed to ensure timely project delivery	Reporting

Transport for London Audit and Assurance Committee

Strategic risk	Directorate	Audit title	Objective	Current status
CRL- SC1 Contractors fail to deliver Earliest Opening Programme		Adequacy of the Supply Chain Assurance Framework	To provide assurance over the adequacy of the controls to manage key risks within Crossrail’s supply chain (Tier 2 and Tier 3)	In Progress
CRL- FC1 AFC/DFC exceeds the funding envelope		Counter fraud assurance	To review the adequacy and effectiveness of fraud prevention controls	Reporting
CRL- SM1 Loss of stakeholder advocacy due to slippage cost escalation and other issues		Consents Compliance Governance	To provide assurance over the adequacy and effectiveness of controls to monitor and manage compliance with planning, traffic and environmental consents requirements.	In Progress
Total				18

[page left intentionally blank]

Transport for London Audit and Assurance Committee

Changes to the 2019/20 audit plan

Appendix 4

- There were 15 changes to the plan since the last committee: two new, seven deferrals, and six cancellations.

Ref	Audit title	Status	Audit Comments
19 131	Project Streetwise	New	To certify costs in respect of EU funding for Project Streetwise
19 130	LTM Fraud Controls		Provide assurance on the adequacy and effectiveness of fraud controls in place within the LTM
19 513	Crossrail - Operational Readiness for Trial Operations	Deferred	Trial Operation dates have slipped which has driven the deferral of this audit to 2020/21 plan
19 512	Crossrail - Operational Readiness for Trial Running		Trial Running dates have slipped which has driven the deferral of this audit to 2020/21 plan
19 502	Crossrail - Adequacy of the Safety Assurance Framework		This audit has been deferred due to the imposition of remote working for Crossrail and the subsequent lockdown imposed by the government as a result of COVID 19. Crossrail Safety Personnel have been involved in the safe stop of work on all sites and Gold command matters
19 511	Crossrail - Effectiveness of Safety Assurance Arrangements		This audit has been deferred to 2021 plan to take place after the Adequacy audit
19 411	IT Disaster Recovery and Operational Resilience		Deferred due to the assigned auditor leaving TfL but has been included In the 2020/21 plan
19 404	Software Licence Management		Deferred due to the assigned auditor leaving TfL but has been included In the 2020/21 plan
19 011	Delegated Project Authority Controls		This audit will be deferred as a result of work underway to address actions being taken by the business arising out of a Project Assurance review. The later timing will add greater value to the audit. The scope may be redefined due to COVID 19 arrangements affecting the investment governance process.

Transport for London Audit and Assurance Committee

Ref	Audit title	Status	Audit Comments	
19 508	Crossrail -Project Assurance Framework	Cancelled	This audit has been cancelled pending the second IPA review of the 3 lines of defence to avoid duplication of effort in agreement with the Head of CRL Programme Assurance	
19 412	IT Hardware Decommissioning		Cancelled	Following a reassessment of audit priorities by the incoming Senior Internal Audit Manager – Technology, Information and Security, these audits have been cancelled. A revised programme of audits in T&D has been incorporated into the plan for 2020/21
19 406	Asset Refresh Strategy (T&D)			
19 403	Delivery of Innovation			
19 401	Network and Information Systems (NIS) Assurance Regime			
19 400	Vulnerability & Threat Management			

**Risk and Assurance Audit Teams Customer Feedback Form Summary of Responses for 2019/20
Quarter 4**

We send a customer feedback form to our principal auditee at the conclusion of each audit. This table sets out the questions asked and the responses, including a selection of the freeform comments that we have received.

Customer Feedback Forms Sent: Q4 =11 (Q3 = 18)

Customer Feedback Forms Returned: Q4 =8 (Q3 = 12)

Appendix 5

ASSIGNMENT ASSESSMENT CRITERIA	No score given		Very poor		Poor		Satisfactory		Good		Very good		Average Score	
	Q3	Q4	Q3	Q4	Q3	Q4	Q3	Q4	Q3	Q4	Q3	Q4	Q3	Q4
PLANNING AND TIMING													4.4	4.6
The assignment timing was agreed with me and there was appropriate consideration of my other commitments as the work progressed	0	0	0	0	0	0	2	1	5	2	5	5	4.3	4.5
The assignment was completed and the report issued within appropriate timescales	0	0	0	0	0	0	1	0	4	2	7	6	4.5	4.8
COMMUNICATION													4.6	4.6
Communication prior to the assignment was appropriate, including the dates and objectives	0	0	0	0	0	0	0	0	5	3	7	5	4.6	4.6
Throughout the assignment I was informed of the work's progress and emerging findings	0	0	0	0	0	0	0	0	4	3	8	5	4.7	4.6
CONDUCT													4.6	4.8
The Internal Audit team demonstrated a good understanding of the business area under review and associated risks, or took time to build knowledge and understanding as the work progressed	0	0	0	0	0	0	1	0	3	2	8	6	4.6	4.8
The Internal Audit team acted in a constructive, professional and positive manner	0	0	0	0	0	0	0	0	4	2	8	6	4.7	4.8
RELEVANT AND USEFUL ADVICE AND ASSURANCE													4.4	4.7
A fair summary of assignment findings was presented in the report	0	0	0	0	0	0	4	0	1	2	7	6	4.3	4.8
Assignment recommendations were constructive, practical and cost-effective	0	0	0	0	0	0	2	0	4	3	6	5	4.3	4.6
My concerns were adequately addressed and the review was beneficial to my area of responsibility and operations	0	0	0	0	0	0	0	0	4	3	8	5	4.7	4.6
Overall assessment													4.5	4.7

Other comments including suggested improvements and areas of good performance:

Planning: I did ask for a review of timescales to allow for other work commitments. However the work needed to be completed in line with a wider auditing schedule. The assignment was completed thoroughly, swiftly and with minimal operational impact

Planning: The assignment timing was agreed with me and there was appropriate consideration of my other commitments as the work progressed

Communication: Throughout the assignment I was kept informed of the work's progress and emerging findings

Communication: We communicated via emails and phone messages. Feedback to the auditor on his pre audit questions was accepted.

Conduct: I was fully informed and given professional documents at all times.

[page left intentionally blank]

Control Environment – Trend Indicators

Audit indicators – rolling average									
	Q1 18/19	Q2 18/19	Q3 18/19	Q4 18/19	Q1 19/20	Q2 19/20	Q3 19/20	Q4 19/20	Trend
Poorly Controlled	7.2%	3.6%	6.4%	8.5%	8.7%	11.8%	10.0%	6.3%	
Requires Improvement or Poorly Controlled	20.8%	23.6%	25.5%	31.9%	34.8%	37.3%	38.0%	45.8%	

Technology									
	Q1 18/19	Q2 18/19	Q3 18/19	Q4 18/19	Q1 19/20	Q2 19/20	Q3 19/20	Q4 19/20	Trend
Internal system availability	100.00%	99.97%	99.78%	99.76%	99.85%	99.95%	99.95%	99.95%	

Information Governance									
	Q1 18/19	Q2 18/19	Q3 18/19	Q4 18/19	Q1 19/20	Q2 19/20	Q3 19/20	Q4 19/20	Trend
Number FOI requests	3034	2973	2903	3025	3055	3147	3163	3169	
On time FOI responses	91.7%	92.3%	93.3%	95.3%	96.7%	97.1%	98.8%	99.4%	

[page left intentionally blank]

Audit and Assurance Committee



Date: 8 June 2020

Item: Risk and Assurance Annual Report 2019/20

This paper will be considered in public

1 Summary

- 1.1 This is the second annual report of the Risk and Assurance Directorate, which is made up of the Enterprise Risk Management, Internal Audit, Integrated Assurance, Project Assurance and Counter-fraud and Corruption teams. The report provides an overview of the work carried out by the Directorate, and other activities during the year.
- 1.2 The Public Sector Internal Audit Standards (PSIAS) require the Head of Internal Audit to provide an annual Internal Audit opinion based on objective assessment of the framework of governance, risk management and control established by TfL management. The Internal Audit opinion is incorporated into this annual report in section 3 below.

2 Recommendation

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

3 Internal Audit Opinion

- 3.1 In our opinion, the overall framework of TfL's governance, risk management and internal control in the year ended 31 March 2020 is generally adequate for TfL's business needs and operated in an effective manner. However, we draw attention to the following:
 - a) Our Internal Audit Opinion for the year ended 31 March 2019 highlighted that a number of audits of governance and financial controls over procurement and contract management issued during the year had been rated as 'Poorly Controlled', indicating significant weaknesses in controls over arrangements for procuring supplies and services. There were a number of areas where commercial processes had not been adhered to which had affected TfL's ability to secure value for money; such as single sourcing, use of frameworks, segregation of duties, conflicts of interest and the application of delegated authorities. During 2019/20 TfL has initiated a transformation programme aimed at strengthening governance and controls in this area. We have not carried out further audit work in this area during 2019/20 in order to allow this transformation programme time to progress and we have included an audit in our 2020/21 plan to review it. Currently, therefore, we are not able to give a conclusion in this area.

Basis of the Audit Opinion

- 3.2 We are satisfied sufficient assurance work has been completed to allow us to form a reasonable conclusion on the adequacy and effectiveness of TfL's governance, risk management and control environment, with the exception of the matter described in 3.1 (a) above.
- 3.3 In giving this opinion, you should note that assurance can never be absolute, and therefore, only reasonable assurance is provided that there are no major weaknesses in the system of internal control processes reviewed. The Internal Audit opinion does not provide any guarantee against material errors, loss or fraud.
- 3.4 The Audit Opinion is based on the audits, including consulting and advisory assignments, carried out by Internal Audit during 2019/20, and takes account of other sources of assurance including:
- (a) second line reviews of capital programme and projects carried out by the Project Assurance team and third line assurance delivered by the Independent Investment Programme Advisory Group (IIPAG);
 - (b) audits of HSE and Asset Management, and Payment Card Industry Data Security Standard) PCI DSS reviews carried out by the Integrated Assurance team;
 - (c) results of any follow up exercises undertaken in respect of previous years' internal audit work;
 - (d) control issues identified by the Fraud team in the course of their investigations; and
 - (e) assurance reviews carried out by Crossrail's Project Assurance team as well as the work of the P-Rep and the Crossrail Advisory Panel.
- 3.5 There have been no matters arising from any of the work completed that need to be brought to the attention of the Audit and Assurance Committee
- 3.6 There have been no restrictions imposed on the scope of the work completed by the Internal Audit function.

4 Work delivered

- 4.1 Risk and Assurance has reported quarterly to the Audit and Assurance Committee on the work delivered by its various teams. This section summarises the work done over the course of the year.

Enterprise Risk Management

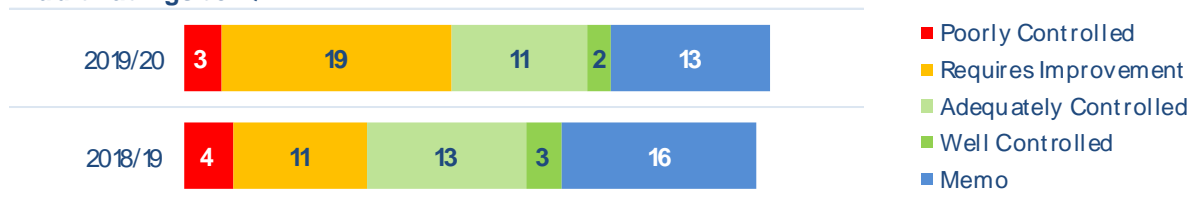
- 4.2 The Enterprise Risk Management (ERM) team has made significant progress during the year in maturing the ERM process in TfL. Key elements of this include:
- (a) a new Enterprise Risk Management e-learning module bespoke to TfL;

- (b) development and roll out of a new Strategic Opportunity management template;
 - (c) development of TfL's risk visualisation approach to model the interconnectivity of strategic risks;
 - (d) work is in progress on quantifying the financial impact of TfL's strategic risks; and
 - (e) Collaboration with Crossrail Ltd and Network Rail on interface risk management.
- 4.3 TfL has defined a set of (currently) 17 pan-TfL strategic (Level 0) risks each of which is 'owned' by a member of the TfL Executive Committee. The ERM team facilitate quarterly reviews of the strategic risks. In addition, the TfL Executive Committee reviews the strategic risks each period including a detailed review of two or more risks on a rolling cycle.
- 4.4 Oversight of each risk has been allocated to one of TfL's Committees and Panels who review one or more of their allocated strategic risks at each meeting. All of the strategic risks have now been reviewed at least once. A lessons-learned exercise was completed to review and improve the risk oversight process.
- 4.5 The Coronavirus pandemic has altered TfL's short to medium term goals, operating environment and risk landscape. On a tactical level, the ERM team worked with the team planning for TfL's 'restart' and 'recovery' by means of supporting the identification and management of risks to seven workstreams. On a longer-term, strategic level we are supporting the business on revisiting and reframing the organisation's top strategic risks.
- 4.6 Over the coming year, one area of focus of the ERM team will be to review risks at Levels 0, 1 and 2 to consider the new operating, financial and governance environment brought on by the Coronavirus pandemic, the effects of social distancing and the potential changes in travel demand.

Audit and assurance activity

- 4.7 The Committee approved the Integrated Audit Plan for 2019/20 on 14 March 2019. The plan clearly distinguishes between the third line (Internal Audit) and second line assurance, with the latter only noted in summarised form.
- 4.8 The plan generally changes significantly over the course of the year as projects and procurements are revised or re-programmed and new or changing risks take priority. For this reason, we use a "rolling" plan, which means we confirm our audit schedule on a quarterly basis. We have reported regularly on cancellations, postponements and additions to the plan throughout the year.
- 4.9 A number of audits in the 2019/20 Audit Plan were still in progress at 31 March 2020. A summary of the Internal Audit reports issued during the year is set out in the table below and includes 16 audits carried forward from the 2018/19 audit plan. The total number of reports issued, at 48, is just one more than in 2018/19 as the Internal Audit team continued to be impacted by headcount vacancies during the year (see section 7 below).

Audit ratings to Q4



4.10 If memorandums, which do not carry an audit conclusion, are excluded the proportion of audit reports carrying either a poorly controlled (PC) or requires improvement (RI) conclusion in 2019/20 was 63 per cent, compared to 48 per cent in 2018/19. Whilst this is a significant increase it is difficult to be sure whether it highlights an overall weakening of controls or simply a more effective selection of higher risk areas to audit. For comparison the proportions of PC/RI reports in earlier years were: 2017/18 – 34 per cent; 2016/17 – 50 per cent; and 2015/16 – 54 per cent. It can be seen that the percentage can fluctuate significantly year on year, with around 50 per cent of reports typically being PC or RI. Whilst the percentage in 2019/20 is the highest for the past five years, it is not possible to draw any firm conclusions at this stage, but we will keep this under review going forward.

4.11 The chart below summarises the key outcomes arising from work completed at the second and third line of assurance by our various Risk and Assurance teams, by reference to the related Strategic Risk. More detailed information in relation the internal audits completed against each of the strategic risks can be found in Appendix 1

	←2nd line assurance			Total	←3rd line assurance			Total		
SR1 Achieving safety outcomes	1	6	5	21	4	1	5			
SR2 Talent attraction and retention					1		1			
SR3 Governance and control suitability					1	3	2	6		
SR4 Major cyber security incident					1	1	2			
SR6 Loss of external stakeholder trust					1	1	2			
SR7 Financial sustainability	1	7	7	15	1	4	3	1	7	16
SR8 Inability to deliver predicted revenue growth					2	5	7			
SR12 Delivery of key investment programmes		22	32	54	1	3	4			
SR13 Operational reliability	3	4	9	2	4	22				
SR16 Opening of the Elizabeth Line				1	3	3				
SR17 Protective Security	1			1		1				
LTM					1	1	2			

4.12 The following paragraphs highlight some of the key findings from the audit and assurance work carried out in 2019/20.

Strategic Risk 7 (SR7) – Financial Sustainability and SR8 – Inability to Deliver Revenue Growth

4.13 Audits under these two risk headings cover a wide range of activities, including basic financial controls, procurement/ commercial processes, and the revenue generating activities carried out by Commercial Development.

- 4.14 In our previous annual report for 2018/19 we highlighted a number of issues regarding commercial/ procurement processes following several audits in this area that were concluded as poorly controlled. These issues covered areas such as single sourcing, use of frameworks, segregation of duties, conflicts of interest and the application of delegated authorities. One further audit report, issued in early 2019/20 on Single Sourcing Governance in Surface Transport, was also concluded as 'poorly controlled', identifying similar issues to the 2018/19 audits.
- 4.15 Around that time the Procurement and Supply Chain (P&SC) team embarked upon a programme of transformation activity aimed at strengthening commercial/ procurement controls. There have also been significant changes in P&SC's management, including a new Chief Procurement Officer who is leading this transformation activity. We have not carried out any further audit work in this area during 2019/20 in order to give the business time to establish the new arrangements. However, we plan to revisit this during 2020/21.
- 4.16 One other audit against these risks was concluded as poorly controlled. The audit of Cycle Hire business and financial controls identified issues with processes for income collection, refunds and debt recovery. Whilst these processes are administered by a third-party provider, a contributory factor was a lack of effective monitoring and assurance of the service provider's performance by TfL. This has also been a theme in a number of other audits carried out during the year.
- 4.17 Seven audits were completed during the year in relation to TfL's non fare related revenue generation activities, primarily within the Commercial Development directorate. Of these, five were concluded as 'adequately controlled'. Two were 'requires improvement'. The audit of Management of Property Voids and the Arches Strategy identified a need for improved interfaces between the Commercial Property and Property Management teams, and a resourcing plan to prevent a shortage of surveyors impacting on delivery. There were also issues with the accuracy of data on voids, and with the effectiveness of vetting of tenants. The audit of Governance over the Roadside Advertising Contract identified weaknesses in documentation and a need for improved monitoring and assurance over both the contractor and the third party supplier that oversees the asset register and invoicing.

SR12 – Delivery of Key Investment Programmes

- 4.18 The primary source of assurance over delivery of the TfL Investment Programme is through the work of the Project Assurance team. They carry out Assurance Reviews of projects, programmes and sub- programmes across the TfL Investment Programme. Larger, more complex and riskier projects are also reviewed by IIPAG, which provides independent third line assurance on the delivery of the Investment Programme.
- 4.19 During the year, the team issued 93 assurance reports, made up of 15 Sub-programme reviews and 78 project reviews. Summaries of the findings from these reports have been included in the quarterly Risk and Assurance reports to the Audit and Assurance Committee.
- 4.20 There are a number of key themes highlighted by the Project Assurance team's work during the year, including the following:

- (a) Estimates at early stages of projects are often too optimistic and do not clearly reflect the exclusions and assumptions. Project Assurance have carried out a targeted review in this area and made recommendations on where improvements can be made.
- (b) In a number of cases, procurement strategies did not equally assess all the options. Over the course of the year Commercial Approval Meeting (CAM) attendance has been strengthened at senior level and this has improved the effectiveness of challenge on procurement strategies.
- (c) Network Rail (NR) projects across TfL (LU, Rail and Surface Assets) have all incurred significant additional costs as a result of difficulty with obtaining access to NR infrastructure and delays in NR entering into Asset Protection Agreements needed to work on their infrastructure. Discussions aimed at addressing this were in progress prior to Covid 19 but a consistent way of dealing with NR interface works across TfL is still needed including clarity over escalation routes.
- (d) Projects are not consistently identifying and managing key dependencies, in particular those involving third parties and other major TfL projects. PMO have been undertaking work on dependency mapping for a number of programmes and projects, and this needs to be rolled out across TfL.
- (e) Commercial settlements with contractors are often unduly protracted. The business is seeking to address this through quicker escalation and resolution via Supplemental Agreement or by going to dispute.

SR1 – Achieving Safety Outcomes and SR13 – Operational Reliability

- 4.21 The Integrated Assurance team delivers the majority of our assurance over these two risks. Much of the work focused on the implementation of the HSE management system and asset engineering quality management.
- 4.22 Three of the audit reports issued by Integrated Assurance during the year were concluded as ‘poorly controlled’, as follows:
- (a) Two audits within Trams, of Asset Management and of Power. Both audits found issues with the quality of asset information, incomplete maintenance records and procedural non-compliances. Trams subsequently increased its headcount to enable controls to be strengthened.
 - (b) Audit of Vegetation Management in LU – this found there was a reliance on responding to reported issues rather than a proactive management regime. As a result of the audit there has been significant improvement to how the maintenance and project teams work together.
- 4.23 A common theme from the audits in this area was non-compliance with legal or TfL management system requirements. These non-compliances resulted, variously, from gaps in the management system, the absence of a monitoring or assurance regime that would have revealed the non-compliance prior to the audit, and from staff being unaware of the requirements of the management system.

- 4.24 A new development this year has been the introduction of a programme of Integrated Systems Audits. These short, focused audits, initially within Line Operations but now also being rolled out into Asset Operations, test local compliance with critical elements of the management system, including HSE, security, competence and financial controls. Twelve of these audits have been completed, covering approximately 10 per cent of managers, and have highlighted a need to improve awareness and compliance. A dashboard has been developed to identify trends and help management focus resources to improve compliance.
- 4.25 The Internal Audit team also carried out five audits in relation to safety matters during the year. Of these, one was concluded as 'adequately controlled' and four were 'requires improvement'. The audit of Occupational Health (OH) arrangements noted a lack of KPIs through which to assess the performance of the OH function. There was also a need to improve the vetting of the physicians used for the Medical Assistance Programme. The audit of the Bus Safety Update Programme found issues related to the availability, effectiveness and assurance of Operator performance data. There was also a need to strengthen the effectiveness of safety assurance visits to Operator garages.

SR3 – Governance and Control Suitability

- 4.26 Included under this heading are two audits of TfL's management of the contracts with Journeycall and Novacroft, third-party suppliers of services including Oyster call handling, correspondence and card fulfilment, and concession and Zip Oyster card support. In both cases the audits found that there was a need to strengthen the controls in place aimed at preventing and detecting fraud by applicants for concessionary Oyster cards. There was also a need to improve disaster recovery arrangements. A contributing factor was a lack of clear monitoring and assurance of the contractors' activities by TfL. The Counter-fraud and Corruption team provided input into these audits, including advising on potential control measures.

SR4 – Major cyber security incident

- 4.27 One of the audits under this risk heading, of compliance with the Network Information Systems (NIS) Regulations in Surface Transport, was concluded as Poorly Controlled. The audit identified several issues, including a lack of a clear business-wide strategy for achieving and maintaining compliance and unclear arrangements for incident reporting. A key finding was that there were no plans or strategy to ensure compliance with the regulations in the business after the closure of the NIS project. A paper was presented to the TfL Executive Committee setting out proposal for establishing cyber security governance in relation to operational technology, Our report was appended to the paper to support their proposal. The majority of the agreed actions are now closed and none are currently overdue.

SR16 – Opening of the Elizabeth Line

- 4.28 Crossrail has established a three lines of defence model for assurance over delivery of the project. TfL Internal Audit provides third line assurance, with second line assurance provided by Crossrail's own Project Assurance team, and

further assurance delivered by the Project Representative (P-Rep) and the Advisory Panel.

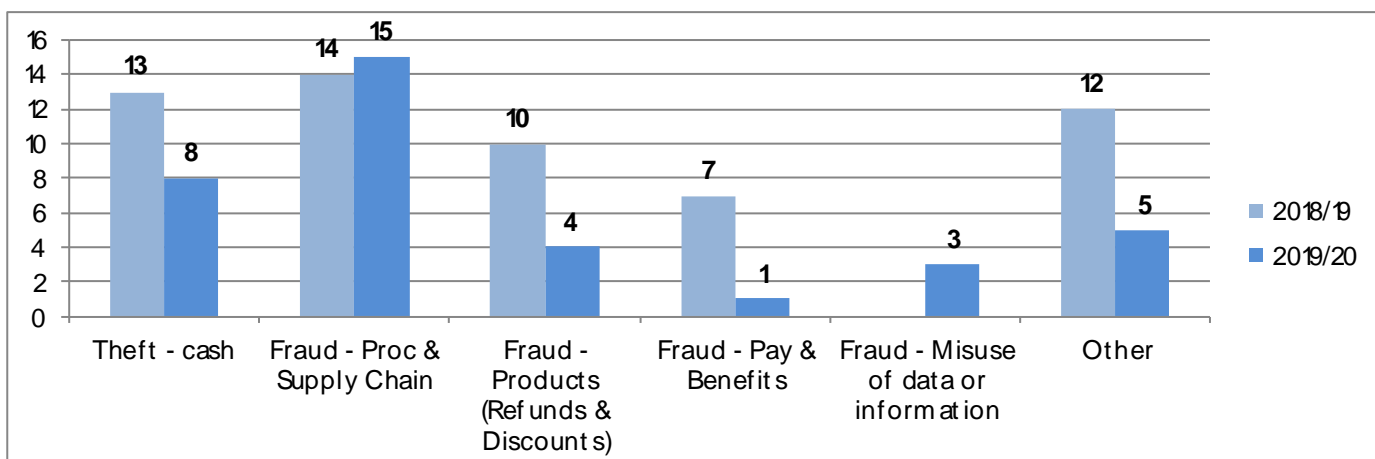
4.29 Our audit work in Crossrail commenced in Q3 and by the year end we had issued three audit reports, all of which were concluded as 'requires improvement. The audits topics were: Strategic Approach to Workforce Planning; Project Cost Forecasting; and Management of Tier 1 Contractors. Several other audits were in progress at the year-end, with three now at the reporting stage. A theme emerging from the three audits completed to date was of a strong management focus on delivery to schedule with, perhaps, less attention being paid to cost.

Counter Fraud

4.30 The Counter-fraud & Corruption Team have managed 36 new cases during 2019/20, compared to 56 in the previous year. This apparent reduction in the number of cases does not reflect a reduction in the number of referrals to the team, which has remained high. However, the team has taken a new approach this year to its initial assessment of referrals (referred to as 'triaging') and only classifies a referral as a 'case' once the triaging has established there is sufficient substance to warrant it.

4.31 The Team has continued to strengthen its investigation methodologies through the introduction of in-house financial investigations, improved 'open source research' techniques and formalised processes for the dissemination of all intelligence reported and gathered during investigations. We have continued to build effective relationships with Law Enforcement by agreeing reporting processes and evidential requirements.

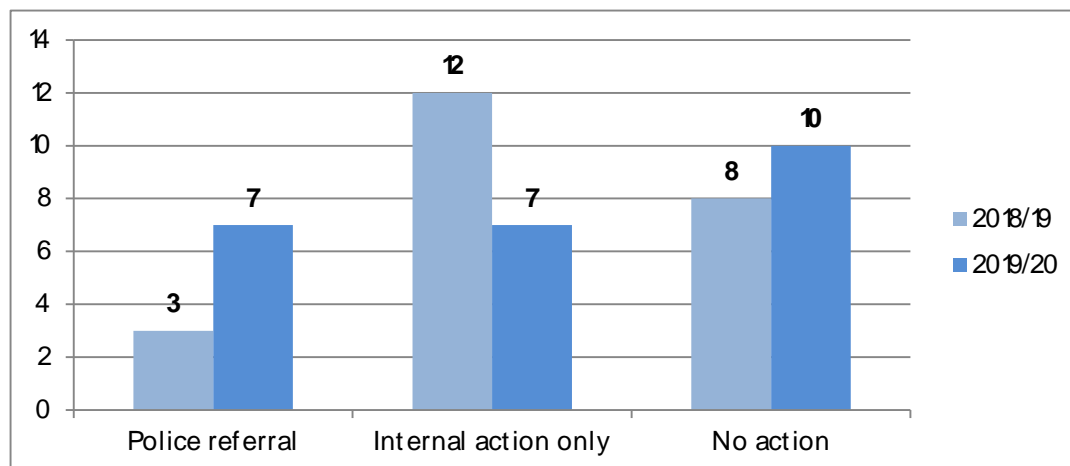
4.32 We have reported to the Committee quarterly throughout the year on the status of fraud and corruption cases. An analysis of new cases by type in 2019/20 and comparative figures for 2018/19 are shown below. Please note that we introduced a new set of categories during the year and the prior year data has been restated to reflect that.



4.33 Of the 36 new cases opened in 2019/20, 22 (61 per cent) have already been referred to Police for prosecution; there was insufficient evidence to refer seven cases and decisions regarding the remaining seven have yet to be made. In

comparison, of the 56 cases opened in 2018/19, 25 (45 per cent) were referred to Police for prosecution.

4.34 During the year a total of 24 cases were closed (2018/19: 22 cases), including six cases opened during the financial year 2019/20 and 18 cases brought forward from previous years. The outcomes of these cases are summarised as follows.



4.35 The number of cases, either still under investigation or closed, that have proceeded to Police, has increased significantly compared with previous years. Convictions secured, in collaboration with law enforcement, have also grown significantly highlighting the efforts made by the team to build effective relationships with law enforcement, coupled with the quality of evidence obtained and presented. Regardless of whether cases are referred to the Police, we also continue to work with TfL management to ensure all staff involved in fraudulent or dishonest behaviour are dealt with robustly and in a timely manner, through effective fact-finding and disciplinary procedures.

4.36 One important development during the year was the establishment of the Counter-fraud & Corruption Steering Group in May 2019, consisting of senior managers from across the business and chaired by General Counsel. The Group meets every two months to lead and support the delivery of our Counter-fraud & Corruption strategy and monitors the progress and delivery of fraud prevention initiatives and activities.

4.37 Our Counter-fraud & Corruption 'Action Plan 2019-21' was approved by the Executive Committee in December 2019. The Plan underpins the Team's commitment to delivering a range of fraud awareness activities designed to prevent and detect fraud and corruption, deter would-be offenders and educate the workforce about the risk of fraud in the workplace and at home. Significant progress has been made including:

- (a) a series of four-day fraud awareness events at three of our office locations (Endeavour Square, Pier Walk and Palestra);
- (b) delivering a range of fraud awareness presentations and workshops to staff in areas with a higher level of fraud risk. This has included awareness sessions targeting all senior commercial managers and all new starters within Customer Contact Centre Operations;

- (c) regular use of our in-house social media platform, Yammer, as well as Source to highlight business and personal fraud risks, outcomes of trials of those convicted of fraud against TfL and general fraud prevention advice including our fraud key strategy messages and fraud DOs and DONTs; and
- (d) working with business areas to improve controls through pro-active fraud risk assessments and the completion of controls reports highlighting weaknesses identified during fraud and corruption investigations.

Steering Group Participation

4.38 We have continued to be involved in a range of steering groups and other governance bodies. This involvement enables us to provide input on risk management and control matters, as well as allowing observation of project and other governance processes.

5 Quality Assurance and Improvement

- 5.1 In accordance with Public Sector Internal Audit Standards, Internal Audit has an ongoing quality assurance and improvement programme to evaluate our compliance with the Standards and to identify opportunities to improve the effectiveness and efficiency of the function. This is delivered through an annual self-assessment process, but at least every five years we are required to commission an external assessment by a qualified, independent assessor from outside the organisation.
- 5.2 Our most recent self-assessment was carried out during February 2019 and the findings were reported to the Committee as part of the 2018/19 Annual Report. Our next self-assessment will be carried out later this year once we have finished implementing our new Audit Management system (see para 6.4 below).
- 5.3 Last year's self-assessment found that Internal Audit generally conforms to the IIA's professional standards, with partial conformance reported in the following areas:
 - (a) Reference 4: Code of Ethics– Competence / Standard 1230: Continuing Professional Development: Lack of audit specific training budget;
 - (b) Standard 2050: Coordination and Reliance: No formalised assurance map. Internal Audits' 'Collaboration' Workstream is managing this process with Enterprise Risk, Project Assurance and Integrated Assurance;
 - (c) Standard 2240: Engagement Work Programme: Inconsistent adherence to defined process; and
 - (d) Standard 2410: Criteria for Communicating: Inconsistent documentation of closing meetings and no guidance relating external communication of audit results.
- 5.4 The recommendations arising out of last year's review and the current status of the agreed actions are summarised in Appendix 2.

6 Risk and Assurance Strategy

6.1 In September 2018 we presented to the Committee our Risk and Assurance Strategy ('the Strategy'), setting out a programme of work to review and update our processes, systems and ways of working to enable the benefits of integrated risk and assurance to be fully realised. The Strategy incorporates five work streams covering:

- (a) culture and behaviours;
- (b) governance framework;
- (c) integration, collaboration and communication;
- (d) capability and people development;
- (e) delivery processes and systems; and
- (f) we provided the Committee with an update on progress with delivery of the Strategy in our 2018/19 Annual Report.

6.2 Over the course of this year, we have continued to make progress with delivery of the Strategy, and we now consider much of this activity to be 'business as usual'. Key developments include:

- (a) Collaborative working between our various teams is increasingly the norm and is enhancing delivery of risk and assurance services. There is regular information sharing between Internal Audit and Project Assurance, and also with IIPAG; outputs of the Enterprise Risk team are used to assist planning of individual assignments and development of the annual plan; and the Counter Fraud and Corruption team routinely provide input into audit and assurance activity to ensure the fraud risks are properly understood.
- (b) Whilst most of the improvements to our governance arrangements were already in place by the start of the year, the establishment of a Counter Fraud and Corruption Steering Group, and the development of an action plan (described more fully in paragraphs 4.36 and 4.37 above) have given the team's counter-fraud activities further direction and strengthened its role in the organisation.
- (c) Our audit and assurance teams have been working to continuously improve their processes. One key development this year has been a revised audit report format with a more succinct and impactful Executive Summary. Feedback on this to date has been positive. A number of other changes to audit processes will be completed following implementation of our new audit management software (see 6.4 below).
- (d) We have developed a new approach to managing staff competency within the directorate, based on a self-assessment process. This will be rolled out during 2020/21.

6.3 We have been working during the year to implement our new Pentana audit management system replacing the legacy AutoAudit system that has been in use

for the past 15 years. Progress has been slower than planned, but we now expect the new system to go live this summer.

7 Resources

Headcount

- 7.1 We began the financial year with a number of vacancies across our teams. This included two in Fraud; one in Project Assurance; and two in Integrated Assurance. In Internal Audit there were four vacant posts. In addition we had put two Technology, Information and Security (TIS) Internal Auditor posts on hold, with the aim of covering the work through a co-sourcing arrangement with an external provider (see below).
- 7.2 Staff turnover has been high throughout the year, with substantial numbers of leavers and joiners. One significant leaver during the year was the Head of Internal Audit who left TfL in early February. A recruitment campaign to find a replacement was initiated, but subsequently put on hold due to the impact of the Covid 19 outbreak.
- 7.3 One important appointment during the year was to the Senior Internal Audit Manager – TIS post, which had been vacant for some time having proved to be challenging to fill. The new joiner took up his post in November 2019.
- 7.4 At the end of the financial year, we were carrying four vacancies in Internal Audit (including the 'Head of'), and one each in Project Assurance and Integrated Assurance. We have also added a Counter-fraud and Corruption Investigator post, which was filled following the year end.

Staff training and Development

- 7.5 All Internal Audit staff are expected to have, or work towards, a relevant audit qualification from a recognised certification body (eg the Chartered Institute of Internal Auditors (IIA)). Auditors with an IT specialism are required to obtain the Certified Information Systems Auditor (CISA) certification from ISACA. There are no mandatory requirements in other teams within Risk and Assurance, but individual staff have a wide range of professional qualifications relevant to their specialisms.
- 7.6 Staff have various requirements for Continuing Professional Education (CPE) associated with their professional qualifications. Additionally, we agree and monitor individual training and development plans for members of staff through the performance management process.
- 7.7 Ensuring that our staff receive appropriate training and development has become more challenging as a result of TfL's restrictions on attendance at external training courses. We seek to manage this by taking advantage, wherever possible, of free training places offered by professional bodies and making use of other types of development opportunity, including e-learning, work-shadowing and mentoring.

Co-Sourcing

- 7.8 In the course of the year we have established a small co-sourcing framework consisting of two external providers, KPMG and RSM, for delivery of specialist Internal Audit services, primarily technology and security related audit work. Separately a co-sourcing contract has been established with PwC for delivery of part of the Crossrail audit plan.
- 7.9 Each of the co-source providers had commenced work by the year end with a number of audits in progress.

Secondments

- 7.10 We have continued to make successful use of secondments, both inward and outward, over the course of the year. Secondments are a useful means of filling staff vacancies, but also valuable in helping provide development opportunities to staff.
- 7.11 On a number of occasions our inward secondees have subsequently been recruited into permanent roles within the directorate. At the end of the financial year we had four staff members on secondment to other parts of TfL and three staff from elsewhere in TfL seconded into Risk and Assurance.

8 Stakeholder Feedback

- 8.1 At the end of every audit engagement, we send out a feedback form to the principal auditee(s) requesting their views on the audit process and the report.
- 8.2 In 2019/20 the return rate for completed feedback questionnaires was 63 per cent, across both the Internal Audit and Integrated Assurance teams. This represents a slight increase over the 62 per cent achieved in 2018/19. The summary of scores received in the year, and in previous years, is as follows:

	Very Good %	Good %	Satisfactory %	Poor %	Very Poor %
2019/20	47%	34%	16%	3%	1%
2018/19	50%	41%	9%	0%	0%
2017/18	48%	37%	12%	2%	0%

- 8.3 The majority of respondents continue to be satisfied with the way we carry out our work, although there has been a small increase in the proportion of 'poor' scores compared to 2018/19. All feedback which is less than satisfactory is followed up by Risk and Assurance management to ensure the concern is understood, discussed with the audit team and lessons learned where appropriate.

List of appendices to this report:

- Appendix 1: Overview of Internal Audit Work 2019/20
Appendix 2: Internal Quality Assurance and Improvement Action Plan

List of Background Papers:

Audit reports

Officer: Clive Walker, Director of Risk and Assurance
Number: 020 3054 1879
Email: clivewalker@tfl.gov.uk

Transport for London Audit and Assurance Committee

Overview of Internal Audit work completed during year ended 31 March 2020

Appendix 1

- Forty-eight Internal Audit reports issued, of which three were concluded as Poorly Controlled.

Strategic Risk	Directorate	Ref.	Audit Title	Objective	Conclusion	Last Action Date	Current Status	Priority		
								P1	P2	P3
Achieving safety outcomes	LU	19 103	Occupational Health	To provide assurance on the adequacy and effectiveness of the current operating model and level of service provided to the organisation	Requires Improvement	31/03/2020	Follow-up	2	2	0
	LU	18 019	Principal Contractor Arrangements	To provide assurance that the workstream to revise management arrangements regards LU acting as Principal Contractor has been effective and that arrangements are being assured via 2nd line of defence activities	Requires Improvement	01/01/2020	Complete	0	5	1
	Pan TfL	18 001	Effectiveness of the new safety complaints process	To provide assurance that the new complaints process is effective and efficient	Requires Improvement	28/08/2020	Follow-up	0	5	1
	Surface Transport	18 020	London Overground Safety Assurance Arrangements	To provide assurance on the effectiveness and timeliness of safety assurance arrangements	Adequately Controlled	31/10/2019	Complete	0	0	1
	Surface Transport	18 002	Bus Safety Update Programme	To provide assurance on the deliverables within, and management of, the Bus Safety Update programme.	Requires Improvement	31/01/2020	Follow-up	0	6	0

Transport for London Audit and Assurance Committee

Strategic Risk	Directorate	Ref.	Audit Title	Objective	Conclusion	Last Action Date	Current Status	Priority		
								P1	P2	P3
Delivery of key investment programmes	Finance	18 615	Re-tender of the Project & Programme Management Services Framework (PSF)	To provide assurance that the procurement of the Programme and Project Management Services Framework (component of the PSF 2) is managed effectively, in accordance with approved procedures, the Public Contracts Regulations.	Memo	N/A	Complete	0	0	0
	Finance	18 614	Re-tender of the Transport Planning and Impact Monitoring (PSF)	To provide assurance that the procurement of the Transport Planning and Impact Monitoring Framework is managed effectively in accordance with approved procedures,	Memo	N/A	Complete	0	0	0
	Finance	18 605	Re-tender of Professional Services Framework-(Commercial Services)	To provide assurance that the procurement of the Commercial Services Framework is managed effectively in accordance with approved procedures,	Memo	N/A	Complete	0	0	0
	Pan TfL	18 021	Building Information Modelling Governance	To provide assurance on the effectiveness of the implementation of Building Information Modelling	Requires Improvement	31/12/2019	Complete	0	4	2
Talent attraction and retention	Customers, Communication & Technology	19 104	Nominee Passes	To provide assurance on the adequacy and effectiveness of controls in place for nominee passes.	Requires Improvement	31/03/2020	Follow-up	1	2	2
Governance and control suitability	Customers, Communication & Technology	19 108	Third Party Supplier Review - Journeycall	To provide assurance over the adequacy and effectiveness of key controls.	Requires Improvement	29/05/2020	Follow-up	5	3	1

Transport for London Audit and Assurance Committee

Strategic Risk	Directorate	Ref.	Audit Title	Objective	Conclusion	Last Action Date	Current Status	Priority		
								P1	P2	P3
Governance and control suitability	Customers, Communication & Technology	19 107	Third Party Supplier Review - Novacraft	To provide assurance over the adequacy and effectiveness of key controls.	Requires Improvement	29/10/2020	Follow-up	2	3	1
	Customers, Communication & Technology	19 610	Governance over the JC Decaux advertising contract	Provide assurance that robust contract management controls are in place to ensure accurate reporting of income.	Requires Improvement	31/12/2020	Follow-up	2	2	7
	General Counsel	19 620	Review of UK Corporate Governance Code 2018 Changes	Assessment of TfL's compliance with applicable elements of the updated UK Corporate Governance Code (2018)	Memo	N/A	Complete	0	0	0
	General Counsel	18 004	Ultra Low Emissions Zone	To provide assurance over the preparation for go live.	Memo	N/A	Complete	0	0	9
	LU	19 119	TfL Ambassadors	To provide assurance on the adequacy and effectiveness of controls in place to manage TfL Ambassadors.	Requires Improvement	30/06/2020	Follow-up	1	5	0
Major cyber security incident	Customers, Communication & Technology	19 000	Data Privacy and Protection – Marketing Data Security	To evaluate the adequacy of security governance and controls relating to marketing data	Adequately Controlled	31/10/2019	Follow-up	0	2	0
	Customers, Communication & Technology	19 414	Network and Information Systems (NIS) Regulations - Surface Transport	To provide assurance over the adequacy of the framework designed for the governance of NIS compliance within TfL.	Poorly Controlled	31/03/2020	Follow-up	5	1	1

Transport for London Audit and Assurance Committee

Strategic Risk	Directorate	Ref.	Audit Title	Objective	Conclusion	Last Action Date	Current Status	Priority		
								P1	P2	P3
Loss of external stakeholder trust	Customers, Communication & Technology	19 111	Governance of Correspondence and Case Work Management	Provide assurance on the adequacy and effectiveness of controls in place for correspondence received and the following case work management	Adequately Controlled	N/A	Complete	0	0	0
	Finance	18 612	Procurement of Energy for London: SSQ - up to Contract Award	The objective of this audit is to provide assurance that the procurement process for the Energy for London project is effective.	Memo	N/A	Complete	0	0	0
Financial sustainability	Customers, Communication & Technology	18 113	Section 278 Agreements	To review the controls in place to ensure that monies due under s278 agreements are collected in full and on a timely basis	Adequately Controlled	31/03/2020	Follow-up	0	2	2
	Customers, Communication & Technology	19 128	Clean Mobile Energy Cost Certification 2	To certify costs in respect of EU funding for clean mobile energy (fourth review)	Memo	N/A	Complete	0	0	0
	Customers, Communication & Technology	19 112	Clean Mobile Energy Cost Certification	To certify costs in respect of EU funding for clean mobile energy (third review)	Memo	N/A	Complete	0	0	0
	Finance	19 608	Delivery of the Major Accommodation Property Programme (MAPP)	To provide assurance on the accuracy of financial savings reported as part of the MAP Programme.	Well Controlled	N/A	Complete	0	0	0
	Finance	19 114	TfL Scorecard	Provide assurance that the year-end outturns on the scorecard indicators are being reported accurately.	Adequately Controlled	30/08/2019	Complete	0	2	0

Transport for London Audit and Assurance Committee

Strategic Risk	Directorate	Ref.	Audit Title	Objective	Conclusion	Last Action Date	Current Status	Priority		
								P1	P2	P3
Financial sustainability	Finance	18 608	Governance and Financial Controls for the use of Framework suppliers (Delatim Ltd)	The objective of this audit is to provide assurance that contracts awarded to Delatim Ltd have adhered to the governance and financial controls in place for framework suppliers	Adequately Controlled	N/A	Follow-up	0	1	0
	Finance	18 600	Single Sourcing Governance Assurance (ST)	The objective of this audit is to provide assurance that the controls and process in place to manage the use of single sourcing or non-competitive procurements are robust and are being adhered to.	Poorly Controlled	31/05/2020	Complete	3	0	1
	Surface Transport	18 121	Cycle Hire	To provide assurance over the operation of key business and financial controls following signing of a new contract and implementation of the revised back office and governance arrangements between Serco and Cubic from July 2017.	Poorly Controlled	01/10/2019	Follow-up	4	1	0
	Surface Transport	19 120	TfL Revenue Protection Programme – Accuracy of Projects' contributions to £10m target	To review and advise on the calculation of projects' contributions to the 2019/20 fare evasion £10m reduction target.	Consultancy	N/A	Complete	0	0	0
	Surface Transport	19 127	DfT Local Highways Funding	To certify costs in respect of DfT funding for Local Highways.	Memo	NA	Complete	0	0	0
	Surface Transport	19 131	Project Streetwise	To certify costs in respect of EU funding for Project Streetwise	Memo	N/A	Complete	0	0	0
	Surface Transport	19 121	Project Driven Cost Certification	To certify costs in respect of EU funding for Project Driven.	Memo	N/A	Complete	0	0	0

Transport for London Audit and Assurance Committee

Strategic Risk	Directorate	Ref.	Audit Title	Objective	Conclusion	Last Action Date	Current Status	Priority		
								P1	P2	P3
Financial sustainability	HR	19 118	Ill Health Retirees Process	To provide assurance on the adequacy and effectiveness of controls in place for employees retiring due to ill health.	Requires Improvement	31/07/2020	Follow-up	0	2	1
	Customers, Communication & Technology	18 105	Business Services E2E Processes	To advise on the adequacy of the 'End to End' (E2E) process designs by reviewing the proposed processes and suggesting improvements where necessary, in order to facilitate the achievement of Business Services' objectives.	Memo	N/A	Complete	0	0	0
	Customers, Communication & Technology	19 116	Allowances Overtime and Higher Duty Pay Process	To provide assurance on the adequacy and effectiveness of controls in place for allowances, overtime and higher duty pay.	Requires Improvement	30/11/2020	Follow-up	1	3	1
	Customers, Communication & Technology	19 115	Governance of Foreign Vendor Invoices	To provide assurance on the adequacy and effectiveness of controls in place for processing foreign vendor invoices.	Requires Improvement	31/12/2019	Follow-up	1	1	0
Inability to deliver predicted revenue growth	Finance	19 619	Land Authority Governance Process	Provide assurance on the effectiveness of the implementation plan for the purchase and sale of land.	Adequately Controlled	30/06/2020	Follow-up	0	2	1
	Finance	19 617	Management of Joint Venture Partners and Associated Risks	To provide assurance that the selection of Joint Venture partners, and management of associated risks is effective.	Adequately Controlled	31/08/2020	Follow-up	1	1	4

Transport for London Audit and Assurance Committee

Strategic Risk	Directorate	Ref.	Audit Title	Objective	Conclusion	Last Action Date	Current Status	Priority		
								P1	P2	P3
Inability to deliver predicted revenue growth	Finance	19 616	Delivery of the Build to Rent (BtR) Strategy	Provide assurance on the adequacy of the strategy to ensure cost effective delivery of the BtR homes.	Adequately Controlled	31/03/2020	Follow-up	0	3	1
	Finance	19 613	Strategy for Delivering the Mayors Housing Targets	Provide assurance on the adequacy of the strategy to deliver the Mayor's affordable housing target and future revenue.	Adequately Controlled	31/03/2020	Follow-up	0	3	1
	Finance	19 603	Governance of Over Site Development (OSD) sites	To provide assurance on the strategy for optimising revenue from the delivery of OSD sites.	Adequately Controlled	N/A	Follow-up	0	0	2
	Finance	19 614	Management of Property Voids and the Arches Strategy	To provide assurance that the commercial processes for the management of voids is efficient and effective in minimising loss of revenue and the arches strategy is effective for generating revenue	Requires Improvement	30/04/2020	Follow-up	0	4	1
	Customers, Communication & Technology	19 611	Governance over Roadside Advertising Contract	Provide assurance on the governance of the Roadside Advertising Contract.	Requires Improvement	31/03/2021	Follow-up	2	1	1
LTM	LT Museum	19 100	Financial Controls	Review the adequacy and effectiveness of key financial processes and controls.	Requires Improvement	31/12/2020	Follow-up	0	3	1
	LT Museum	18 128	Safeguarding: Nib Report follow up	To provide assurance over the implementation of recommendations raised by Nib Shared Vision's review of the LTM's safeguarding activity.	Well Controlled	N/A	Complete	0	0	0

Transport for London Audit and Assurance Committee

Strategic Risk	Directorate	Ref.	Audit Title	Objective	Conclusion	Last Action Date	Current Status	Priority		
								P1	P2	P3
CRL-FC1 AFC/DFC exceeds the funding envelope	Crossrail	19 503	Management and Control Over Project Cost Forecasting	To provide assurance over the adequacy and effectiveness of project cost forecasting controls including 'Anticipated Final Cost' (AFC)	Requires Improvement	06/04/2020	Follow-up	0	4	1
CRL-RB1 Recruiting and retaining specific skills to prevent shortage	Crossrail	19 505	The strategic approach to workforce planning	To provide assurance over the controls to ensure resource planning and retention is adequate and operating effectively to support delivery of the Crossrail Business Plan objectives	Requires Improvement	29/05/2020	Follow-up	3	3	1
CRL-SC1 Contractors fail to deliver Earliest Opening Programme	Crossrail	19 500	Management of Tier 1 suppliers	To provide assurance over the Commercial management of Tier 1 contractors.	Requires Improvement	30/06/2020	Follow-up	0	3	0

Transport for London Audit and Assurance Committee

Quality Assurance and Improvement Update

Appendix 2

Ref.	IIA Focus Area	QAIP findings	Action	Status
4	Code of Ethics - Competence	The training budget has been removed and auditors will need to seek alternative ways to obtain training	Director Risk and Assurance (R&A) has communicated to all of R&A explaining budgeting constraints and identifying alternative training/development methods.	Completed
		The Learning and Development plan (L&D) will be developed based on the Internal Competency Assessments (ICAs) the Internal Audit and the R&A Directorate's Competence Matrices in 2019 to further improve directorate and IA competence and experience	Develop IA L&D plan using ICAs and competence matrices.	In progress - A new approach to managing staff competency based on a self assessment approach has been developed and will be rolled out during 2020/21. This will form the basis of developing an IA L&D plan.
1230	Continuing Professional Development	The training budget has been removed so a method of providing Continuing Professional Development (CPD) will need to be developed for the IA team.	The IA P&D workstream will develop a central approach to facilitate CPD requirements	In Progress – this will form part of the IA L&D plan (see above).

Transport for London Audit and Assurance Committee

Ref.	IIA Focus Area	QAIP findings	Agreed Action	Status
2050	Coordination and Reliance	An Assurance Mapping process is work in progress and being led by the Integrated Assurance team	Monitor completion, and where appropriate, input into the Assurance Mapping process	In progress – this has been slower than anticipated due to the significant transformation being undertaken in key areas where assurance mapping is most applicable, including HSE and Engineering. Work will be recommenced in 2020/21.
2200	Engagement Planning	Letters of Engagements sampled did not comply with the version control guidelines stipulated within the Audit Manual	Simplified IA process and associated documentation will set expectations for version control Additionally from September/ October the new Audit Management system will automate document version control.	The simplified processes have been developed and implemented. However, the timing for the introduction of the new Audit Management system has slipped to the summer of 2020
2240	Engagement Work Programme	Risk Based Audit Programmes (RBAP) are not always approved prior to start of fieldwork	A regular QAIP review will include monitoring and sampling of RBAPs to ensure review and approval prior to fieldwork commencing	Not yet implemented – This will take effect once the new Audit Management system has been implemented. The monitoring and sampling will be undertaken in the new system.
			The Head of Internal Audit (HoIA) will reiterate the requirement to review and approve RBAPs (using the 'Approval' tab) prior to audit fieldwork commencing	Complete

Transport for London Audit and Assurance Committee

Ref.	IIA Focus Area	QAIP findings	Agreed Action	Status
2410	Criteria for Communicating	Inconsistent documentation/ recording of engagement Closing meetings	The HoIA will reiterate the importance of holding and recording closing meetings SIAMs will monitor adherence	In progress - The adherence is still inconsistent and a further reiteraton on the importance of documenting closing meetings will be sent to all auditors.
		The Audit manual does not include guidance on communicating audit results out of the organisation.	Ensure the revised Internal Audit manual includes external communication guidance	Complete
		Inconsistent use of the 'Final Approval' function within AutoAudit to clearly demonstrate final report	The new audit management system will eliminate this technical issue. All Final reports are approved by the SIAM/ HoIA prior to issue	Complete
		It should be noted that the audit conclusions (in addition to the Audit Manual) are currently under review and subject to change	The HoIA will finalise the revision to audit findings and conclusions which will form part of the revised reporting template	Complete

[page left intentionally blank]

Audit and Assurance Committee



Date: 8 June 2020

Item: Members Suggestions for Future Discussion Items

This paper will be considered in public.

1 Summary

- 1.1 This paper presents the current forward programme for the Committee and explains how this is put together. Members are invited to suggest additional future discussion items.

2 Recommendation

- 2.1 **The Committee is asked to note the forward programme and is invited to raise any suggestions for future discussion items.**

3 Forward Plan Development

- 3.1 The Board and its Committees and Panels have forward plans. The content of the plans arises from a number of sources:
- (a) standing items for each meeting: minutes; matters arising and actions list; and any regular quarterly reports. For this Committee these include quarterly risk and assurance reports; Crossrail updates; and IIPAG quarterly updates;
 - (b) regular items (annual, half-year or quarterly) which are for review and approval or noting: examples include the legal compliance report, integrated assurance plan, and TfL annual report and accounts;
 - (c) matters reserved for annual approval or review: examples include those already mentioned above as well as annual audit fee; and
 - (d) items requested by Members: the Deputy Chair of TfL and the Chair of this Committee will regularly review the forward plan and may suggest items. Other items will arise out of actions from previous meetings (including meetings of the Board or other Committees and Panels) and any issues suggested under this agenda item.
- 3.2 The Committee is required to meet in private, on an annual basis, with the Director of Risk and Assurance, External Auditors and Chief Finance Officer. These discussions are scheduled after the following Committee dates:

8 June 2020:	External Auditors
2 December 2020:	Director of Risk and Assurance
17 March 2021	Chief Finance Officer

4 **Current Plan**

- 4.1 The current plan is attached as Appendix 1. Like all plans, it is a snapshot in time and items may be added, removed or deferred to a later date.

List of appendices to this report:

Appendix 1: Audit and Assurance Committee Forward Plan

List of Background Papers:

None

Contact Officer: Howard Carter, General Counsel
Number: 020 3054 7832
Email: HowardCarter@tfl.gov.uk

Audit and Assurance Committee Forward Planner 2020/21**Appendix 1**

Membership: Anne McMeel (Chair), Dr Lynn Sloman (Vice Chair), Kay Carberry CBE, Dr Mee Ling Ng OBE and Dr Nelson Ogunshakin OBE

16 September 2020		
Risk and Assurance Quarterly Report	D. Risk and Assurance	Quarterly
EY Letter on Independence and Objectivity	Chief Finance Officer	Annual
Annual Audit Letter	Chief Finance Officer	Annual
Register of Gifts and Hospitality	General Counsel	Quarterly
IIPAG Quarterly Report	Head of Project Assurance	Quarterly
Effectiveness Review of External Auditors	Chief Finance Officer	Annual
Statement of Account Changes	Chief Finance Officer	Annual
Freedom of Information Update	General Counsel	Annual
Strategic Risk Update	MD, CCT	Annual

2 December 2020		
Risk and Assurance Quarterly Report	D. Risk and Assurance	Quarterly
EY Letter on Independence and Objectivity	Chief Finance Officer	Annual
EY Report on Non-Audit Fees	Chief Finance Officer	Six Monthly
Register of Gifts and Hospitality	General Counsel	Quarterly
External Audit Plan	Chief Finance Officer	Annual
Legal Compliance Report	General Counsel	Six Monthly
IIPAG Quarterly Report	Head of Project Assurance	Quarterly
EY Non-Audit Fees	Chief Finance Officer	Six Monthly
Annual Tax Compliance Update	Chief Finance Officer	Annual

Audit and Assurance Committee Forward Planner 2020/21

17 March 2021		
Risk and Assurance Quarterly Report	D. Risk and Assurance	Quarterly
EY Letter on Independence and Objectivity	Chief Finance Officer	Annual
EY Report on Non-Audit Fees	Chief Finance Officer	Six Monthly
Register of Gifts and Hospitality	General Counsel	Quarterly
External Audit Plan	Chief Finance Officer	Annual
IIPAG Quarterly Report	Head of Project Assurance	Quarterly