

Agenda

Meeting: Audit and Assurance Committee

Date: Monday 7 June 2021

Time: 10.00am

Place: Teams Virtual Meeting

Members

Anne McMeel (Chair)

Dr Lynn Sloman MBE (Vice-Chair)

Cllr Julian Bell

Kay Carberry CBE

Dr Mee Ling Ng OBE

Dr Nelson Ogunshakin OBE

How decisions will be taken during the current social distancing measures

The 2020 regulations that provided the flexibility to hold and take decisions by meetings held using videoconference expired on 6 May 2021.

While social distancing measures remain in place to manage the coronavirus pandemic, Members will attend a videoconference briefing held 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, in consultation with the 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](#)
- Apart from any discussion of exempt information, the briefing will be webcast live for the public and press on [TfL YouTube channel](#).

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: Sue Riley; sueriley@tfl.gov.uk

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

Howard Carter, General Counsel
Thursday 27 May 2021

**Agenda
Audit and Assurance Committee
Monday 7 June 2021**

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 17 March 2021
(Pages 1 - 10)**

General Counsel

The Chair, following consultation with the Committee, is asked to approve the minutes of the meeting of the Committee held on 17 March 2021.

**4 Matters Arising, Actions List and Use of Delegated Authority
(Pages 11 - 16)**

General Counsel

The Committee is asked to note the updated actions list and the use of Chair's Action.

5 Independent Investment Programme Advisory Group Quarterly Report (Pages 17 - 40)

Director of Risk and Assurance

The Committee is asked to note the report and the management response.

External Audit Items

6 EY Report to Those Charged with Governance - To Follow

Chief Finance Officer

The Committee is asked to note the report.

7 EY Letter on Independence and Objectivity (Pages 41 - 46)

Chief Finance Officer

The Committee is asked to note the report.

8 EY Report on Non-Audit Fees for Six Months Ended 31 March 2021 (Pages 47 - 50)

Chief Finance Officer

The Committee is asked to note the report.

9 Annual Audit Fee 2021/22 (Pages 51 - 56)

Chief Finance Officer

The Committee is asked to note the report.

Audit, Risk and Assurance Items

10 Risk and Assurance Quarter 4 Report 2020/21 (Pages 57 - 98)

Director of Risk and Assurance Report

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

11 Risk and Assurance Annual Report 2020/21 (Pages 99 - 130)

Director of Risk and Assurance

The Chair, following consultation with the Committee, is asked to approve the report.

12 Elizabeth Line Programme Assurance Quarter 4 Report 2020/21
(Pages 131 - 148)

Crossrail, Chief Finance Officer

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

Accounting and Governance

13 TfL Statement of Accounts for the Year Ended 31 March 2021 - To Follow

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 on-going audit work prior to submission to the Board.

14 Review of Governance and the Annual Governance Statement for Year Ended 31 March 2021 (Pages 149 - 162)

General Counsel

The Chair, following consultation with the Committee, is asked to note the paper and 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 2020/21 Annual Report and Accounts and note the progress against the 2020/21 improvement plan, as set out in Appendix 2 and the plan for 2021/22, as set out in Appendix 3.

15 Finance Control Environment Trend Indicators (Pages 163 - 168)

Chief Finance Officer

The Committee is asked to note the paper and the dashboard at Appendix 1.

16 Legal Compliance Report (1 October 2020 - 31 March 2021)

(Pages 169 - 190)

General Counsel

The Committee is asked to note the report.

17 Register of Gifts and Hospitality for Members and Senior Staff

(Pages 191 - 194)

General Counsel

The Committee is asked to note the paper.

18 Members' Suggestions For Future Discussion Items (Pages 195 - 198)

General Counsel

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

19 Any Other Business the Chair Considers Urgent

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

20 Date of Next Meeting

Wednesday, 15 September 2021 at 10am.

21 Exclusion of Press and Public

The Committee is recommended to agree to exclude the press and public from the meeting, in accordance with paragraphs 3, 5 & 7 of Schedule 12A to the Local Government Act 1972 (as amended), in order to consider the following items of business.

Agenda Part 2

22 Risk and Assurance Quarter 4 Report 2020/21 (Pages 199 - 214)

Director of Risk and Assurance

Exempt supplemental information relating to the item on Part 1.

23 Elizabeth Line Programme Assurance Quarter 4 Report 2020/21 (Pages 215 - 242)

Crossrail Chief Finance Officer

Exempt supplemental information relating to the item on Part 1.

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Agenda Item 3

Transport for London

Minutes of the Audit and Assurance Committee

Teams Virtual Meeting 10.00am, Wednesday 17 March 2021

Members

Anne McMeel	Chair
Dr Lynn Sloman MBE	Vice-Chair
Cllr Julian Bell	Member
Kay Carberry CBE	Member
Dr Mee Ling Ng OBE	Member
Dr Nelson Ogunshakin OBE	Member

Executive Committee

Howard Carter	General Counsel
Stuart Harvey	Director of Major Projects (for Minute 06/03/21)
Simon Kilonback	Chief Finance Officer
Alex Williams	Director of City Planning (for Minute 06/03/21)

Staff

Mushtaq Ali	Interim Head of Internal Audit
Stephen Dadswell	Head of Corporate Finance (for Minute 06/03/21)
Andy Ferrar	Head of Finance Controls and Systems (for Minute 13/03/21 and 14/03/21)
Siwan Hayward OBE	Director of Compliance, Policing and On-Street Services (for Minute 18/03/21)
Philip Hewson	Head of Procurement (for Minute 15/03/21)
Lorraine Humphrey	Head of TfL Project Assurance
Maureen Jackson	Head of Business Services (for Minute 14/03/21)
David Jones	Interim Deputy to Chief Procurement Officer (for Minute 15/03/21)
Tony King	Group Finance Director and Statutory Chief Finance Officer
Maureen Kirk	Senior Internal Audit Manager
Nico Lategan	Head of Enterprise Risk
Rachel McLean	Chief Financial Officer, Crossrail
Richard Mullings	Head of Counter Fraud and Corruption
Jonathan Patrick	Chief Procurement Officer (for Minute 15/03/21)
David Rowe	Head of IDP, Major Projects (for Minute 06/03/21)
Rachel Shaw	Head of External Reporting, Finance
Caroline Sheridan	Director of TfL Engineering (for Minute 17/03/21)
Mike Shirbon	Head of Integrated Assurance
Clive Walker	Director of Risk and Assurance
Stuart Westgate	Head of Programme Assurance, Crossrail (for Minute 11/03/21)
Sue Riley	Secretariat

Also In Attendance

Karl Havers	Partner, Ernst & Young
Manish Gupta	Ernst & Young
Alison Munro	Independent Investment Programme Advisory Group, Chair
Joanne White	Independent Investment Programme Advisory Group, Member

01/03/21 Apologies for Absence and Chair's Announcements

The Chair welcomed everyone to the meeting. The meeting was being broadcast live on YouTube, except for the discussion of the information on Part 2 of the agenda, which was exempt from publication.

There were no apologies for absence.

The Chair welcomed Cllr Julian Bell to his first meeting, following his appointment to the Committee in December 2020.

The Chair reminded those present that safety was paramount at TfL and encouraged Members to raise any safety issues during discussions on a relevant item or with TfL staff after the meeting. No matters were raised.

At the close of the meeting, Members were due to meet informally with the Chief Finance Officer for the annual informal discussion.

The Chair informed Members that Clive Walker, as Director of Risk and Assurance, was retiring on 9 April 2021 after almost 23 years of service in the organisation. He had made a huge contribution to TfL, particularly as the Director of Internal Audit from 2009, and then as the Director of the broader Risk and Assurance directorate since 2018. He had worked tirelessly to deliver high quality audit and assurance and overseen huge improvements in project assurance, assurance planning, risk management and fraud investigation and deterrence – all issues that were at the heart of the remit of this Committee, and the Chair, on behalf all the Members, wished him well in his retirement.

Howard Carter endorsed the comments made by the Chair and expressed his own thanks to Clive Walker for his support to General Counsel and the Directorate over the years.

The recruitment for a successor was ongoing and the Board, at its meeting on 16 March 2021, agreed to delegate to the Chair of the Committee the authority to approve an appointment, in consultation with the other members of the Interview Panel. Interviews would be held shortly and an announcement was anticipated in early April 2021.

02/03/21 Declarations of Interest

The Chair declared that, as Vice-Chair of the Elizabeth Line Committee, she would not Chair the meeting for the discussion on the Elizabeth Line items (Minute 10/3/21; 11/03/21 and 12/03/21) and the Vice-Chair of the Audit and Assurance Committee would Chair the meeting. Dr Nelson Ogunshakin OBE was also a member of the Elizabeth Line Committee.

Members confirmed that their declarations of interests, as published on [tfl.gov.uk](https://www.tfl.gov.uk), were up to date and there were no additional interests that related specifically to items on the agenda.

04/03/21 Minutes of the Meeting of the Committee held on 2 December 2020

The minutes of the meeting held on 2 December 2020 were approved as a correct record and for signing by the Chair.

05/03/21 Matters Arising and Actions List

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

An oral update was provided on Minute 57/12/20. A further update on EY's work to include climate related risk and costs would be provided at the next meeting.

Following an interview with the Chair and Vice-Chair, supported by Tony King, Howard Carter and Karl Havers, Janet Dawson from EY had been chosen as the new external audit partner. Janet Dawson would shadow Karl Havers as part of the transition arrangements.

The Committee noted the Actions List.

06/03/21 Silvertown Tunnel Project – Ernst & Young Report on Silvertown Tunnel

The Chair listed the correspondence received on this item in advance of the meeting, which had been circulated to all Committee Members: a letter from Stop the Silvertown Tunnel Coalition (SSTC), 11 March 2021; an email from Dominic Leggett, 15 March 2021, a letter from the Transport Action Network, 16 March 2021 and an email from Friends of the Earth on 17 March 2021, received prior to the start of the meeting.

The Chair emphasised that it was not the role of the Committee to review the decision on the project itself but to ensure that the processes, governance and value for money aspects had been appropriate and robust. While some elements of the discussion would need to be held in Part 2 of the agenda, due to commercial confidentiality, as much information as possible would be discussed in the public domain.

Karl Havers presented the report, which had been commissioned by the Committee in response to objections raised by SSTC and concerns from the London Assembly Oversight Committee. Manish Gupta from EY was also in attendance to provide expertise on complex project management and business case assessments, including best practice and Government guidance.

EY confirmed that based on the project objectives, as set out in the appendix to the report, an additional crossing for east London had been evaluated appropriately. The assessment of the various options considered and the Business Plan calculations had been carried out in accordance with Government guidance, including value for money assessments. It was not necessary for TfL to carry out a value for money exercise on improvements to the Blackwall Tunnel as this did not meet all the project objectives.

The Terms and Conditions of the Private Finance Initiative, including the termination clause, were consistent with standard market practice.

The key objectives of the project in relieving congestion, achieving resilience and managing geographical growth were all achievable through the Silvertown Tunnel option.

EY confirmed that it had received adequate information from TfL when drafting its report with unlimited access to documentation.

Alex Williams confirmed that the project was consistent with the Mayor's Transport Strategy 2018 and in line with providing a sustainable, public transport option as part of the river crossing, with a range of demand restraint measures in place.

An update on the current status of the project was provided by Stuart Harvey.

The Vice-Chair stressed the importance of ensuring that the congestion relief benefits were locked into the project through a fixed tolling arrangement consistent with traffic reduction measures, and thereby measurable once the scheme was operational.

Staff recognised both the risk and opportunity afforded in charging mechanisms linked to the project and the option to create a tailored response to changing traffic conditions, and other charging schemes. It was confirmed that all transport modelling would be tested and reviewed prior to the opening of the tunnel, with continual monitoring of the environmental impact once operational and a commitment to measuring increased modal share.

A future briefing would be given to Board Members on all road charging policies, in the context of the zero-carbon target for 2030, once the feasibility study on the Greater London Boundary Charge was completed. **[Action: Alex Williams]**

The Chair welcomed the in-depth discussion and was satisfied that EY had considered all the issues and objections raised within the context of the Mayor's Transport Strategy and good governance processes. Lessons could be learnt by TfL in clearer sign posting of related documents, enhanced transparency and improved community engagement.

The Chair noted that the EY report would be finalised and made public with the minimum redactions possible consistent with TfL's commercial interests and that it would include a TfL commitment to future monitoring and reporting of the project benefits as set out in the business case. **[Action: Karl Havers]**

It was noted that stakeholder engagement would continue to be needed as the project progressed and arrangements for that would be kept under review.

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

07/03/21 Risk and Assurance Quarter 3 Report 2020/21

Clive Walker introduced the update on work for Quarter 3 2020/21.

It was agreed that a joint workshop with the Board on the review of the Enterprise Risks be held in autumn 2021 and include a discussion on how the Enterprise Risks, the Mayor's Transport Strategy (MTS) and TfL scorecards interacted and were integrated.

[Action: Nico Lategan/Secretariat]

It was agreed that the City Planning Level 1 risk (Insufficient Progress in meeting the MTS) would be reviewed in the next Enterprise Risk cycle assessment, to determine whether it should be escalated to a Level 0 risk due to its strategic importance.

[Action: Nico Lategan]

Best practice and peer review discussions were being shared with Network Rail within the assurance team on third line assurance and the use of the Independent Investment Programme Advisory Group.

The Chair congratulated staff within the Risk and Assurance directorate for their continued work during the coronavirus pandemic.

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

08/03/21 Independent Investment Programme Advisory Group (IIPAG) Quarterly Report

Lorraine Humphrey introduced the quarterly report and Alison Munro and Joanne White presented the IIPAG report.

The Chair welcomed the Procurement and Supply Chain Improvement Programme and offered the support of the Committee to the continuation of transformation in this area.

The Committee noted the Independent Investment Programme Advisory Group's Quarterly Report, the Management Response and the supplementary information on Part 2 of the agenda.

09/03/21 Integrated Assurance Plan 2021/22

Mushtaq Ali presented the 2021/22 Integrated Assurance Plan.

It was agreed that staff would consider how best assurance work on Enterprise Risk 14 (The Opening of the Elizabeth Line) could be integrated as part of the transition phase of Crossrail into TfL.

[Action: Rachel McLean/Mushtaq Ali]

The Committee approved the Plan.

10/03/21 Elizabeth Line Audit and Assurance Quarter 3 Report 2020/21

The Chair noted that, as Vice Chair of the Elizabeth Line Committee, she would not Chair the discussion for this and the following two items. The Vice-Chair chaired the meeting for those items.

Maureen Kirk presented the Elizabeth Line Audit and Assurance Quarter 3 report.

The Committee noted the report.

11/03/21 Elizabeth Line Programme Assurance Quarter 3 Report 2020/21

Rachel McLean and Stuart Westgate introduced the overview of assurance activity for Quarter 3 report 2020/21.

Proposals for further integrated assurance reporting would be presented to the next meeting, setting out clear roles and responsibilities and identification of any potential duplication or gaps in assurance work. **[Action: Rachel McLean/Lorraine Humphrey]**

The Committee noted the paper.

12/03/21 Elizabeth Line Internal Audit Plan 2021/22

Mushtaq Ali and Maureen Kirk introduced the Elizabeth Line Internal Audit Plan 2021/22.

The Plan was subject to change due to the dynamic nature of the project; the recently added role of the Independent Investment Programme Advisory Group representative; and on-going discussions with the executive team within Crossrail.

It was agreed that the wording in the audit of Enterprise Risk OC1 would be reviewed.
[Action: Mushtaq Ali]

The Committee approved the Plan subject to the agreed change in wording.

13/03/21 Finance Control Environment Trend Indicators

Andy Ferrar presented the quarterly update on the finance control environment indicators.

The Committee noted the paper.

14/03/21 Finance and Business Services – End to End Processes

Simon Kilonback, Andy Ferrar and Maureen Jackson presented the update on Finance and Business Services end to end processes.

Improved controls and processes meant a more effective and efficient system, as well as reducing the potential for fraud and error.

The Committee welcomed the report and congratulated staff on the substantial progress in driving continuous improvement, particularly during the coronavirus pandemic.

A visit would be arranged for the Chair to meet the staff and see the work in progress, when appropriate. **[Action: Andy Ferrar/Chair]**

Once the Transformation programme was complete, officers would consider how best to report back on metric measurements. **[Action: Andy Ferrar/Maureen Jackson]**

The Committee noted the paper.

15/03/21 Procurement Update

Simon Kilonback, Jonathan Patrick and Philip Hewson introduced the update on key actions taken by TfL's Procurement and Supply Chain team to address issues identified by internal and external audits.

Staff would consider whether random sampling of Non-Competitive Transactions prior to 2019/20 would be beneficial and time/resource effective. **[Action: Jonathan Patrick]**

The Committee requested further details on procurement training for non-procurement personnel. **[Action: Jonathan Patrick]**

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

16/03/21 Critical Accounting Policies

Simon Kilonback and Rachel Shaw presented the annual update on the Group's critical accounting policies.

The Committee welcomed the inclusion of environmental reporting in TfL's Annual Accounts.

The Committee noted the paper.

17/03/21 Engineering Standards Improvement Programme

Caroline Sheridan introduced the update on progress on the pan-TfL Engineering Standards Improvement Programme.

Staff agreed to consider how TfL's Intellectual Property Rights could be further exploited for commercial gain.

The Committee noted the paper.

18/03/21 Personal Data to Police and Other Statutory Law Enforcement Agencies (2020)

Siwan Hayward OBE introduced the annual report on personal data to police and other statutory law enforcement agencies for 2020.

The Committee was assured that there had been no evidence to date of a delay in TfL providing information in assisting the police during their search for Sarah Everard and recent media statements were unsubstantiated. A review was underway to identify any further learning or opportunities. Staff were always reviewing where improvements could be made and a trial to expand TfL support for all missing persons would restart post pandemic.

The increase in data requests by the police for taxi and private hire information reflected the change in operator policy reporting culture in this area.

Howard Carter highlighted the ground breaking governance processes developed by TfL in dealing with requests by statutory law enforcement agencies, which balanced the complex needs of public safety and the right to individual privacy and data protection.

Future reports would include a disaggregated breakdown of data on violence against staff, including all operators and contractors, when reporting on violence against the person offences.

The Committee noted the paper.

19/03/21 Enterprise Risk Update – Governance and Controls Suitability (ER13)

Howard Carter introduced the overview of ER13.

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

20/03/21 Register for Gifts and Hospitality for Members and Senior Staff

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

As there were no offers accepted, the reference to Appendix 1 in the report was an error and would be amended on the website.

The Committee noted the paper.

21/03/21 Members' Suggestions for Future Discussion Items

Howard Carter presented the current forward plan for the Committee.

The Committee noted the paper.

22/03/21 Any Other Business the Chair Considers Urgent

There was no urgent business.

23/03/21 Date of Next Meeting

The next scheduled meeting was due to be held on Monday 7 June 2021 at 10.00am.

24/12/20 Exclusion of Press and Public

The Committee agreed to exclude the press and public from the meeting, in accordance with paragraphs 3, 5 & 7 of Schedule 12A to the Local Government Act 1972 (as amended), in order to consider the following items of business: Silvertown Tunnel Project – Ernst & Young Report; Risk and Assurance Quarter 3 Report 2020/21; Independent and Investment Programme Advisory Group Quarterly Report; Procurement Update; and Enterprise Risk Update – Governance and Controls Suitability (ER13).

The meeting closed at 1.45pm.

Chair: _____

Date: _____

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Audit and Assurance Committee



Date: 7 June 2021

Item: Matters Arising, Actions List and Use of Delegated Authority

This paper will be considered in public

1 Summary

- 1.1 This paper informs the Committee of progress against actions agreed at previous meetings and any use of delegated authority via Chair's Action since the last meeting on 17 March 2021.
- 1.2 There have been two uses of Chair's Action since the last meeting. One to make an appointment to the Director of Risk and Assurance role and the other to sign off the end of year results against the 2020/21 H1 and H2 scorecard following an assurance review.
- 1.3 Appendix 1 sets out the progress against actions agreed at previous meetings.

2 Recommendation

- 2.1 **The Committee is asked to note the Actions List and the use of Chair's Action.**

3 Use of Chair's Action

- 3.1 Under Standing Order 113, in situations of urgency, the Board delegates to each of the Chairs of any Committee or Panel the exercise of any functions of TfL on its behalf. Any use of Chair's Action is then reported to the next ordinary meeting, and if a matter reserved to the Board, the next ordinary meeting of the Board.
- 3.2 There have been two uses of Chair's Action since the last meeting.

Director of Risk and Assurance

- 3.3 The appointment of the Director of Risk and Assurance is a matter reserved to the Board. On 16 March 2021 (Minute 15/03/21), the Board delegated authority to Anne McMeel, as Chair of the Audit and Assurance Committee, in consultation with the Interview Panel, to approve the appointment of the Director of Risk and Assurance. The interview panel comprised Committee Members Anne McMeel, Lynn Sloman MBE and Dr Nelson Ogunshakin OBE and two Executive Committee members, the General Counsel and also the Group Finance Director and statutory Chief Finance Officer.
- 3.4 On 23 March 2021, following the recommendation of the interview panel, Anne McMeel appointed Lorraine Humphrey as Director of Risk and Assurance, on an internal secondment of up to 12 months.

3.5 As a matter reserved to the Board, the use of Chair's Action for this appointment will also be reported to the meeting of the Board on 9 June 2021.

2020/21 H1 and H2 TfL Scorecards Assurance Review

3.6 On 27 May 2021, the Chair of the Committee, in consultation with available members of the Committee, signed off the end of year results against the 2020/21 H1 and H2 scorecards on receipt of an assurance report.

List of appendices to this report:

Appendix 1: Actions List

List of Background Papers:

Minutes of previous meetings of the Audit and Assurance Committee and Board meeting of 16 March 2021.

Chair's Action paper on 2020/21 H1 and H2 TfL Scorecards Assurance Review, issued on 24 May 2021

Contact Officer: Howard Carter, General Counsel
Email: HowardCarter@tfl.gov.uk

Audit and Assurance Committee Actions List (reported to 7 June 2021 meeting)

Actions from last meeting:

Minute No.	Item/Description	Action By	Target Date	Status/Note
06/03/21 (1)	<p>Silvertown Tunnel Project – Ernst & Young Report on Silvertown Tunnel: Road User Charging briefing</p> <p>A future briefing to be given to Board Members on all road charging policies, in the context of the zero-carbon target for 2030, once the feasibility study on the Greater London Boundary Charge was completed.</p>	Alex Williams	June 2021 (to be confirmed).	On Forward Plan for Board.
06/03/21 (2)	<p>Silvertown Tunnel Project – Ernst & Young Report on Silvertown Tunnel: Publication</p> <p>The EY report would be finalised and made public with the minimum redactions possible consistent with TfL's commercial interests and it would include a TfL commitment to future monitoring and reporting of the project benefits as set out in the business case.</p>	Karl Havers	Following the meeting.	EY report completed and published here Project Telford (tfl.gov.uk) Complete.
07/03/21	<p>Risk and Assurance Quarter 3 Report 2020/21: Workshop on Enterprise Risks</p> <p>A joint workshop with the Board on the review of the Enterprise Risks to be held in autumn 2021 and include a discussion on how the Enterprise Risks, the Mayor's Transport Strategy (MTS) and TfL scorecards interacted and were integrated.</p>	Nico Lategan/ Secretariat	Autumn 2021.	On Forward Plan for Board.

Minute No.	Item/Description	Action By	Target Date	Status/Note
07/03/21 (2)	Risk and Assurance Quarter 3 Report 2020/21 City Planning MTS Risk Review City Planning Level 1 risk (Insufficient Progress in meeting the MTS) to be reviewed in the next Enterprise Risk cycle assessment to determine whether it should be escalated to a Level 0 risk.	Nico Lategan	7 June 2021 meeting.	Update provided in the Risk and Assurance Quarter 4 Report on agenda. Complete.
09/03/21	Integrated Assurance Plan 2021/22: ER14 Staff to consider how best assurance work on Enterprise Risk 14 (The Opening of the Elizabeth Line) could be integrated as part of the transition phase of Crossrail into TfL.	Rachel McLean/ Mushtaq Ali	15 September 2021 meeting.	Scheduled on Forward Plan.
11/03/21	Elizabeth Line Programme Assurance Quarter 3 Report 2020/21: Integrated assurance reporting Proposals for further integrated assurance reporting be presented to the next meeting, setting out clear roles and responsibilities and identification of any potential duplication or gaps in assurance work.	Rachel McLean/ Lorraine Humphrey	7 June 2021 meeting.	Incorporated into the Elizabeth Line Programme Assurance Quarter 4 Report on agenda. Complete.
12/03/21	Elizabeth Line Internal Audit Plan 2021/22: Review OC1 wording The wording in the audit of Enterprise Risk OC1 to be reviewed.	Mushtaq Ali	Following the meeting.	Audit objective amended to read "to provide assurance that the Elizabeth line organisation governance is adequate and effective". Complete.
14/03/21 (1)	Finance and Business Services – End to End Processes: Visit by Chair A visit to be arranged for the Chair to meet the staff and see the work in progress, when appropriate.	Andy Ferrar	When appropriate.	

Minute No.	Item/Description	Action By	Target Date	Status/Note
14/03/21 (2)	<p>Finance and Business Services – End to End Processes: Metric Measurements</p> <p>Once the Transformation programme was complete, staff to consider how best to report back on metric measurements.</p>	Andy Ferrar/ Maureen Jackson	15 September 2021 meeting.	Scheduled on Forward Plan.
15/03/21 (1)	<p>Procurement Update: Random Sampling</p> <p>Consider whether random sampling of Non-Competitive Transactions (NCT) prior to 2019/20 would be beneficial and time/resource effective.</p>	Jonathan Patrick	Following the meeting.	A review of NCT data is currently in progress and has extended the date range back to Financial Year 2015/16. Following the review, the team will undertake further sample testing of all direct awards and NCTs, irrespective of value, that are still current.
15/03/21	<p>Procurement Update: Training</p> <p>The Committee to be provided with further details on procurement training for non-procurement personnel.</p>	Jonathan Patrick	7 June 2021 meeting.	The updated TfL Procurement and Contracting Policy approved by the Chief Finance Officer in April 2021. Training for non-procurement personnel is available. Updates to senior leadership teams have taken place/are scheduled and will be accompanied by information in departmental newsletters and on the TfL intranet. Following the launch in May 2021, the policy will be cascaded and followed-up through to June 2021. Data on the completion of the training for each business area will be collated and shared with the respective Chief Officers.

Actions from previous meetings:

Minute No.	Item/Description	Action By	Target Date	Status/Note
57/12/20	<p>External Audit Plan TfL, TTL and Subsidiaries - Year Ending 31 March 2021: Climate risks EY's work to include climate related risks and costs.</p>	Karl Havers		<p>Discussions are continuing with EY as to how climate change and carbon reduction will increasingly feature in external audit work. This will focus on our programme to develop our performance monitoring arrangements and also the new reporting obligations which have been the subject of a recent consultation on the provision of climate-related information which is likely to be the subject of government regulations.</p>

Audit and Assurance Committee



Date: 7 June 2021

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 May 2021. It describes the work undertaken since the last report presented to the Committee in March 2021.

2.1 Recommendation

2.2 The Committee is asked to note the report and the management response.

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. Under its Terms of Reference IIPAG is also required to undertake an annual review of TfL’s benchmarking activities.

3.2 IIPAG’s Quarterly Report for May 2021 is included as Appendices 1 to 5 of this paper; this includes IIPAG’s Benchmarking Review for 2020/21 which is included as Appendix 2.

3.3 Figure 1 sets out the status of the IIPAG recommendations at the end of each of the last three quarters.

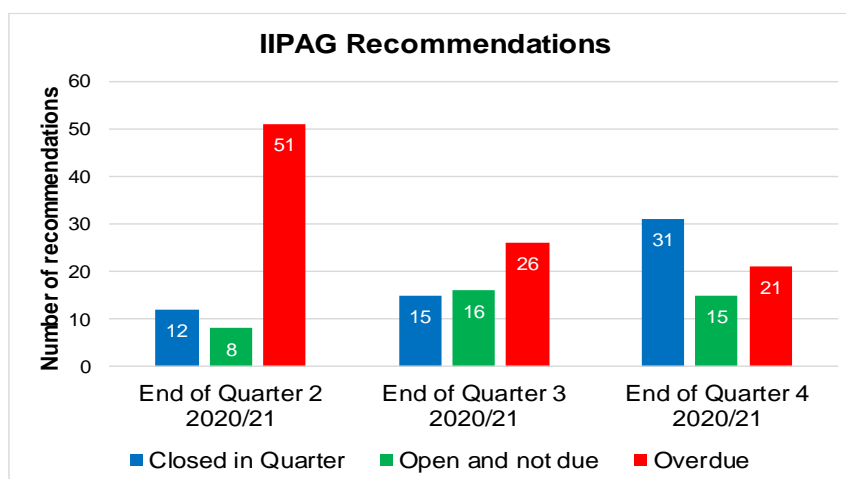


Figure 1: Status of IIPAG Recommendations

3.4 There were no new unagreed or critical IIPAG recommendations made during the quarter, and none of the recommendations overdue at the end of Quarter 4 relate to critical issues.

4 Management Response to IIPAG Quarterly Report

4.1 The IIPAG annual report on benchmarking is welcomed by TfL. Our view is that the current model of how TfL has been conducting benchmarking has been working well and is owned by the business. Similar to the role that the Business Strategy functions take for the coordination and direction of international studies, this could evolve to centrally direct and facilitate the greater sharing and visibility of more strategic benchmarking activity across the organisation which is something that we will look to explore. A forward view of the investment programme will be used to direct this strategic benchmarking, through the Transport Infrastructure Efficiency Taskforce and other forums, to focus on the largest opportunities.

4.2 TfL is continuing to focus on bringing together activities and adopting a pan-TfL approach to the way that it views its assets, performance and its costs which is enabling TfL to take a more holistic view and enable better internal comparisons. Some examples include the significant work underway internally to formalise our approach to capital efficiencies and enable different parts of TfL to consistently compare performance and approaches. Using historic data to conduct internal benchmarking is an important part of creating an environment of efficiency in TfL's capital programme. We have also brought together asset management activities into one function and as a result are working to mature our approach allowing us to compare and understand the cost and performance outcomes across our asset base.

List of appendices to this report:

Appendix 1: Independent Investment Programme Advisory Group (IIPAG) - Quarterly Report May 2021

Appendix 2: IIPAG Benchmarking Review 2020/21

Appendix 3: IIPAG Strategic Recommendations Update

Appendix 4: IIPAG Workplan 2021/22

Appendix 5: List of Sub-Programmes and Projects that IIPAG Propose to Review in 2021/22

List of Background Papers:

None

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Independent Investment Programme Advisory Group – Quarterly Report May 2021

This paper will be considered in public

1. Introduction

- 1.1. This report to Committee describes IIPAG's activities in the period from March to May 2021. It contains no new strategic recommendations. IIPAG's proposed workplan for 2021/22 is attached as Appendices 4 and 5 for the Committee's consideration.

2. IIPAG activity

- 2.1. Given the current uncertainties over TfL's longer-term financial settlement with Government, a number of sub-programme reviews have been deferred until the position is clearer. We have undertaken only one sub-programme review ahead of the May meeting of the Programmes and Investment Committee – LU Enhancements. We have engaged in a few focussed reviews to support decisions on drawdown requests mainly at executive governance bodies.
- 2.2. We have also continued to engage with the Four Lines Modernisation Project. We have attended deep dive briefings on the schedule and expected cost of the Barking Riverside Extension and the extension of the Ultra Low Emission Zone.
- 2.3. The accompanying paper from TfL Project Assurance describes management progress in implementing IIPAG's recommendations from sub-programme and project reviews.

3. IIPAG and Crossrail

- 3.1. The IIPAG CRL Sub-Group is now operational under the Chairmanship of TC Chew, and with the appointment of Keith Winder, who has extensive rail operational experience, as an additional panel member. The Sub-Group has undertaken a review of Crossrail's first and second lines of defence, which was presented to the Elizabeth Line Committee (ELC) in March. The Sub-Group has held meetings with a number of personnel involved in the delivery of the Elizabeth Line and will present its proposed workplan for the next six months to the May ELC. This will have a particular focus on preparedness for entry to Trial Operations.

4. Cross-cutting Work

- 4.1. We have completed our annual review of Benchmarking in TfL. The year was, of course, unusual, with the coronavirus pandemic heavily influencing the benchmarking agenda. We concluded that the organisation remains committed to learning from others and that the level of investment in benchmarking is

appropriate. We have recommended somewhat more central coordination of the more strategic benchmarking, without inhibiting valuable ad-hoc enquiries. We have also drawn attention to the potential for more internal benchmarking of asset management, operational performance, and costs. A copy of the report is attached for the Committee at Appendix 2.

- 4.2. We are finalising the first stage of a review of Asset Information. Work is underway on a review which will look at the form of contract chosen, tender outcomes and issues with contractors as part of contract management post award. Work is also underway on a review of TfL's progress with our recommendations on value for money.
- 4.3. We have reviewed TfL's progress on all our strategic recommendations that are at least six months old. This assessment is provided at Appendix 3. Whilst there has been some progress in all areas, we are yet to see the consistent implementation of improvements in project reporting that we have recommended.

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Independent Investment Programme Advisory Group
Benchmarking Review 2020/21

Status: Final
Date: 23 April 2021
Author: Jonathan Simcock
Distribution: Audit and Assurance Committee.

1. EXECUTIVE SUMMARY

As with all aspects of TfL's activities, benchmarking efforts in 2020/21 have been profoundly impacted by Covid-19. Very quickly the international benchmarking communities, and the less formal communication forums to which TfL belongs, realigned their agendas to support members in their response to the pandemic. Understanding how peers were responding would have been slower and more difficult without the relationships which have been forged by longstanding benchmarking activities.

The Covid-19 specific benchmarking information did not identify many solutions that TfL had not already considered, or responses that could be simply lifted and copied. This is often the case with benchmarking, and it does not detract from the value of the exchanges. In a crisis, confirmation that your response has not missed anything is still valuable. Benchmarking also supported the organisation's assessment of, and response to, the financial consequences of the pandemic. Some of the new commitments in the areas of operational efficiency, organisational size and capital efficiency will continue to require insights from benchmarking.

Notwithstanding the dominance of Covid-19, there has been a continued investment in unrelated benchmarking, albeit with lower intensity than in a more normal year. This report captures both the Covid-19 specific and the more general benchmarking activities of 2020/21.

My conclusion, in summary, is that TfL remains an outward-looking and inquisitive organisation which is keen to learn from its peers. In my opinion, the level of investment in benchmarking across TfL is appropriate. I have only two recommendations. In light of the focus on operational and financial performance of TfL, the first recommendation is to consider a somewhat greater level of central planning and coordination of the organisation's more strategic benchmarking, without discouraging the ad hoc and emergent benchmarking that tends to be more locally driven. Secondly, I continue to feel that there is untapped value in a more structured approach to internal benchmarking, particularly in the areas of asset management, operational performance, and costs.

After a long period of relative stability, TfL is entering a time of significant change. The Elizabeth Line will change travel for many Londoners, and the pandemic is likely to have a sustained impact on ridership patterns. In the turbulence that is ahead, high quality benchmarking will become even more important.

2. INTRODUCTION

Whether in the form of a large multiparty study, or a single enquiry into a particular issue, benchmarking can challenge an organisation to question how and why its performance differs from that of others. Done well, benchmarking reduces subjectivity in decision making, and can provide insight to inform improvement efforts and target setting. Conversely, superficial benchmarking can lead to inappropriate expectations and misplaced confidence

about decisions. Driving value from benchmarking needs experience, scepticism, open-mindedness and humility.

Each year, IIPAG produces an Annual Benchmarking Report for the TfL Board through the Audit and Assurance Committee. Last year, after several years in which IIPAG's reports were rather superficial, I produced a full report into TfL's benchmarking approach.¹ My view, in summary, was that TfL is a commendably externally focussed organisation in which asking 'how do others approach this?' is a normal and unforced question across the enterprise. I concluded that the effort applied to benchmarking was appropriate; that internal performance variability presented opportunity for greater insight; that investment project benchmarking should be focussed on the largest projects; and that benchmarking through the Transport Infrastructure Efficiency Taskforce should be supported.

The intention this year was to produce a shorter report assessing any new benchmarking and judging the extent to which insights have driven action. In the event, Covid-19 has had a major impact on the way the organisation has focussed its efforts. Much of this report is therefore devoted to describing Covid-19 related benchmarking. I have also included the main non-Covid-19 studies. As last year, I suspect some good benchmarking activity may have slipped through my net, and I apologise for any nuggets I have missed.

3. ORGANISATION AND MANAGEMENT OF BENCHMARKING

This year saw no change in the organisation of benchmarking. There is no single central guiding mind for benchmarking, and activity occurs in each of the businesses as well as in Finance, HR, T&D, and the PMO. Co-ordination and direction of the international studies remains in the Business Strategy function. There are no roles in TfL that are dedicated exclusively to benchmarking.

I have considered again the question of whether the management of benchmarking would benefit from more formality through, for instance, an approved and prioritised annual plan. On the one hand, one could imagine that this might drive a more strategic and targeted benchmarking agenda. It could be argued that this might be valuable in the context of the challenging financial situation of TfL post-pandemic. On the other hand, it might inhibit the improvised and emergent nature of some benchmarking. (This year, for example, I heard in passing about informal benchmarking on the deployment of e-Scooters, and on cycle parking at football stadiums.) This is a judgement call for TfL to make. My tentative advice is that a somewhat greater level of central planning and coordination of the most strategic benchmarking would be valuable but that, beyond this, limited formality balanced by a light touch annual assurance process through IIPAG, remains appropriate.

¹ IIPAG - Benchmarking Review 2019/20: Published in the Papers of the Audit and Assurance Committee of June 2020: <https://content.tfl.gov.uk/aac-20200608-public-agenda.pdf> (page 67)

4. COVID-19 BENCHMARKING

By the time the Audit and Assurance committee considered the IIPAG 2019/20 Benchmarking Review in June 2020, the pandemic was already dominating TfL's agenda. In response to the report, the Committee requested that comparisons be made between how TfL and other transport authorities, internationally and in the UK, worked to address the Covid-19 situation. The subject returned to the committee with a status update in September.²

In fact, by then, most of TfL's benchmarking effort had already swung behind engaging with peers on the crisis. The three international benchmarking communities, administered by the Transport Strategy Centre at Imperial College, facilitated the sharing of responses to the pandemic through regular reports, webinars, and one-off studies. TfL also held bilateral sessions with other benchmarking participants including Paris, Brussels, Berlin, New York and Sydney. Paradoxically, the increased use of technology for virtual meetings actually speeded up informal sharing between Public Transit Authorities and Operators. In many of these engagements, TfL contributed more than it learnt. However, as is common with much operational benchmarking, learning that nobody else has a better solution can still be valuable.

The most active of these benchmarking communities was CoMET³, which for TfL focusses on the Underground and DLR. CoMET undertook a number of Covid-19 specific studies. These included:

Service Levels

Participants shared information on the service levels offered during the pandemic, and what had influenced them. The main factors leading to reduced service, across the world, were falling demand, staff availability and government directives. These were offset to some extent by social distancing requirements and the need to transport essential workers. Compared to its peers, London had one of the largest ridership and service level cuts, but maintained one of the higher service level to ridership ratios. Thus, those who did continue using the tube were well served.

The pandemic was found to have driven innovations in customer communications. Many metros found ways to communicate levels of crowding in real-time to customers for the first time. Some shared predicted crowding levels and tried to nudge customer behaviour by, for example, marking trains as 'low' or 'high' demand.

² **TfL International Benchmarking During Covid-19:** Published in the Papers of the Audit and Assurance Committee of September 2020: <https://content.tfl.gov.uk/aac-20200911-agenda-pack-public.pdf> (page 387).

³ The Community of Metros (COMET) is the world's largest metro benchmarking group with 42 member metros in 39 cities globally. COMET is administered by the Transport Strategy Centre (TSC) which operates out of Imperial College London.

Staff Availability

Levels of operational staff absence during the pandemic were shared, as well as Covid-19 absence policies and testing procedures, and the impact of staff absence on trains services, maintenance, and station operations.

Demand Recovery

This study included questions on restrictions during the pandemic, changes to demand trends (including demographics, peak times and ticket types) as well as recovery plans and actions to restore confidence.

Beyond these formal international benchmarking communities, TfL also participated in webinars and data-gathering in several other industry bodies including the International Association of Public Transport (UITP)⁴ and, within the UK, the Urban Transport Group.⁵

The themes of these interactions ranged from immediate responses to Covid-19 (how systems shut down, implications of revenue losses), plans for safe reopening (mask wearing, fitting screens in trains and buses, cleaning, managing demand, customer reassurance, social distancing) and planning for recovery (how to avoid car-led recovery, capturing environmental gains, the potential impact of remote working).

5. FINANCIAL SUSTAINABILITY BENCHMARKING

The dramatic reduction in ridership, coupled with maintenance of services for key-workers, provoked a financial crisis in TfL. In response, the Mayor of London and the TfL Board set up an independent review to investigate options for providing TfL with long-term financial sustainability. The review team received a presentation from the Imperial College Transport Strategy Centre, and this and other benchmarking informed its examination of TfL's performance and identification of potential opportunities. The review team also benefited from a specific CoMET study into financial impacts of the pandemic, which provided information on funding models, levels of government support, and the initial impact of the pandemic on costs and revenue sources.

The independent review reported in December 2020⁶ and was followed in January 2021 by publication of TfL's own Financial Sustainability Plan.⁷ Both reports used benchmarks extensively to demonstrate TfL's performance in a number of areas which are summarised below.

⁴ The International Association of Public Transport (UITP) is a global membership organisation with 1,800 members. TfL is active in most of its 20 working committees.

⁵ The Urban Transport Group is the UK's network of city region transport authorities including Transport for Greater Manchester, Merseytravel, South Yorkshire Passenger Transport Executive, Nexus, Transport for West Midlands and the Combined Authority.

⁶ TfL Independent Review - December 2020

⁷ TfL: Financial Sustainability Plan - 11 January 2021

Remuneration and Reward

The Independent review concluded that TfL remuneration levels were broadly comparable to those of Train Operators, rolling-stock and maintenance organisations and Network Rail, but that senior manager remuneration was well below the market position. They identified the pension scheme as being expensive and generous to employees when benchmarked against the Network Rail and Civil Service schemes.

Operational Efficiency

Comments on transport operational efficiency were informed by international benchmarking and were consistent with the summaries I produced last year (and which I repeat in Section 6 below).

Functional Operational Efficiency

The Financial Sustainability Plan presented benchmarks for a number of corporate functions. The cost of Finance and Human Resources were both reported to be at the lower end of industry benchmarks. The plan referred also to the recent benchmarking of Technology and Data Directorate which I cover in Section 7. The plan could also have referred to recent benchmarking of the size of the PMO, which showed progress in recent years towards efficiency levels of peer organisations (measured by capital spend per FTE).

Liquidity

While being limited by its focus on actual rather than minimum cash balances, benchmarking quoted in the Financial Sustainability Plan suggests that peers tend to hold similar levels of cash to TfL, which saw one of the largest drops in cash during the pandemic.

The Financial Sustainability Plan commits to introducing a centrally controlled programme of Capital Efficiency. While Capital Efficiency is not defined, it seems to be associated with driving cost savings in the medium and longer term by greater consideration of whole-life costs in the organisation's investment programme. The plan pledges to define measures over the next few months to track capital efficiency, drawing on experience from Highways England and Network Rail. It is likely that this work on Capital Efficiency will lead to further benchmarking.

6. INTERNATIONAL BENCHMARKING STUDIES

Notwithstanding the pandemic, the normal annual international benchmarking process has continued. Most of the routine annual studies which reported in the year reflect data from before the main impacts of Covid-19 made themselves felt. Inevitably the depth of analysis

of these reports has been shallower than normal, but a summary of the findings, including those of one-off studies commissioned before the pandemic, are presented below.

London Underground and DLR: CoMET⁸

The annual CoMET KPI report (based on 2018/19 data) has revealed no significant new insights into the positioning of TfL against its peers. Despite many performance improvements over recent years, structural issues impact London Underground's positioning in many areas.

London Underground is amongst the metros with the highest service frequency. It has a low structural capacity (due to the small profile of deep tube tunnels and trains) and low overall density (due to the long outer-suburban extensions beyond the densely packed Zone 1). On other performance metrics it compares relatively favourably with older, mainly European, networks but less well with newer Asian metros. 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. London Underground fare revenues are much higher than peers. Pre-Covid, both the Underground and DLR recovered more of its costs from fares than most metros and consequently had somewhat less dependency on government subsidies.

While planned studies on infrastructure diagnostics and cleaning practices were displaced by the Covid-19 work reported above, reports were published from several studies carried out just before the pandemic.

Customer Satisfaction Survey 2020

The annual customer satisfaction survey was undertaken before the pandemic took hold in most parts of the world. The findings were consistent with recent years, showing that availability, reliability and crowding remained the most important issues for customers. This year the survey will include Covid-19 related research questions to provide insight into the experience of metro customers during the pandemic.

Noise and Vibration

This study shared information on the issues that metros face with noise and vibration. There was limited benchmarking of actual noise and vibration levels, partly because of the very variable approaches to measurement. However, the study provided useful information on the sources of noise and vibration, and also catalogued initiatives to address the issues, both in design of new services and in operation of older metros.

⁸ The Community of Metros (COMET) is the world's largest metro benchmarking group with 42 member metros in 39 cities globally. COMET is administered by the Transport Strategy Centre (TSC) which operates out of Imperial College London.

Generally, the biggest source of noise is the wheel/rail interface. Retrofitting new designs is difficult – so mitigations were generally to do with effective maintenance practices such as rail grinding, lubrication, and reprofiling wheels. Less common were deployment of noise barriers to reduce propagation. Not surprisingly, those metros with effective community engagement received fewer complaints.

Real-time Information

Research on the sources of data that metros use to provide passengers with real-time information was presented in this study.

Customer Experience in Stations

This study included research on how metros define and measure customer experience, and their views on which factors influence it. Although TfL did not participate, the organisation nonetheless received the report, which was aimed at understanding the range of practices for fare collection (such as mobile payment), station commercialization, customer amenities (such as digital information screens, wayfinding and platform shelters), and station operations.

Human Failures in Train Operations and the Control Centre

The views of metro operators on the human causes of incidents were gathered in this study. It concluded that even highly automated metros could suffer from human failures, although the source of failure tended to shift from the driver to the Control Centre. Respondents also noted the interconnection between human failure and latent factors such as organisational complexity or working conditions. Strategies to prevent human failure centred on the people (through training, for example), on processes (such as risk assessment and auditing) and on the working environment (by, for instance, engineering out distractions). The report recommended focussing efforts as much on control centre staff as on drivers, and encouraged close monitoring of fatigue levels.

Optimising Overnight Maintenance

This study gathered information on the duration and effectiveness of overnight maintenance, and innovations to improve ‘time-on-tools’.

Beyond the formal studies, and notwithstanding Covid-19, TfL staff continued to engage bilaterally through CoMET with other metros on smaller, more tactical topics. Examples this year have included innovations in revenue protection, train engineering vehicle manufacturers, and the use of electronic logbooks.

London Overground: ISBeRG⁹

⁹ London Overground is one of 14 members of ISBeRG (the International Suburban Rail Benchmarking Group). As well as an annual KPI survey, there is a rolling programme of case studies to which TfL contributes when it has a particular interest and resource is available.

The annual survey has revealed no significant change in the positioning of TfL.

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.

This year's case-studies were paused in response to the pandemic, and the two planned face to face meetings were replaced by regular on-line update meetings between members, at which Covid-19 challenges and responses were shared.

Buses: IBBG¹⁰

The annual survey has revealed no significant change in the positioning of TfL.

The London bus network is the largest of all member cities. 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.

This year's studies were impacted by Covid-19, but those commissioned last year were reported this year. A case study into innovation was reported in November, with insights into how organisations have managed innovation and established an innovation culture. There is also ongoing engagement between IBBG members on how bus drivers interact with passengers.

IBBG benchmarking will inform the development of the Bus Action Plan which is intended to ensure that buses continue to be an attractive mode, and are not impacted by a car-led recovery to Covid-19.

7. TECHNOLOGY AND DATA OPERATING MODEL REVIEW

This year, three years after it was established, the Technology and Data directorate (T&D) commissioned IT specialists Gartner to benchmark the organisation's operating model. The study provided some valuable comparators of TfL's overall IT investment.

Whether measured in-year or over a decade, TfL spends less than its transportation peers on IT (as a percentage of TfL revenue). Capital expenditure is also lower. The workforce is smaller than that of comparable organisations with a similar workload, but T&D undertakes a

¹⁰ 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.

greater proportion of its work with its own employees than most. Gartner's judgement is that T&D is more mature than its transportation peers in areas such as data and analytics, and with digital products such as Oyster online, but lags some 'digital frontrunners' in exploitation of the Internet of Things and machine learning. In response to this and other inputs T&D have embarked on further change in the way that the function engages with the businesses, how its performance is measured, and how to remove barriers to innovation.

8. INVESTMENT PROJECT BENCHMARKING

My advice last year was that benchmarking of individual projects may be valuable, but can also be time-consuming, and does not always lead to better projects. I suggested that major studies should be focussed only on the largest projects. There have not been any significant examples of major project benchmarking this year.

However, the Major Projects Directorate has benchmarked itself against a number of other large capital delivery organisations across the public and private sectors, mostly in the UK, to understand how peers set themselves up to deliver capital projects. The study focused on organisational structures, the project management function, and the role of support functions and PMOs – including the use of common methodologies, standards and tools.

In the majority of organisations, there is a trend towards centralisation of major project delivery, and an aspiration to achieve standardisation and consistency, especially in terms of reporting, tools and delivery standards. (Many organisations leave smaller projects to their operating businesses, as TfL does, although there were wide differences in the cut-off point between major and other projects.) The move towards centralisation echoes the findings of the recent IIPAG review of the TfL PMO, which recommended renewed focus on achieving commonality in project processes, systems and controls across the organisation.

9. TRANSPORT INFRASTRUCTURE EFFICIENCY TASKFORCE

I reported last year on the Transport Infrastructure Efficiency Taskforce (TIET)¹¹ which included development of a transport infrastructure performance benchmarking forum. The objective was to share best practice and innovation, to improve understanding of costs, and to establish a common approach to cost estimating. Building a benchmarking club is not a straightforward matter, and at that point most of the effort was going into how to make data available to all participants in a consistent and comparable way.

Since then, TfL has renewed its commitment to TIET and increased the resource supporting the initiative. The rate of progress on benchmarking has inevitably been impacted by the pandemic, but there has been some progress. Four benchmarking demonstrators have been

¹¹ The Transport Infrastructure Efficiency Taskforce was launched by the UK Government at the end of 2017 to drive greater efficiency in UK transport infrastructure.

initiated to address barriers to sharing data across the TIET partners. Three of these, into Signal Equipment Rooms, Heating/Cooling Panels, and Cable Route Management Systems, are being led by TfL. There has also been progress on defining common definitions and metrics for assets, cost, schedule, quality, and environment performance. A by-product of this work has been stronger relationships that lead to greater willingness to work together for the common good.

In summary, the taskforce is still in the foothills on its journey to a comprehensive benchmarking community, but the investment in common definitions and metrics will be essential to avoid any future benchmarking being unhelpfully superficial.

10. INTERNAL BENCHMARKING

Last year I commented on the opportunities for greater benchmarking across different parts of the TfL organisation, 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.

There are certainly examples of internal benchmarking in TfL, although it is not always described as such. The Viewpoint survey, and the use of historical business performance in setting targets and budgets in business planning are two examples. However, I continue to feel that internal benchmarking presents unexploited opportunities in TfL. In last year's report I referred to historical work in this area in London Underground in particular. My sense is that more formal analysis of relative performance between and within the businesses on asset performance, unit costs, and reliability would provide valuable insights.

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IIPAG Strategic Recommendations Update

	Recommendation	Progress
1	IIPAG recommends that those governing and assuring projects and sub-programmes should be provided with information which shows clearly how the Estimate Final Cost, spend versus budget, spend versus delivery, and expected completion dates have evolved over the life of the projects and sub-programmes. TfL Project Assurance / TfL Programme Management Office (PMO) should advise on what information should be routinely provided.	This information is not yet consistently provided. In response to IIPAG reviews on Project Reporting (recommendation 4 below) and the PMO (recommendation 7 below), the Capital Delivery Improvement Group (CDIG) is supporting defining clear project baselines, which will help to achieve this recommendation.
2	IIPAG recommends that TfL establishes a rigorous and consistent approach to the quantification and valuation of economic development and housing benefits associated with transport investments, with a central source of expertise to provide guidance and to ensure consistency of its application across all projects and programmes	TfL Investment Appraisal has produced a guidance note clarifying what needs to be done. We have not recently reviewed any projects which used this new guidance.
3	IIPAG recommends that, to the extent that work is not already underway, TfL should review its key areas of resource risk, and identify a plan to mitigate and manage these, starting with engineering resource.	Engineering resources were previously reviewed and action taken by the Engineering function to address shortages. The original concerns being raised in 2019 are being raised again in some recent reviews but this could of course be a consequence of COVID and the "new way of working" over the last twelve months. The engineering resource situation certainly requires another in-depth review to ascertain if the problem raised on recent project reviews is actually an engineering resource shortage or a problem that has developed as a consequence of the current and very different working environment.

	Recommendation	Progress
4	IIPAG found that project reporting was inconsistent, burdensome and inefficient, and did not systematically present leaders with the information that they require to make the best decisions. We recommended that, as a first step, TfL agreed a single format for reporting the health of the most important projects, including a judgement of delivery confidence, and began to use this format in governance meetings.	This recommendation has not yet been achieved. The response to recommendation 7 below, on the PMO, is likely to subsume this recommendation for improved project reporting.
5	After reviewing the effectiveness of assurance, IIPAG recommended improved assurance planning and more compliance with standard tools and methods in the first line of defence.	We will review progress on this recommendation when we reassess the effectiveness of first and second line assurance early in financial year 2021/22.
6	Project Initiation: It is recommended that all investment for projects should have to pass Pathway Stage 0 and those with a capital value above £50M should require senior independent Stage 0 review.	IIPAG worked closely with PMO and TfL Investment in early 2020 to agree enhanced management and authorisation around project initiation including such additions as Pathway Stage 0. However, as a consequence of COVID-19 there has been no project initiation to test any of the enhanced controls.
7	IIPAG found that the full benefits of creating a single PMO organisation for the enterprise had not yet been delivered and recommended that the PMO Change Programme should be re-launched and re-energised.	The Capital Delivery Improvement Group (CDIG) is overseeing the management response to the IIPAG review of the PMO. It is expected that the response will simplify the change agenda and focus on the most critical enablers of good project control. It should also address how the delivery organisations grasp the opportunity of more common processes and systems.
8	IIPAG found that TfL's approach to value for money (vfm) needed to be strengthened with respect to the quality of business cases and how they were used in decision making, the treatment of vfm in prioritisation at programme level, and capability.	A number of work streams have been established and are overseen by the Strategic Investment Improvement Group. IIPAG is currently undertaking a fuller review of progress which will report in the summer.

IIPAG WORKPLAN 2021/22

1. Introduction

IIPAG's purpose is to provide independent assurance to the TfL Board and Executive on the investment programme, as well as advice to TfL management to support continuous improvement. We provide third line assurance of the investment programme in the following ways:

- Annual Sub-programme reviews
- Targeted Assurance Reviews for individual projects generally over £50m, or otherwise high risk. These are either at key stage gates or annually
- On-going scrutiny of the projects which hold the highest risk for TfL, such as 4LM
- Cross-cutting reviews of strategic and systemic issues.

We report quarterly to TfL's Programmes and Investment Committee (PIC) and the Audit and Assurance Committee (A&AC), covering our activities and any new systemic issues that we observe.

During 2020/21, following the transfer of Crossrail to TfL, the remit of IIPAG was expanded to include Crossrail and the Elizabeth Line. We established a new IIPAG Crossrail Sub Group for this purpose, with its own Chair who reports to the Chair of IIPAG. The workplan for Crossrail activities is reported on a six-monthly basis to the Elizabeth Line Committee and is not covered here.

2. Resources

IIPAG's budget for 2021/22 is unchanged, at £395,000. This provides for around 340 days' work (allowing for on-costs). There is a separate budget for Crossrail activities.

Main IIPAG consists of five permanent members with a broad range of relevant expertise. Our experience during 2020/21 suggests that whilst this membership is generally sufficient, it lacks resilience in the event that individual members are unavailable. TfL is currently undertaking a recruitment exercise in order to establish a pipeline of potential additional members. We also have the ability to bring in specialist expertise on an ad-hoc basis if needed.

During 2020/21 two new IIPAG members with experience of commissioning and operations were appointed to the IIPAG Crossrail Sub Group, including the Chair TC Chew.

3. Sub-programme and Project Reviews

As in previous years we are adopting a risk-based approach for 2021/22 so that IIPAG's input is focussed on the higher risk sub-programmes and projects, with the lower risk ones being subjected only to second line assurance by the Project Assurance (PA) team. For all sub-programmes and projects in which we are involved we are consulted on the Terms of Reference for reviews in advance.

We have reviewed the riskiness of all sub-programmes and projects with the Project Assurance team. We have also considered whether IIPAG input is most valuable at the sub-programme level or whether it is better to focus on the largest or riskiest projects within a sub-programme. Subject to the outcome of the funding settlement, we plan to review 14 sub-programmes (out of 20) at sub-programme level in 2021/22, and around 30 additional projects within them. We will also review Commercial Development at programme level. For a further two sub-programmes we will undertake reviews only for certain major projects within them. There are four sub-programmes where we anticipate no IIPAG involvement, including Northern Line Extension which is expected to complete this year.

The list of sub-programmes and projects that we propose to review is provided at Appendix 5. We will keep these plans under review and amend them if appropriate in the light of changes in risks or other circumstances.

We estimate sub-programme and targeted project reviews will consume around 160 days in 2021/22. This includes advance preparation, attendance at reviews and report writing, and allowance for us to draw in external experts if required. We expect that the 4LM sub-programme will continue to require greater and more continuous input than other sub-programmes, because of its scale and complexity, and have made allowance for that.

4. Cross-cutting Reviews

Our work on strategic and cross-cutting themes provides an opportunity for us to support TfL's continuous improvement. The topics for our cross-cutting work reflect issues that we have identified in reviews, and suggestions from TfL Board members. We are allocating 120 days for this work, allowing for the appointment of external experts where necessary.

We will seek to ensure that our work is complementary to the work of others in the organisation, including Internal Audit. In some cases we may limit our output to informal advice and continuous assurance, while in other cases we will produce reports for TfL management, PIC and A&AC as appropriate.

Work is already underway on cross-cutting reviews of:

- Contract form
- Progress on implementing recommendations from our Value for money report
- Asset Information Part 1 (focussing on the availability and use of asset information)

In 2021/22 we also expect to look at:

- Progress with the PMO change programme
- The treatment of risk
- Progress with the Procurement and Supply Chain change programme
- Governance around key decision points
- Aspects of value for money, including Capital Efficiency Programme and Benefits Realisation
- Overarching strategies such as Energy Strategy and Signalling Strategy
- Part 2 of our review of Asset Information (focussing on robustness of asset information and forecasting)
- The current position on engineering resources

We will consult TfL management on the scope of reviews in advance.

IIPAG's Terms of Reference also require us to undertake annual reviews of:

- TfL's benchmarking activities
- The effectiveness of first and second lines of defence.

5. Other work

In addition to reviews and cross-cutting work, IIPAG representatives attend PIC, A&AC and the executive Investment Group. IIPAG members meet on a monthly basis with PA to share experience and identify any common themes, and to plan upcoming work. We also receive briefings and information to provide broader context for our work.

6. Summary of Workplan

In summary, IIPAG expects to allocate its resources broadly as follows:

	Planned days
Sub-programme and targeted reviews	160
Cross-cutting work	120
Other	60
Total	340

Alison Munro
Chair, IIPAG
May 2021

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List of Sub-Programmes and Projects that IIPAG Propose to Review in 2021/22

IIPAG Involved in Sub-Programme Reviews (subject to funding settlement)	
Sub-Programme	Projects to be reviewed
1. Four Lines Modernisation	Four Lines Modernisation (4LM)
2. Air Quality & Environment	Ultra Low Emission Zone (ULEZ) extension
	Grid to Gate
	Road User Charging
3. Healthy Streets	Cycle Superhighway 10
	Cycle Superhighway 4
	Cycling Future Routes (Development)
	Old Street roundabout
	Wandsworth Gyratory Removal
	Waterloo City Hub
	Streetspace
	Gallows Corner (if progressed)
Vauxhall Cross	
4. LU Enhancements	Colindale
5. LU Renewals	Incremental Signalling Upgrade (Bakerloo, Jubilee & Northern, Central)
	Northern & Jubilee Obsolescence
6. Silvertown Tunnel	Silvertown Tunnel
7. Surface Technology	iBus 2
8. Technology & Data	Emergency Services Network
	Telecommunication Commercialisation Programme
	Proteus
	New Reader
9. Barking Riverside Extension	Barking Riverside Extension
10. Piccadilly Line Upgrade	Piccadilly Line Upgrade
11. Surface Assets	Westway
	Rotherhithe Tunnel
	Hammersmith Bridge and Ferry
	Blackwall Tunnel
	Bus Stop & Tech contract re-let
	Brent Cross
12. LU Fleet	Central Line Improvement Programme
	Heavy Haul
	Central Line Programme Lift
13. Public Transport	Trams
	East London Line Housing Infrastructure Fund
	Royal Docks (Pontoon Docks – (if progressed)
14. DLR Rolling Stock	DLR Rolling Stock
15. Commercial Development	Programme level

No IIPAG Sub-Programme review - Project reviews only	
Sub-Programme	Projects to be reviewed
16. Major Stations	Bank Upgrade
	Elephant and Castle
17. LU Track Renewals	Track and Drainage Programme

No IIPAG Involvement
Lifts and Escalators Sub-programme
LU Technology Sub-programme
Northern Line Extension
Railway Signalling Enhancements Sub-programme

Audit and Assurance Committee



Date: 7 June 2021

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: Patrick Doig, Statutory Chief Finance Officer
Email: PatrickDoig@TfL.gov.uk

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Appendix 1

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

7 June 2021
Direct line: 01189 281502
Email: KHavers@uk.ey.com

Dear Sirs

Independence and objectivity – Transport for London 2020/21

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 2020/21, we have undertaken a number of non-audit assignments, as reported in our summary of non-audit fees. In each case, prior to commencement of the assignment, we have considered the impact of these assignments on our independence and have obtained preapproval from management and the PSAA. In compliance with Ethical Standard 4, we confirm that no members of our audit engagement team, including those from other service lines, have objectives or are rewarded in relation to sales of non-audit services to you. We therefore confirm that there are no self-interest or self-review threats associated with this non-audit work.

Overall, we confirm that as of 7 June 2021, 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. 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.

Karl Havers has been the Lead Audit Partner since the 2014/15 financial year and was due to rotate off the engagement at the end of the 2019/2020 financial year-end in accordance with partner rotation requirements. Considering the exceptional circumstances caused by the COVID-19 pandemic and heightened engagement risks the need for an engagement partner's continuity was paramount to sustaining audit quality. Approval has been obtained from TfL, the EY Independence Risk Management Team and the FRC for Karl Havers to continue as Lead Audit Partner for the 2020/2021 financial year with necessary safeguards put in place.

During the course of the audit we noted a potential independence matter with regards to the services provided by KPMG to both TfL and Government. We have obtained information from management whereby KPMG have assessed their independence and safeguards implemented. We are in the process of completing our considerations with regards KPMG's independence and will report on this matter once concluded.

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 2020 and can be found at:

https://www.ey.com/en_uk/who-we-are/transparency-report-2020

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Audit and Assurance Committee



Date: 7 June 2021

Item: EY Report on Non-Audit Fees for Six Months ended 31 March 2021

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 the 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: Patrick Doig, Statutory Chief Finance Officer

Email: PatrickDoig@TfL.gov.uk

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Appendix 1

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

7 June 2021

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

Dear Sirs

Audit fees - Period ending 31 March 2021

Under Transport for London's policy on external audit services we are required to provide to the Audit and Assurance Committee, a report on fees for all services, we reported the non-audit services incurred in the 6 months to 30 November 2021 to a previous committee meeting. Appendix 1 to this letter includes a summary of our non-audit fees during the period 1 December 2020 to 31 March 2021.

Yours faithfully

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

Appendix 1 Summary of fees

Statutory Audit fees

Statutory audit fee 2020/21 services required to meet the Code of Audit Practice requirements (including Value for Money and Whole of Government Accounts). We have included the Statutory Audit fees for the full year included for context.

	TfL Corporation 2020/21 £
Statutory Audit fee 2020/21 - TfL	120,062
Statutory Audit fee 2020/21 - TTL	1,329,638
Statutory Audit fee 2020/21 - Crossrail	120,000
Total audit fees	1,569,700

Non-audit services

	TfL Corporation 2020/21 £	Comments
Agreed upon procedures	7,500	Procedures performed for the Queen's Award for Enterprise.
Agreed upon procedures	14,500	Procedures performed for the Office of Road & Rail Returns
Agreed upon procedures	12,500	Procedures performed for the 3Emotion Hydrogen programme.

Audit and Assurance Committee



Date: 7 June 2021

Item: Annual Audit Fee 2021/22

This paper will be considered in public

1 Summary

- 1.1 To inform the Audit and Assurance Committee of the Annual Audit Fee proposed by Ernst & Young LLP (EY) for the audit of the Corporation and Group Financial statements for the year ending 31 March 2021.

2 Recommendation

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

3 Background

- 3.1 A letter from EY to TfL is attached. This letter deals with fees for the Corporation and Group audits only, and does not include fees for the audit of subsidiary company financial statements. This is in line with Public Sector Audit Appointments Ltd requirements.
- 3.2 The proposed indicative fee for the audit of the Group and Corporation financial statements for the year ending 31 March 2022 is £120,062 unchanged from the previous year.
- 3.3 The timing of issuance of the annual audit fee letter is dictated by Public Sector Audit Appointments Ltd, and it has therefore been issued in advance of audit planning. It is possible therefore that the fee may be revised following the planning process.

List of appendices to this report:

Appendix 1: EY's annual audit fee letter

List of Background Papers:

None

Contact: Patrick Doig, Statutory Chief Finance Officer
Email: PatrickDoig@TfL.gov.uk

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Appendix 1

Audit and Assurance Committee
Company Secretariat
Transport for London
11th Floor Yellow Zone
Palestra
London
SW1H 0BD

7 June 2021

Ref: Fee Letter/21-22

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

Dear Sirs

Annual Audit 2021/22

We are writing to confirm the audit that we propose to undertake for the 2021/22 financial year at Transport for London (TTL and Crossrail fees are covered by separate engagement letters and contained within those documents).

From 2018/19, local government and police bodies have been responsible for making their own arrangements for the audit of the accounts and reporting on the housing benefit subsidy claim.

The Secretary of State for Housing, Communities and Local Government has specified Public Sector Audit Appointments (PSAA) as an appointing person under provisions of the Local Audit and Accountability Act 2014. PSAA has appointed auditors for bodies that opted into the national scheme. Appointments were made for the duration of the five-year appointing period, covering the audits of the accounts for 2018/19 to 2022/23.

Indicative audit fee

For the 2021/22 financial year, PSAA has set the scale fee for each opted in body. Following consultation on its Work Programme and Scale Of Fees, PSAA has maintained scale audit fees at the same level as for 2020/21, unless there are specific circumstances which require otherwise.

The fee reflects the risk-based approach to audit planning set out in the National Audit Office's Code Of Audit Practice for the audit of local public bodies.

The audit fee covers the:

- Audit Of the financial statements;
- Value for money conclusion; and
- Whole of Government accounts

At this stage, the indicative fee is set at the scale fee.

This indicative fee is based on certain assumptions, including:

- The overall level of risk in relation to the audit of the financial statements is not significantly different to that of the prior year;

- Officers meet the agreed timetable of deliverables;
- The operating effectiveness of the internal controls for the key processes identified within our audit strategy;
- Our accounts opinion and value for money conclusion are unqualified;
- Appropriate quality of documentation is provided by Officers;
- There is an effective control environment; and
- Prompt responses are provided to our draft reports.

Meeting these assumptions will help ensure the delivery of our audit at the indicative audit fee which is set out in the table below.

As we have not yet completed our audit for 2020/21, our audit planning process for 2021/22 will continue as the year progresses. Fees will be reviewed and updated as necessary, within the parameters of our contract.

Summary of fees

	Indicative fee 2021/22	Planned fee 2020/21	Actual fee 2019/20
Scale Fee	120,062	120,062	120,062
Total Code audit fee	120,062	120,062	120,062

Any additional work that we may agree to undertake (outside of the Code of Audit Practice) will be separately negotiated and agreed with you in advance. All variations to the scale fee will be subject to PSAA approval.

Billing

The scale fee will be billed in 4 quarterly instalments of £30,016.

Audit plan

Our plan is expected to be issued in December 2021. This will communicate any significant financial statement and value for money risks identified, planned audit procedures to respond to those risks and the estimated fee implications of these additional procedures. Should we need to make any significant amendments to the audit fee during the course of the audit, we will discuss this in the first instance with the Group Financial Controller and acting Statutory Chief Finance Officer and communicate the revised fee and the matters giving rise to any adjustments to the scale fee in our Audit Results Report which we will present to the Audit and Assurance Committee Chair.

For a high level overview of our approach and further information on how we intend to work with you under the PSAA contract, please refer to our leaflet 'EY working with you' which is enclosed.

We remain committed to providing you with a high quality service. If at any time you would like to discuss with us how our service to you could be improved, or if you are dissatisfied with the service you are receiving, please contact me, or Janet Dawson as Our Government and Public Sector Assurance Leader at jdawson1@uk.ey.com. If you prefer an alternative route, please contact Steve Varley, our Managing Partner, by writing to him at 1 More London Place, London, SE1 2AF. We undertake to look into any complaint carefully and promptly and to do all we can to explain the position to you. Should you remain dissatisfied with any aspect of our service, you may of course take matters up with our professional institute.

Yours sincerely

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

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Audit and Assurance Committee



Date: 7 June 2021

Item: Risk and Assurance Quarter 4 Report 2020/21

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 2020/21 (Q4), 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 final 2020/21 quarterly report to the 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 Q4 to avoid duplicating material covered in the Risk and Assurance Annual Report elsewhere on this agenda.

4 Enterprise Risk Management

- 4.1 The following Level 0 Enterprise Risks were updated in the last quarter:

- (a) Supply chain disruption (ER5) – updates to controls and actions;
- (b) Asset condition unable to support TfL outcomes (ER12) – updates to risk score, controls and actions;
- (c) Opening of the Elizabeth Line (ER14) – updates to key risk indicators, controls and actions; and
- (d) Inability to support new ways of working (ER10) – update to risk ownership.

A list of all the Level 0 and Level 1 risks is included as Appendix 1.

- 4.2 Following a move from a periodic to a quarterly review of Enterprise Risks, which aligns with the Committee’s quarterly review of risks, an updated review schedule is included as Appendix 2.
- 4.3 We have concluded our annual review and update of our internal Risk Management Procedure. This included minor changes to reflect organisational and process changes, as well as simplification of the procedure by removing or reducing text where appropriate.
- 4.4 We have completed the exercise of mapping the interconnectivity between all Level 0 and Level 1 risks. We have included two types of links between risks:
 - (a) causal links indicating a correlation between risks (risk ‘A’ materialising could potentially increase the probability of risk ‘B’ materialising); and
 - (b) links indicating a top-level risk comprising of a number of aggregated risks (a single risk at Level 0 may be compromised of several similar risks being managed throughout the business at Level 1).
- 4.5 We have started to provide analysis to the business of the interconnectivity of risks, to supplement Enterprise Risk discussions and planning. This has proved useful for example in the management of ER12 (Asset condition unable to support TfL outcomes) to understand the constituent risks and mitigations in different business areas to manage risk systematically. We will continue to develop this analysis and provide it more broadly for Enterprise Risk reviews.
- 4.6 An illustration of the interconnectivity between Level 0 and Level 1 risks is included as Appendix 3.
- 4.7 On 20 May 2021 the Executive Committee discussed whether the Level 1 risk ‘Insufficient progress in meeting the MTS (CP03)’ should be escalated to Level 0. It was agreed that the outcomes from not meeting the Mayor’s Transport Strategy is sufficiently addressed in the current set of Level 0 risks. It was therefore decided that CP03 will remain a Level 1 risk, but with linkages made explicit to all the Level 0 risks that would be affected if this risk were to materialise.

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 the Executive Committee, this 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 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 Enterprise Risks is found in the annual report.

Internal Audit

- 5.4 The Internal Audit plan forms part of the Integrated Assurance Plan that the Committee approved on 16 March 2020 and revised on 11 September 2020 to account for the effects of the coronavirus pandemic. 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 By the end of Q4, we had delivered 38 audits (2019/20: 48 audits) over the course of the year. Further details can be found in Schedule 1. We believe this is a good outcome given that it was achieved against a background of high numbers of staff being on furlough, in lockdown and working remotely.
- 5.6 A full list of audit reports issued during Q4 is included as Appendix 4. Audits in progress at the end of Q4 is included as Appendix 5 and a list of audits due to start in Quarter 1 2021/22 is included as Appendix 6.

Mayoral Directives

- 5.7 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.

5.8 There has been one direction to TfL since the last meeting of the Committee:

- (a) MD2810 (11 May 2021) Zoning stations for Nine Elms Extension – The Mayor directed TfL to designate Nine Elms station and Battersea Power station as being within Zone 1, and Kennington station being re-designated from Zone 2 to Zone 1/2, that apply on London Underground (LU) services with effect from 16 May 2021.

5.9 We periodically refresh the list of directives to TfL that we maintain on our website to remove those that are no longer active. The most recent refresh, on 10 May 2021, removed the following directives:

- (a) MD2120 (9 May 2017) – Revoking of approvals in respect of the Garden Bridge project. The Garden Bridge Trust has been wound up.
- (b) MD2460 (29 April 2019) – Fares for two small-scale 12-month research and development. The Mayor directed TfL to implement fares for up to two small-scale research trials of demand responsive bus services in outer London for a period of 12 months. The trials were suspended in March 2021 and formally closed in May 2021 due to the coronavirus pandemic. An external report on the trial findings has been produced and is available for use by other authorities and for student research.
- (c) MD2484 (9 July 2019) – Independent Workers Union of Great Britain (IWGB) legal challenge. The Mayor directed TfL to pay the Mayor's legal costs of defending a legal challenge and any other costs arising as a consequence of the challenge including any appeals. The IWGB brought a challenge by way of judicial review of the Mayor's decision to remove the private hire vehicle exemption from the Congestion Charge. The challenge was not upheld.
- (d) MD2537 (4 November 2019) – January 2020 fare changes. The changes were implemented and this directive has been superseded by the directive on March 2021 fare changes.

Management Actions

5.10 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.

5.11 Schedule 1 shows overdue actions at the end of Period 1 2021/22. There were no actions more than 60 days overdue at that date, the same as the end of Q4.

Changes to the Audit Plan

5.12 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.

5.13 The Committee will note a number of changes to the plan this quarter. We have added one new audit, renamed one, cancelled four and deferred two. The full list

of changes with reasons is included as Appendix 7.

- 5.14 One of the Internal Audit team has secured a six-month secondment to a Band 4 role in Integrated Assurance, which occurred after approval of this year's plan. As it is only a six-month secondment to backfill paternity leave, it is not practical to advertise and find someone to backfill. We are looking at how impacts on the plan can be mitigated, including reallocating work amongst the team, deferring work till later in year on a risk-based approach, using our co-source partner and only as a last resort would audits be taken out of the plan.
- 5.15 Recently we have started a review of the Department for Business, Energy and Industrial Strategy White Paper (Restoring Trust in Audit and Corporate Governance: Proposals on reforms). We will assess the impact on TfL and its subsidiary companies and will respond to the White Paper. Discussions are also taking place as to whether a joint TfL/Greater London Authority response should be made. We will also consider any good practice that TfL may wish to adopt. In addition, the Head of Internal Audit will be assisting the Institute of Internal Auditors in compiling their response to the consultation paper representing the UK and Ireland internal audit community.

Schedule I: Internal Audit Q4 summary

Audit plan 2020/21 (to Period 13 2020/21 end)



Key highlights

None of the 15 reports issued during Q4 were concluded as poorly controlled. Six reports issued during the quarter were requires improvement. Notable reports included:

- Procurement during Covid 19:** A number of instances were noted where papers submitted for approval did not capture signatures from budget holders or include any form of electronic confirmation from them.
- Remote Working Arrangements:** The number of DSE assessors available was unclear, a lack of DSE assessments was

found prior to ordering equipment and User Action Reports (UAR) had not been updated before or after receipt of equipment.

- TfL Management System:** A large number of the documents on the TMS were due for review and many were replicated on local SharePoint sites risking multiple versions of the same document being in use.

Reports

15

Issued in Q4

38

Issued (to Period 13 end)

Audit ratings by Directorate – rolling 13 period view

	PC	RI	AC	WC	M/C	
Crossrail		4	1		4	KEY PC: poorly controlled RI: requires improvement AC: adequately controlled WC: well controlled M/C: memo/consultancy
CCT		5			2	
Finance		5	1		3	
Gen. Counsel		1			1	
HR		2			1	
LU				1	1	
Major Projects				1		
Surface		2		1	3	
HSE						
Pan TfL						
TOTAL	0.0%	50.0%	5.3%	5.3%	39.5%	

Action Management (to Period 1 2021/22 end)

Overall TfL performance

Measure	#	%	6-period trend	Overdue	Open
Closed on time*	81	35%		2	
Extended*	136	59%			184

By Directorate

Directorate	Overdue	Closed on time*
Crossrail		44%
CCT	2	37%
Finance		53%
Gen. Counsel		
HR		22%
LU		8%
Major Projects		100%
Surface		8%
HSE		100%
Pan TfL		

*based on actions due in the last six periods

Integrated Assurance

- 5.16 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. Audit reports issued by the team follow a similar system of audit conclusions and priority ratings for issues as the Internal Audit team.
- 5.17 A summary of work carried out by Integrated Assurance can be found in Schedule 2: Integrated Assurance Q4 summary.
- 5.18 In Q4, two audits were given a 'poorly controlled' conclusion: LU Track Risks from Vegetation (previously reported in the Quarter 3 report to Committee); and LU Earth Structures Inspectors Competence which identified non-conformances in relation to competence management requirements from TfL safety critical work standards and legislation.
- 5.19 Four audits were concluded as 'requires improvement':
- (a) London River Services HSE compliance with TfL standards and legislation: A range of non-compliances and ineffectively implemented elements of the management system were identified. The Safety, Health and Environment (SHE) sponsored the audit and are using the findings to revise the way they support London River Services.
 - (b) Maintenance of escalator step serialised parts database: It was identified that not all escalator serialised components were consistently maintained on asset databases across internal teams and external suppliers, potentially affecting asset traceability.
 - (c) Management of the 09 Tube Stock Asset Overhaul project: Issues were raised regarding assurance of suppliers to the project and compliance with risk management requirements within the project management system.
 - (d) Surface Transport Management of Highways Structures Compliance Issues: Roles and responsibilities had not been formalised and there was non-compliance with several key areas of British Standard guidance. Despite these findings there was evidence of continual improvement of the management system over the last two years.

Risk review of London Underground and shared use operational sites.

- 5.20 The LU Managing Director requested that the Integrated Assurance team, with support from TfL Engineering and SHE, undertake a review of LU's management of interfaces with Network Rail (NR) and other Train Operating Companies (TOCs). This followed a near miss incident at Chalfont and Latimer involving a Chiltern Railways train passing a signal at danger and failing to stop on LU infrastructure. were requested to undertake the review.

- 5.21 The review considered the different locations where LU has a shared interface with NR or other operators, what governs these relationships and how they are managed in terms of commercial, safety and operational risk. The key existing risk controls were competence, asset quality and operational rules and procedures.
- 5.22 LU is not accountable for the performance of NR or other operators who are legal duty holders in their own right. LU customers and employees may cross duty holder boundaries whilst on LU services. LU cannot be fully informed of risk control effectiveness without further information and assurance from other duty holders.
- 5.23 Recommendations are made that address structured communications with other duty holders, updating risk management content and development of assurance regimes using good practice from the Rail Safety and Standards Board, NR and TOCs.

Project Assurance

- 5.24 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 appears elsewhere on this 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.
- 5.25 Project Assurance also conducts reviews of the sub-programmes to inform their annual request for Authority at the Programmes and Investment Committee.
- 5.26 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.
- 5.27 A summary of the work completed by Project Assurance can be found in Schedule 3: Project Assurance Q4 summary.

Customer Feedback

- 5.28 The customer feedback data shows an increase in the average scores since the last quarter, with the return rate of 40 per cent in Q4, (Q3: 31 per cent). A summary of the responses to the questionnaire, together with the comparative figures for the previous quarter is included as Appendix 8.

Schedule 2: Integrated Assurance Q4 Summary

Audit plan 2020/21 to end of P15



Work of note

Thirty two audits were delivered in quarter 4, sixteen of which were assessments of compliance with the Payment Card Industry Data Security Standard (PCIDSS). Furlough and social distancing requirements have impacted on the work of the team this year, although efforts in the second half of the year have mitigated the impact of this to an extent. Where we have been required to cancel or defer audits this has been done in consultation with the applicable risk or management system owner.

In quarter 4, two audits were given a 'poorly controlled' conclusion: 'track risks from vegetation' (reported in the quarter 3 paper) and LU Earth Structures Inspector Competence which identified non-conformances in relation to competence management requirements

from TfL safety critical work standards and legislation.

The review of risks to LU Operations from other duty holders on shared use sites has been issued. This concluded that LU requires further assurance from others to have full oversight of risk control. The report was reviewed by the LU MD Leadership Team and actions are being tracked.

The 2021/22 audit plan has been developed in consultation with the senior teams from Engineering, SHE, Asset Operations and LU Operations and has been agreed with the relevant Directors.

Reports last 15 periods

	PC	RI	AC	WC	M/C
Crossrail					
CCT			7		3
Finance			2		2
Gen. Counsel					
HR	1	3	5	5	4
LU					
Major Projects		4	5	1	1
Surface					
HSE					
Pan TfL			1		1
TOTAL	3.6%	12.5%	35.7%	10.7%	37.5%

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

Action management (to Period 1 2021/22 end)

Overall TfL performance

Measure	#	%	6-period trend
Closed on time*	33	44%	
Extended*	32	43%	

21 actions overdue | **11** due this period

By Directorate

Directorate	Overdue	Closed on time*
Crossrail		100%
CCT		100%
Finance	2	100%
Gen. Counsel		100%
HR		100%
LU	2	57%
Major Projects	4	100%
Surface	8	5%
HSE		100%
Pan TfL		100%

*based on actions due in the last six periods

Audit Ratings by Strategic Risk Last 15 Periods



Reviews undertaken in the quarter highlighted issues around affordability, reflecting the current financial challenges within the business; a need to ensure that business cases are consistently of a high quality; and evidence of increasing resourcing issues across a number of projects.

Sub-Programme Reviews

	Recommendations (Critical Issues)	Commentary
Technology and Data	3 (0)	Most recommendations from the sub programme review a year earlier remain open. Key risks include deliverability of expenditure, supply chain options and obtaining value for money. The Technology & Data directorate will be working on improving assessment of risk, value for money assessments, upskilling of project managers and working closer with their project controls team.
Surface Assets	5 (0)	The programme is well managed and a robust <u>workbank</u> is in place. The <u>workbank</u> identifies the need for sustained increase in investment as part of the Long-term Capital Plan to maintain asset base and mitigate asset deterioration and restrictions. However, short-term funding settlements challenge both strategic and short-term <u>workbank</u> delivery and planning ability. The planned increase in delivery pace is double of previous year and will be challenging.
LU Renewals	8 (0)	The sub programme assurance review found that asset strategies need to be developed to an appropriate level of maturity and <u>workbank</u> classification should be consistent across the portfolio. Funding and resource constraints may result in a future bow wave of work, this should be forecasted and mitigations identified. Engineering resource shortages and the potential impacts should be documented for escalation.
LU Fleet	4 (0)	The main recommendations from the assurance review are to develop efficiencies to an adequate level of robustness to inform a robust estimated final cost; and to develop the programme-level business case to describe how value for money will be achieved for each project within the programme.

Overdue Recommendations

At the end of Q4 there were 62 open recommendations covering 13 sub-programmes. Of these 32 recommendations were overdue against their original completion date, with one being a critical issue raised by TfL Project Assurance. This became overdue at the end of March 2021 and relates to London Underground Signalling and Control and the need to ensure a business case including options analysis and a robust cost estimate is available prior to drawing down funds. The project team are focussed on addressing this issue and are keeping Project Assurance informed on progress.

Project Reviews

TfL Project Assurance completed 14 project reviews in Q4, IIPAG participated in six of these reviews. From the reviews undertaken a total of 53 recommendations were made. These consisted of 48 raised by Project Assurance, of which four were critical issues relating to affordability, ensuring robust cost estimates and demonstrating value for money. IIPAG raised five recommendations of which none were critical issues.

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: Counter-Fraud and Corruption Q4 Summary

Fraud investigation

During Q4, nine new cases were opened (2019/20 Q4: Nine new cases) and eight cases were closed. Of the nine newly opened cases, two allegations related to suspected fraud within procurement & supply chain activities. Three financial investigations were conducted on three subjects and six bank accounts. One Suspicious Activity Report (SAR) check was undertaken during the quarter.

Fraud prevention

➤ The Counter-fraud & Corruption (CFC) Team completed its development and rollout of a 'Bribery Act' 'eZone' training course for all TFL employees to complete. The CFC Team identified the need for adequate training about offences of bribery, the risks it poses to our organisation, how to identify the 'red flags' and how to report suspicions of bribery. The Executive Committee have been asked for their assistance in raising awareness of the available training.

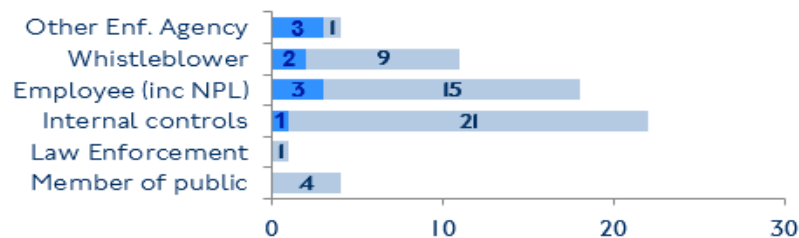
➤ Following an attempt by a fraudster to sit an online 'Teams' recruitment interview on behalf of a candidate who had applied for the role, members of the CFC Team prepared a communication with colleagues from the Recruitment Team and HR Business Services, for the attention of all Line Manager and Hiring Managers. The communication, which was published on internal social media, highlights the ongoing risks of recruitment fraud, particularly impersonation fraud, identity theft and the use of counterfeit qualification documents to obtain employment. Guidance on conducting online interviews has also been updated and published.

➤ The Fraud & Corruption Prevention Manager prepared an 'Anti-Fraud Tips' article, which was published in the January 2021 edition of the OTM (On The Move) Pensioner's magazine. The article provided some useful fraud awareness tips and scams for our TFL pensioners to be aware of.

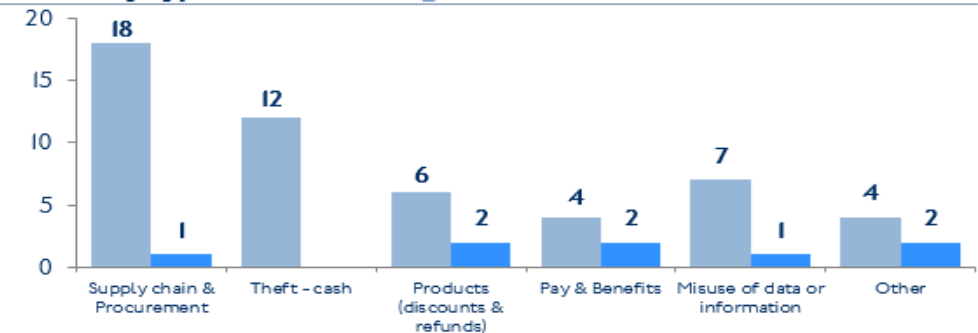
Cases by directorate

Investigations	B/F	New	Closed	C/F
LU	28	5	3	30
Surface Transport	6	1	1	6
CCT	10	0	2	8
Crossrail	2	0	0	2
Major Projects	1	1	1	1
Commercial Dev.	1	0	0	1
General Counsel	1	1	1	1
Human Resources	0	1	0	1
Finance	2	0	0	2
Total	51	9	8	52

Cases by source New and Brought Forward



Cases by type New and Brought Forward



Significant closed cases

Case 18-753 Allegation of Timesheet Fraud and gross misconduct

A whistleblower reported that employees working for a sub-contractor on a major LU project were committing timesheet fraud by regularly falsifying attendance records at sites and involved in the misuse of drugs and alcohol whilst at work. Following a review of the allegations received a targeted Drugs & Alcohol operation took place in April 2019 at a number of sites where the sub-contracting employees were scheduled to work. A significant number of employees either refused or failed drugs tests resulting in employment termination or resignation. Direct evidence of suspected timesheet fraud was also presented to the main contractor and sub-contractor for further investigation. This led to the dismissal of three additional staff members working for the sub-contractor. Following a case review, there was insufficient evidence to substantiate an allegation of fraud so the matter was not referred to Police. A controls report, highlighting a number of control weaknesses identified during the investigation, was prepared and sent to senior management within the business area. Some additional controls have been implemented to prevent re-occurrence. This case is now closed.

7 Control Environment Trend Indicators

7.1 The Q4 indicators are included as Appendix 9.

List of appendices to this report:

Appendix 1: Level 0 and Level 1 Risks

Appendix 2: Risk Review schedule

Appendix 3: Interconnectivity diagrams

Appendix 4: Internal Audit reports issued in Q4 2020/21

Appendix 5: Work in Progress at the end of Q4 2020/21

Appendix 6: Work due to start in Q1 2021/22

Appendix 7: Changes to the audit plan at the end of Q4 2020/21

Appendix 8: Customer Feedback Form – Summary of Responses Q4

Appendix 9: 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.

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Email: Lorraine.Humphrey@tube.tfl.gov.uk

Level 0 TfL Enterprise Risks				
Risk No.	Risk	Owner	Manager(s)	Mayor's Transport Strategy / Corporate Strategy
ER1	Major safety, health or environmental incident or crisis	Chief Safety, Health & Environment Officer	Head of Insights & Direction; Head of Corporate Environment; Head of Occupational Health & Wellbeing; Head of Transport Strategy & Planning	MTS: Healthy streets and healthy people
ER2	Protecting the wellbeing of our employees	Chief People Officer	Head of Strategic Planning and Governance; Head of Occupational Health & Wellbeing	CS: People and stakeholders
ER3	Major service disruption	Managing Director - LUL	Director of Network Management; Director of Bus Operations; Director of Rail and Sponsored Services; Director of Asset Operations; Chief Operating Officer; Director of Business Partnering & ER	MTS: A good public transport experience
ER4	Major security incident	Managing Director - ST	CTO & Director of CE; Director Compliance Policing & On-Street; Director of Line Operations - LUL	MTS: Healthy streets and healthy people
ER5	Supply chain disruption	Chief Finance Officer	Chief Procurement Officer	MTS: A good public transport experience
ER6	Loss of stakeholder trust	MD Customer, Communications & Technology	Director of News and External Relations; Group Finance Director; Director of Legal	CS: People and stakeholders
ER7	Financial sustainability	Chief Finance Officer	Group Finance Director	CS: Finance
ER8	Delivery of key projects and programmes	Director of Major Projects	Director of Project & Programme Delivery; Director, Network Extensions; LU Director of Asset Performance and Capital Delivery	MTS: A good public transport experience
ER9	Changes in customer demand	MD Customer, Communications & Technology	CTO & Director of CE; Director of City Planning; Director of Innovation; Director of Public Transport Service Planning	CS: Finance
ER10	Inability to support new ways of working	Chief People Officer	CTO & Director of CE; Chief People Officer; Estates Management Director	MTS: A good public transport experience

Level 0 TfL Enterprise Risks				
Risk No.	Risk	Owner	Manager(s)	Mayor's Transport Strategy / Corporate Strategy
ER11	Disparity leading to unequal or unfair outcomes	Director of Diversity, Inclusion & Talent	Chief Safety, Health & Environment Officer; CTO & Director of CE; Director of City Planning; MD Customer, Communications & Technology; Strategic Planning Manager	CS: People and stakeholders
ER12	Asset condition unable to support TfL outcomes	Managing Director - LUL	Director of TfL Engineering Delivery	MTS: A good public transport experience
ER13	Governance and controls suitability	General Counsel	Director of Legal	MTS: All MTS themes
ER14	Opening of the Elizabeth Line	Managing Director - LUL	Chief Operating Officer; Operations Business Manager	MTS: A good public transport experience

Level 1 London Underground Strategic Risks				
Risk No.	Risk	Owner	Manager(s)	Mayor's Transport Strategy / Corporate Strategy
LU 01	Lack of trust between colleagues and people leaders	Director of Customer Operations	LU Chief of Staff	CS: People
LU 02	LU Diversity and Inclusion	TBC	LU Chief of Staff	CS: People
LU 03	LU Service issues worsen customer perceptions	LU Managing Director	Director of Customer Operations, Director of Asset Performance and Capital Delivery	MTS: A good public transport experience
LU 04	LU Failure to deliver our budget	Chief Financial Officer - Crossrail	Senior Divisional Financial Controller (LU)	CS: Finance
LU 05	LU Inability to keep assets safe and operable	Director of TfL Engineering Delivery	Director of Asset Performance and Capital Delivery, Engineering Heads of Profession, Head of Asset Investment	MTS: A good public transport experience
LU 06	LU Major Incident	Director of Customer Operations	Head of Network Operations	MTS: Healthy Streets and Healthy People
LU 07	LU Inability to Restart and Recover	Director of Operational Readiness	Head of Network Command	MTS: All themes
LU 08	LU Cyber Security Incident	Director of TfL Engineering	Head of Central Engineering	MTS: A good public transport experience
LU 09	LU Risk of serious injury, death or harm (customers or colleagues)	LU Managing Director	Head of SHE BP – LU & PS	MTS: Healthy Streets and Healthy People
LU 10	LU Inability to establish strategy and governance	LU Chief of Staff	Head of LU Business Strategy; Head of LU Secretariat	MTS: All themes
LU 11	LU Major programmes readiness and integration	Director of Operational Readiness	Head of 4LM Implementation and Operational delivery, Senior Readiness Manager, Upgrade Delivery Manager, Head of Station Integration,	MTS: A good public transport experience

			Head of Network Operations	
LU 12	LU Failure to deliver asset investment	Director of Renewals & Enhancements (LU)	Head of Enhancements	MTS: A good public transport experience
LU 13	LU Inability to operate Control Centres	Director of Customer Operations	Head of Line Operations (Circle & Hammersmith and District lines); Head of Profession Service Control)	MTS: A good public transport experience
LU 14	Lack of resilience of back up control centres	Director of Customer Operations	Head of Line Operations (Circle & Hammersmith and District lines); Head of Profession Service Control)	MTS: A good public transport experience

Level 1 Surface Transport Strategic Risks				
Risk No.	Risk	Owner	Manager(s)	Mayor's Transport Strategy / Corporate Strategy
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	Unable to maintain and renew the condition of assets	Director of TfL Engineering Delivery	Head of Asset Investment, Head of Asset Operations, Head of Engineering Surface	MTS: Healthy streets and healthy people
ST-07	Disruption to quality of service	Director of Network Management	Head of Control Centre Operations	MTS: A good public transport experience
ST-08	Protecting the wellbeing and inclusion of our people	Director of CPOS	Senior HR Business Partner	CS: People
ST-10	Disruptive technology undermines core business	Director of Innovation	Senior Policy Manager	All MTS themes: All MTS outcomes
ST-11	Major safety, health or environmental incident or crisis	Managing Director - ST	Head of SHE BP – 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
ST-16	Inability to source new revenue stream for roads	Divisional Finance Director (ST)	Head of Finance (Rail & Other Ops)	CS: Finance
ST-17	Protective Security	Director of CPOS	Snr Op Security & Crime Reduction Manager	MTS: Healthy streets and healthy people
ST-20	Inability to achieve net bus income target	Director of Bus Operations	Head of Buses Business Development, Senior Finance Business Partner (Bus Ops)	MTS: A good public transport experience

Level 1 Professional Services Strategic Risks				
Risk No.	Risk	Owner	Manager(s)	Mayor's Transport Strategy / Corporate Strategy
Customers, Communications and Technology				
CP-03	Insufficient progress in meeting the MTS	Director of City Planning	Head of Transport Strategy and Planning	All MTS themes: All MTS outcomes
TD-10	External pressure or obligation to change ticketing policy	Director of Strategy & Chief Technology Officer	Head of Technology & Data - Payments	MTS: A good public transport experience
TD-31	TfL is not ready for the	Director of Strategy	Head of	CS: Finance

Level 1 Professional Services Strategic Risks				
Risk No.	Risk	Owner	Manager(s)	Mayor's Transport Strategy / Corporate Strategy
	switchover from PSTN	& Chief Technology Officer	Transformation Portfolio – Networks	
Finance				
GP-03	Continuity of Supply	Chief Procurement Officer	Head of Procurement - Strategy & Perform	CS : Finance
GP-04	Single Source Supply	Chief Procurement Officer	Head of Procurement - Strategy & Perform	CS : Finance
GP-05	Major Infrastructure Works Suppliers	Chief Procurement Officer	Head of Procurement - Strategy & Perform	CS : Finance
Engineering				
EN-01	Engineering not understood or consulted	Director of TfL Engineering	COO Engineering	All MTS themes: All MTS outcomes
EN-02	TfL is not compliant with its ROGS regulations	Director of TfL Engineering	Head of Technical Engineering	MTS: Healthy streets and healthy people
EN-03	Engineering is unable to deliver its provision	Director of TfL Engineering	COO Engineering	MTS: A good public transport experience
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-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
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-04	Pay becomes neither fair nor equal	Chief People Officer	Director of Compensations & Benefits	CS: People

TfL Level 0 Enterprise Risks – 2021/22 Schedule					Appendix 2		
#	Enterprise Risk	Owner	Exco Routing Date	Exco Date	Cttee / Panel	Cttee / Panel Routing Date	Cttee / Panel Date
ER1	Major safety, health or environmental incident or crisis	Lilli Matson	10 May 2021	20 May 2021	SSHRP	14 June 2021	30 June 2021
ER2	Protecting the wellbeing of our people	Tricia Wright	15 Mar 2021	25 Mar 2021	SSHRP	14 June 2021	30 June 2021
ER3	Major Service disruption	Andy Lord	25 Oct 2021	4 Nov 2021	CSOPP	19 Nov 2021	7 Dec 2021
ER4	Major security incident	Gareth Powell	02 Aug 2021	12 Aug 2021	AAC	27 Aug 2021	15 Sep 2021
ER5	Supply chain disruption	Simon Kilonback	10 May 2021	20 May 2021	FC	7 June 2021	23 June 2021
ER6	Loss of stakeholder trust	Vernon Everitt	17 Jan 2022	27 Jan 2022	CSOPP	1 March 2022	17 March 2022
ER7	Financial sustainability	Simon Kilonback	TBC	TBC	FC	TBC	TBC
ER8	Delivery of key projects and programmes	Stuart Harvey	17 Jan 2022	27 Jan 2022	PIC	14 February 2022	2 March 2022
ER9	Changes in customer demand	Vernon Everitt	25 Oct 2021	4 Nov 2021	FC	8 Nov 2021	24 Nov 2021
ER10	Inability to support new ways of working	Vernon Everitt	02 Aug 2021	12 Aug 2021	SSHRP	26 Aug 2021	14 Sep 2021
ER11	Disparity leading to unequal or unfair outcomes	Tricia Wright	02 Aug 2021	12 Aug 2021	CSOPP	21 Sep 2021	7 Oct 2021
ER12	Asset condition unable to support TfL outcomes	Andy Lord	10 May 2021	20 May 2021	CSOPP	28 June 2021	14 July 2021
ER13	Governance and controls suitability	Howard Carter	17 Jan 2022	27 Jan 2022	AAC	28 February 2022	16 March 2022
ER14	Opening of the Elizabeth Line	Andy Lord	25 Oct 2021	4 Nov 2021	ELC	09 Nov 2021	25 Nov 2021

Exco		
Meeting Date	Risk #	Enterprise Risk
25 March 2021	ER2	Protecting the wellbeing of our people
20 May 2021	ER1 ER5 ER12	Major safety, health or environmental incident or crisis Supply chain disruption Asset condition unable to support Tfl outcomes
12 August 2021	ER4 ER10 ER11	Major security incident Inability to support new ways of working Disparity leading to unequal or unfair outcomes
4 November 2021	ER3 ER9 ER14	Major Service disruption Changes in customer demand Opening of the Elizabeth Line
27 January 2022	ER6 ER8 ER13	Loss of stakeholder trust Delivery of key projects and programmes Governance and controls suitability

Safety, Sustainability and Human Resources Panel (SSHRP)		
Meeting Date	Risk #	Enterprise Risk
30 June 2021	ER1 ER2	Major health, safety or environmental incident or crisis Protecting the wellbeing of our people
14 September 2021	ER10	Inability to support new ways of working
2 December 2021		
24 February 2022		

Customer Service and Operational Performance Panel (CSOPP)		
Meeting Date	Risk #	Enterprise Risk
14 July 2021	ER12	Asset condition unable to support Tfl outcomes
7 October 2021	ER11	Disparity leading to unequal or unfair outcomes
7 December 2021	ER3	Major Service disruption
17 March 2022	ER6	Loss of stakeholder trust

Finance Committee (FC)		
Meeting Date	Risk #	Enterprise Risk
23 June 2021	ER5	Supply chain disruption
6 October 2021		
24 November 2021	ER9	Changes in customer demand
9 March 2022		

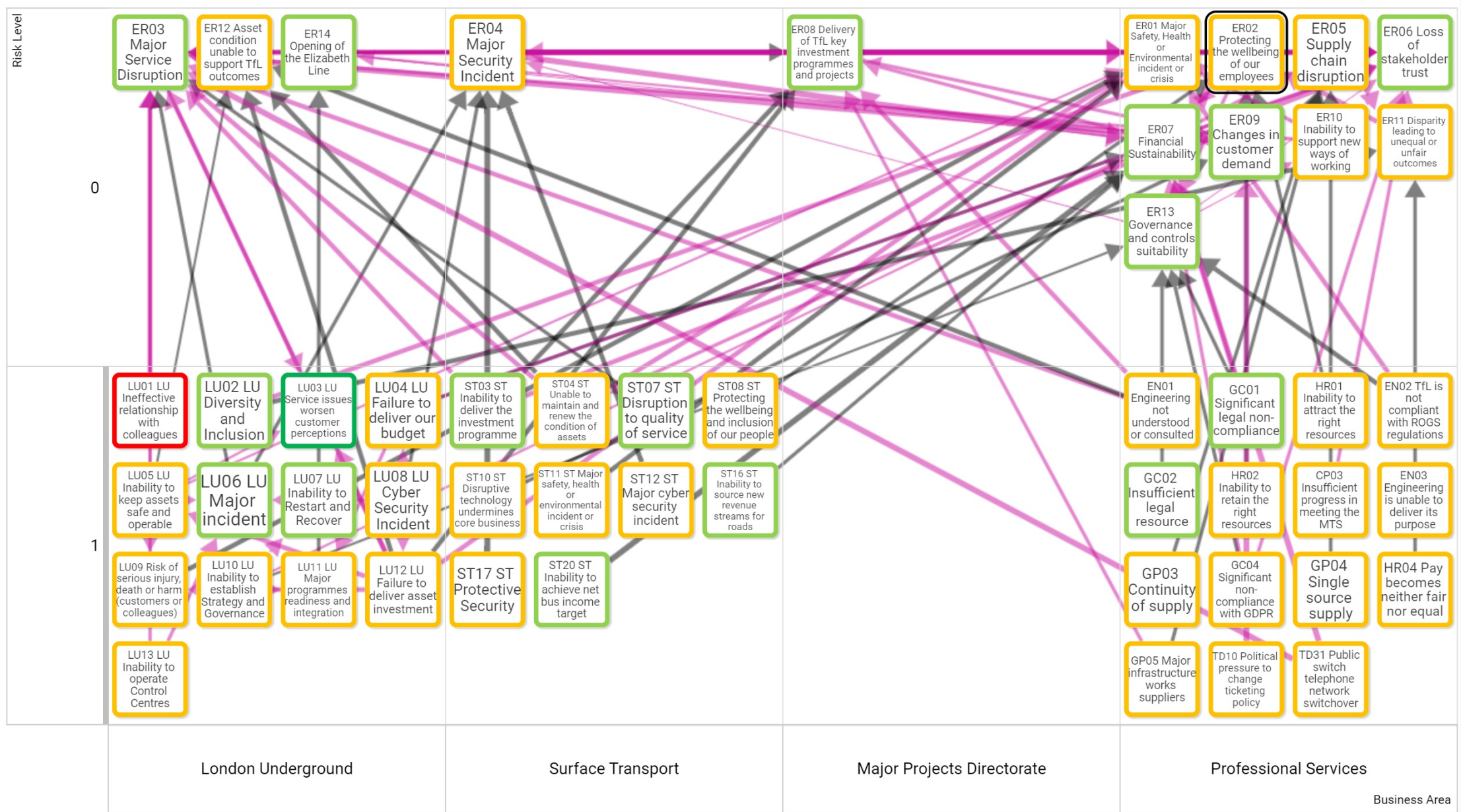
Audit & Assurance Committee (AAC)		
Meeting Date	Risk #	Enterprise Risk
7 June 2021		
15 September 2021	ER4	Major security incident
1 December 2021		
16 March 2022	ER13	Governance and controls suitability

Programmes and Investment Committee (PIC)		
Meeting Date	Risk #	Enterprise Risk
19 May 2021		
21 July 2021		
13 October 2021		
15 December 2021		
2 March 2022	ER8	Delivery of key projects and programmes

Elizabeth Line Committee (ELC)		
Meeting Date	Risk #	Enterprise Risk
20 May 2021		
15 July 2021		
30 September 2021		

25 November 2021	ER14	Opening of the Elizabeth Line
26 January 2022		
23 March 2022		

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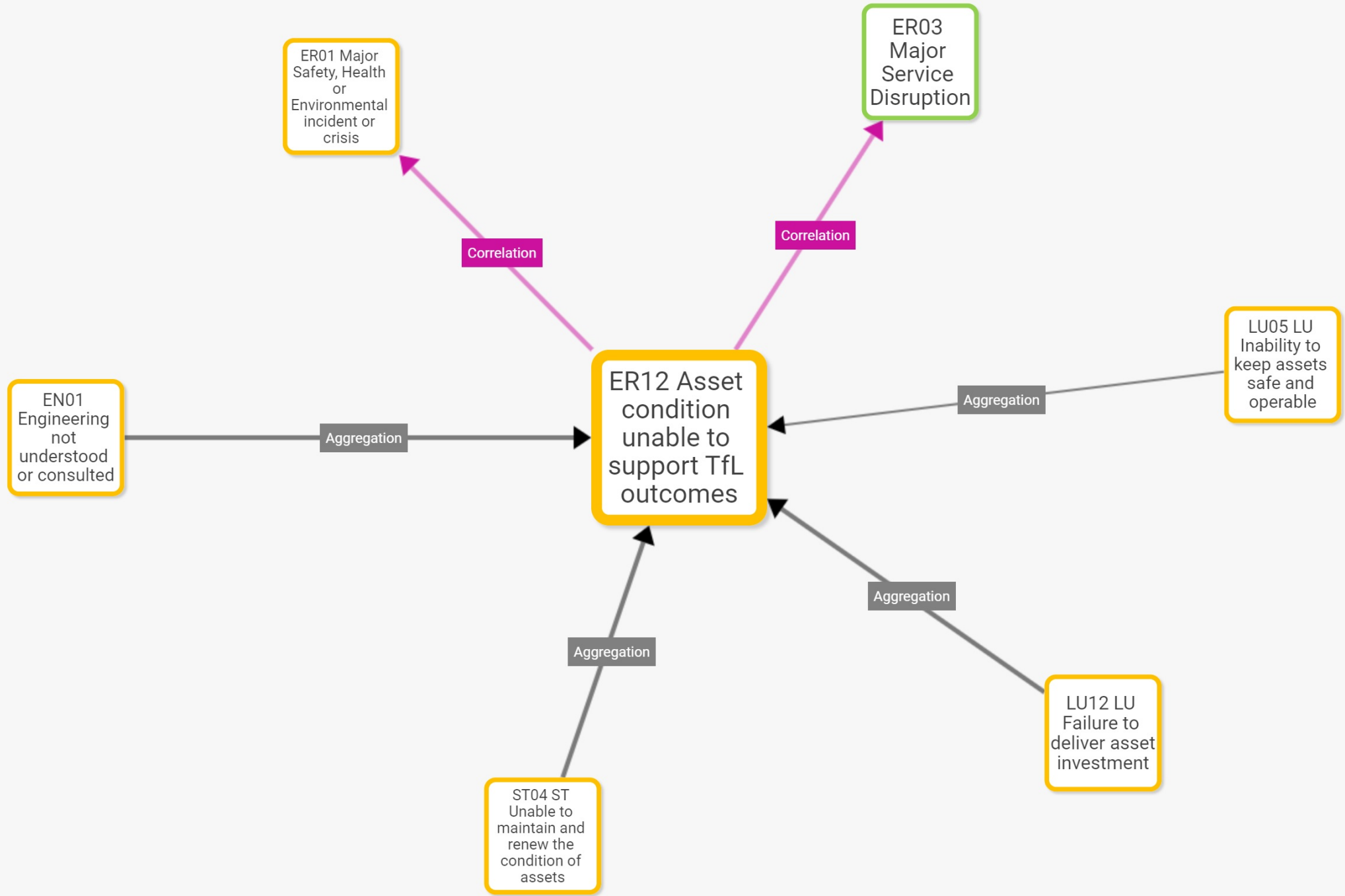


Overall Control Effectiveness

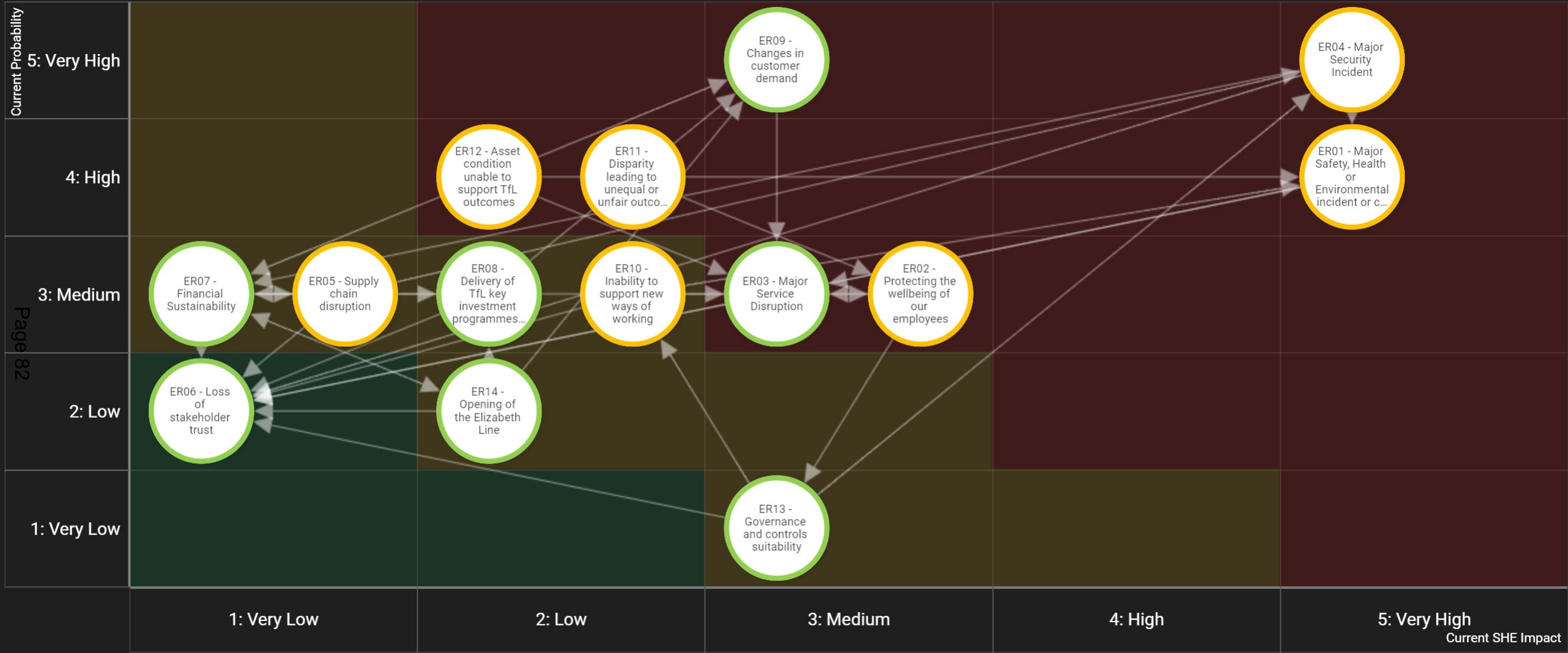
Well Controlled
 Adequately Controlled
 Requires Improvement
 Poorly Controlled

Relationship type

Aggregation
 Correlation



TfL's Enterprise Safety, Health & Environment probability/impact diagram



Overall Control Effectiveness

- Well Controlled
- Adequately Controlled
- Requires Improvement
- Poorly Controlled

Transport for London Audit and Assurance Committee

Internal audit reports issued in Q4 2020/21

Appendix 4

- Fifteen reports were issued during the quarter

Enterprise risk	Directorate	Ref	Audit title	Summary of Finding	Conclusion	Priority		
						H	M	L
ER4 Major security incident	Customers Communication & Technology	20401	Remote Working Arrangements	The criteria to determine the need for a Display Screen Equipment (DSE) Assessor is not documented. A list of DSE Assessors is maintained but it is unclear how many are actually performing the role. Sample testing revealed gaps in the audit trail supporting the DSE assessment process overseen by the DSE Assessors. Sample testing revealed instances where individuals had not raised DSE assessments on PACE before requesting equipment, and User Action Reports had not been updated before or after receipt of equipment.	Requires Improvement	0	3	3
ER7 Financial sustainability	Customers Communication & Technology	20109	Clean mobile energy (fifth review)	Total cost certified is €20,638.21 and covers the period 1/1/2020 - 30/6/2020. - Expenditure claimed was in line with rules and complies with conditions of the grant. - Expenditure is related to activities in line with the application form. - No evidence of infringements of rules or double financing of expenditure was identified.	Memo	0	0	0
ER7 Financial sustainability	Customers Communication & Technology	20115	Clean mobile energy (sixth review)	Total cost certified is €18,987.88 and covers the period 1/7/2020 - 31/12/2020. - Expenditure claimed was in line with rules and complies with conditions of the grant. - Expenditure is related to activities in line with the application form. - No evidence of infringements of rules or double financing of expenditure was identified.	Memo	0	0	0

Transport for London Audit and Assurance Committee

Enterprise risk	Directorate	Ref	Audit title	Summary of Finding	Conclusion	Priority		
						H	M	L
ER7 Financial sustainability	Finance	19 012	Budget Planning and Forecasting (ST)	<p>There was no consistency in the approach to the budgeting and forecasting process.</p> <p>The level of communication and support can vary greatly. The introduction of new finance systems in parallel with organisational change increases the risk that resource is placed under further pressure and existing support provided to budget holders is reduced further.</p> <p>A more structured internal approach to business communication is required.</p> <p>Business Partners need to develop a better understanding and knowledge of the areas they cover.</p> <p>Based on our work earlier this year, and ongoing engagement with the management team we are satisfied that the Finance team is planning to address the weaknesses noted above.</p>	Memo	0	0	0
ER7 Financial sustainability	Finance	20 607	Procurement during Covid-19	<p>Lack of clear audit trail from requisition to release of Purchase Order.</p> <p>Use of Materials Requirement Planning process does not provide a clear audit trail of who approved a Shopping Cart.</p> <p>Use of Single Sourcing not adequately controlled or documented.</p> <p>A number of instances were noted where papers submitted for approval did not capture signatures from budget holders or include any form of electronic confirmation from them.</p>	Requires Improvement	0	7	0

Transport for London Audit and Assurance Committee

Enterprise risk	Directorate	Ref	Audit title	Summary of Finding	Conclusion	Priority		
						H	M	L
ER13 Governance and controls suitability	General Counsel	20112	TfL Management System	<p>The high priority issues identified were as follows:</p> <ul style="list-style-type: none"> - An absence of a recent executive mandate for the TfL Governance Framework and consequently the TfL Management System (TMS). - A lack of controls for SharePoint sites resulting in information being duplicated or replicated from the TMS. - Review requirements not being met or prioritised by business areas risks inaccurate or irrelevant standards, policies and procedures being used. - A large volume of documents in the TMS library are overdue for review. Automatic reminder notifications from the TMS have been disabled and there is no risk based approach on where to concentrate efforts. 	Requires Improvement	4	1	0
ER7 Financial sustainability	Human Resources	20105	Pension Contributions - TfL Pension Fund (Inc AVCs)	<p>The high and medium priority issues identified are as follows:</p> <ul style="list-style-type: none"> - There was no control in place whereby access rights, for users with Display and Maintain access to SAP payroll and pension data, were periodically reviewed for appropriateness. - SAP exception reports have not been used on pension data. - There was no routine process or internal control in place to identify pension fund members who are not recorded as a member or non-member. - Pension contributions are not transferred to the Pensions team in a timely manner, impacting when investments are made. 	Requires Improvement	1	3	4

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Enterprise risk	Directorate	Ref	Audit title	Summary of Finding	Conclusion	Priority		
						H	M	L
ER7 Financial sustainability	Human Resources	20114	Pension Contributions – TfL Savings for Retirement Plan	The high and medium priority issues identified are as follows: - There was no control in place whereby access rights, for users with Display and Maintain access to SAP payroll and pension data, were periodically reviewed for appropriateness. - SAP exception reports have not been used on pension data.	Requires Improvement	1	1	3
ER7 Financial sustainability	London Underground	20005	LU Modernisation Programme Phase 1	The audit did not identify any issues. For the four years up to 2019/20 the savings target was exceeded by £181m. Due to the coronavirus pandemic, the target for 2020/21 was revised in Period 3 to £183m as a number of the workstreams were suspended. The forecast for year end savings at Period 9 is £184.1m, slightly in excess of the revised budget.	Well Controlled	0	0	0
ER2 Protecting the wellbeing of our employees	Surface Transport	20001	Work-Related Violence and Aggression Strategy-Training	The Compliance, Policing, Operations and Security directorate has made significant progress in updating conflict management training and support in line with the Work-related Violence and Aggression Strategy and has made available a variety of resources. There is an opportunity for this good practice to be shared with all operating partners and business areas across TfL, and for a consistent approach to be implemented before all processes are updated.	Memo	0	0	0

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Enterprise risk	Directorate	Ref	Audit title	Summary of Finding	Conclusion	Priority		
						H	M	L
ER2 Protecting the wellbeing of our employees	Surface Transport	20 000	Work-Related Violence and Aggression Strategy-Reporting	<p>There were three medium and two low priority issues identified. The medium priority issues were as follows:</p> <p>1) The general updates capture some elements of the twenty-three actions, indicators and expected improvements, but it is difficult to assess full progress as reporting against all three elements is not systematic or consistent.</p> <p>2) Inconsistent categories and types of violence and aggression in reporting forms.</p> <p>3) Assembly and analysis of data for reporting to the Safety, Sustainability and Human Resources Panel requires further standardisation and consistency.</p>	Requires Improvement	0	3	2
ER7 Financial sustainability	Surface Transport	20 007	Governance of the Lane Rental Scheme	<p>The processes evidenced throughout this audit identified that there is generally a sound system of internal control designed to meet the organisation's objectives with regard to the use of surplus funds generated by the Lane Rental Scheme.</p>	Well Controlled	0	0	0
ER14 Opening of the Elizabeth Line	Crossrail	20 510	Transfer of CRL programme to TfL	<p>Four issues were identified of which two were of medium and two low severity. The medium severity issues were:</p> <p>1) Arrangements and timeline for developing and agreeing organisational structure post-Trial Running are not yet finalised.</p> <p>2) Elizabeth line planning considers a number of slippage scenarios, but formal contingency planning in the event Trial Running, Operations, and Passenger Service dates are not met is difficult to identify.</p>	Adequately Controlled	0	2	2

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Enterprise risk	Directorate	Ref	Audit title	Summary of Finding	Conclusion	Priority		
						H	M	L
ER14 Opening of the Elizabeth Line	Crossrail	19 506	Governance and Organisational Effectiveness	<p>Governance, Visualisation and Programme Risk systems are not integrated to the extent they provide management with, or support, the assessment of a single version of the truth, often working in isolation of each other.</p> <p>Terms of reference are documented but need to be revisited to ensure outputs continue to reflect actual practice, and that the escalation process is clear.</p> <p>Management information is heavily focused on the presentation of statistical and schedule type metrics but a supporting narrative is often missing.</p> <p>Committees frequently use action logs as their main output, but these are not developed enough to offer an appropriate record of the management decisions made, or the direction being provided.</p> <p>Programme risk management needs to be re-incorporated into committee agendas, visibility and review of risk at committee level is currently poor.</p>	Memo	0	0	0
ER14 Opening of the Elizabeth Line	Crossrail	20 509	Risk Management	<p>External events including COVID-19 have significantly changed the operating environment for the Crossrail programme.</p> <p>Despite this, there have been areas where the risk management function has been able to make further improvements in Crossrail's maturity, moving the average maturity from Level 1 ("Engaging") to Level 2 ("Happening") in the ALARM framework.</p>	Memo	0	0	0

Transport for London Audit and Assurance Committee

Work in progress at the end of Q4 2020/21

Appendix 5

- Eighteen audits were in progress at the end of Q4

Enterprise risk	Directorate	Ref	Audit title	Objective	Current Status
ER1 Major health, safety or environmental incident or crisis	Surface Transport	20 004	Fatigue Risk Management	To review the effectiveness of the Bus Operations model, post transformation, and ensure that operational roles and responsibilities are aligned and support bus network service delivery targets.	In progress
ER3 Major service disruption	London Underground	21 011	Engineering Resource Model	To provide assurance over the processes and controls of the Engineering Resource model between Delivery Account Lead and Engineering Lead.	In progress
ER4 Major security incident	Customers Communication & Technology	20 402	Enterprise IT Security Layer	Provide assurance on the governance, accountability, adequacy and effectiveness of TfL's enterprise IT security layers.	In progress
	Customers Communication & Technology	20 404	Privileged Access to Critical Enterprise	The purpose of the audit was to provide assurance on the adequacy and effectiveness of controls governing privileged access to critical enterprise systems including the vetting process.	In reporting
ER7 Financial sustainability	Customers Communication & Technology	21 023	ACE-funded projects: The Cultural Recovery Fund Part 1	Certify costs in respect of funding for The Cultural Recovery Fund (Part 1).	In Planning
	Finance	20 612	Procurement and Supply Chain Transformation	Provide assurance around the transformation of Procurement and Supply Chain.	In progress
	Human Resources	20 108	Transitioning to the new Additional Voluntary Contributions provider	Provide assurance on the adequacy of controls to transition to the new Additional Voluntary Contributions provider.	In progress
	Surface Transport	20 113	Additional Dedicated Home to School and College Transport Funding	Provide assurance that conditions attached to the Additional Dedicated Home to School and College Section 31 Grant S31/5137 have been complied with.	In reporting

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Enterprise risk	Directorate	Ref	Audit title	Objective	Current Status
ER10 Inability to support new ways of working	Customers Communication & Technology	20 405	Digital accessibility TfL	Provide assurance that the main TfL website is in line with WCAG 2.1 principles and requirements.	In progress
ER13 Governance and controls suitability	Customers Communication & Technology	20 403	Compliance with GDPR and associated risks	To determine the extent of compliance of Technology and Data systems that store and/or process personal data with the General Data Protection Regulation requirements.	In reporting
	General Counsel	20 610	TfL Governance and Decision Making	To provide assurance that the revised TfL Governance and decision-making arrangements have been adopted and embedded across the business.	In reporting
	Surface Transport	20 006	Bus Service Delivery Model	To review the effectiveness of the Bus operating model.	In reporting
ER14 Opening of the Elizabeth Line	Crossrail	20 502	Management of works deferred to LU	To provide assurance that current identified residual scope is managed effectively.	In progress
	Crossrail	20 504	Alternative Delivery Model Strategy	To provide assurance that the alternative delivery model strategy is adequate.	In reporting
	Crossrail	20 508	Demobilisation of Tier 1 contractors	To provide assurance that the controls around Tier 1 contractor demobilisation are adequate and effective.	In reporting
	Crossrail	20 505	Management of Staff costs	To provide assurance that the Crossrail organisation is managing indirect costs in line with Programme requirements.	In reporting
	Crossrail	20 507	CRL HSE framework	To provide assurance over the adequacy and effectiveness of the HSE framework.	In progress
	Crossrail	20 511	Monitoring Professional Service and Framework Development Consultants (FDCs)	To provide assurance that PSCs and FDCs are being managed and monitored by Crossrail in an effective manner.	In progress

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Work planned to start in Q1 2021/22

Appendix 6

Grouped by Directorate

- There are 13 audits planned to start during the quarter

Enterprise risk	Directorate	Ref	Audit title	Objective	Planned
ER14 Opening of the Elizabeth Line	Crossrail	21 049	Employer's Completion Process	To provide assurance that the controls around the Employer's Completion Process are effective.	Q1
ER4 Major security incident	Customers Communication & Technology	21 018	Cubic entity - review of procurement	Provide assurance the procurement of Cubic is being delivered effectively and efficiently.	Q1
ER7 Financial sustainability	Customers Communication & Technology	21 024	ACE-funded projects: The Cultural Recovery Fund Part 2	Certify costs in respect of funding for The Cultural Recovery Fund (Part 2).	Q1
ER10 Inability to support new ways of working	Customers Communication & Technology	21 020	Software Development of the Contactless Payments System	Assess the adequacy and effectiveness of controls for developing and implementing changes to the Contactless Payments System.	Q1
ER1 Major health, safety or environmental incident or crisis	Finance	21 003	Construction Design and Management (CDM) Regulations	To provide assurance that the arrangements regarding Commercial Development acting as the Client are adequate and effective.	Q1
ER7 Financial sustainability	Finance	20 611	Tenant billing and rent collection processes using Right Finance Solutions (RFS)	Provide assurance over the adequacy and effectiveness of the tenant billing and rent collection processes.	Q1
ER7 Financial sustainability	Finance	21 025	Bank reconciliations	Provide assurance on the adequacy and effectiveness of the bank reconciliations process.	Q1

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Enterprise risk	Directorate	Ref	Audit title	Objective	Planned
ER7 Financial sustainability	Finance	21 028	Commercial Development's asset management strategy to maximise secondary revenue income	Provide assurance over the adequacy and effectiveness of Commercial Development's asset management strategy for maximising secondary revenue income and the extent to which these are being delivered in line with the business plan.	Q1
ER7 Financial sustainability	Finance	21 034	TfL Scorecard	Provide assurance that 2020/21 year-end results on the TfL Scorecard are being accurately reported.	Q1
ER13 Governance and controls suitability	General Counsel	21 055	BEIS White Paper	The objective of this review was to assess the proposals made in the Government's White Paper 'Restoring trust in audit and corporate governance' (March 2021), considering their impact on TfL.	Q1
ER2 Protecting the wellbeing of our employees	Human Resources	21 007	Core Line Manager Training (staff wellbeing)	Provide assurance on the adequacy and effectiveness of line manager training to support wellbeing of staff.	Q1
ER7 Financial sustainability	Human Resources	21 008	Headcount Controls Process	Provide assurance on the adequacy and effectiveness of the headcount controls process.	Q1
ER4 Major security incident	Surface Transport	21 013	Data Disclosure Unit for Body Worn Cameras	To provide assurance over the controls around body worn cameras.	Q1

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Changes to the 2020/21 audit plan

Appendix 7

- There were eight changes to the plan since the last Committee: one new, one renamed, four cancellations and two deferrals.

Ref	Audit title	Status	Audit Comments
20 115	Clean mobile energy (sixth review)	New	Certify costs in respect of EU funding.
20 511	Monitoring Professional Service and Framework Development Consultants (FDCs)	Renamed	Management of Indirect Costs was renamed to better reflect the audit scope.
20 406	IT Disaster Recovery and Operational Resilience	Deferred	Audit deferred to 2021/22 after discussions with the business.
20 106	Embedding of the Business Planning & Consolidation tool		Following discussions with the business it was decided to cancel this review as it did not represent a good value for money for TfL in light of the estimated cost for this to be performed by the co-source. It will be added to the 2021/22 plan and done with in-house resources following our recruitment campaign.
20 608	Management of critical suppliers	Cancelled	Audit cancelled. Internal Audit agreed with the business that this review can be done as part of the live audit of Procurement and Supply Chain transformation as it is a key arm of that transformation.
20 501	Integration of Crossrail assets		The audit was cancelled due to timing as the programme was ramping up preparations for Trial Running. This topic will be revisited in 2021/22.
20 503	Readiness for Trial Running		This audit was cancelled due to the introduction of IIPAG as an extra source of assurance and the short timescales leading to the start of Trial Running. An agreement was made to revisit this in early 2021/2022 to discuss scope of any future work that will be needed. As the name and scope will change and it will take place in the 2021/22 financial year it was decided the most practical thing would be to cancel this audit and carry out any work under a new title and number.
20 506	Management of Anticipated Final Cost		Actions from previous audit had not yet been implemented - once the actions are in place the system will be robust. We will review whether any further audits are required in this area once the Targeted Assurance Review currently underway is completed.

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Customer Feedback Form Summary in Q4 2020/21

Appendix 8

- Customer Feedback Form 20 sent and 8 returned in Q4 compared to 16 sent and 5 returned in Q3

ASSIGNMENT ASSESSMENT CRITERIA	Very poor		Poor		Satisfactory		Good		Very good		Average Score	
	1	2	3	4	5	6	7	8	9	10	Q3	Q4
PLANNING AND TIMING	Q3	Q4	Q3	Q4	Q3	Q4	Q3	Q4	Q3	Q4	Q3	Q4
1) The assignment timing was agreed with me and there was appropriate consideration of my other commitments as the work progressed	1	0	0	0	0	1	3	1	1	6	3.6	4.6
2) The assignment was completed and the report issued within appropriate timescales	2	0	0	0	0	0	1	3	2	5	3.2	4.6
COMMUNICATION												
3) Communication prior to the assignment was appropriate, including the dates and objectives	0	1	1	0	0	0	2	2	2	5	4.0	4.3
4) Throughout the assignment I was informed of the work's progress and emerging findings	0	0	1	0	2	2	0	1	2	5	3.6	4.4
CONDUCT												
5) 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	1	1	2	2	1	2	4	4.2	4.0
6) The Internal Audit team acted in a constructive, professional and positive manner	0	0	0	0	0	1	2	0	3	7	4.6	4.8
RELEVANT & USEFUL ADVICE & ASSURANCE												
7) A fair summary of assignment findings was presented in the report	0	0	0	1	2	1	1	1	2	5	4.0	4.3
8) Assignment recommendations were constructive, practical and cost-effective	0	0	1	1	1	1	2	1	1	5	3.6	4.3
9) My concerns were adequately addressed and the review was beneficial to my area of responsibility and operations	0	1	0	1	1	0	2	1	2	5	4.2	4.0
OVERALL ASSESSMENT											3.9	4.3
<i>Other comments including suggested improvements and areas of good performance:</i>												
Conduct: The audit focus (as per the audit title) was on business rules for performance awards. In the final report the scope of the audit appears to have broadened with a recommendation being made around interim salary review guidance (Recommendation I). Whilst the recommendation is valid it does sit outside of the original scope of work which we understood to be dedicated to performance awards guidance only.												
Conduct: Asked good, probing questions at appropriate junctures												
Planning & Timing: The timescales were appropriate, given the challenges with COVID. The lead auditor agreed to work around LRS' schedule.												

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Control Environment – Trend Indicators

Audit indicators – rolling average									
	Q1 19/20	Q2 19/20	Q3 19/20	Q4 19/20	Q1 20/21	Q2 20/21	Q3 20/21	Q4 20/21	Trend
Poorly Controlled	8.7%	11.8%	10.0%	6.3%	5.3%	0.0%	0.0%	0.0%	
Requires Improvement or Poorly Controlled	34.8%	37.3%	38.0%	45.8%	50.0%	58.6%	59.0%	50.0%	

Technology									
	Q1 19/20	Q2 19/20	Q3 19/20	Q4 19/20	Q1 20/21	Q2 20/21	Q3 20/21	Q4 20/21	Trend
Internal system availability	99.85%	99.95%	99.95%	99.95%	99.99%	99.96%	99.99%	99.89%	

Information Governance									
	Q1 19/20	Q2 19/20	Q3 19/20	Q4 19/20	Q1 20/21	Q2 20/21	Q3 20/21	Q4 20/21	Trend
Number FOI requests	3055	3147	3163	3169	2687	2551	2315	2205	
On time FOI responses	96.7%	97.1%	98.8%	99.4%	99.4%	99.7%	99.8%	99.9%	

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Audit and Assurance Committee



Date: 7 June 2021

Item: Risk and Assurance Annual Report 2020/21

This paper will be considered in public

1 Summary

- 1.1 This is the annual report of the Risk and Assurance Directorate, which is made up of the Enterprise Risk Management (ERM), 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 2021 is generally adequate for TfL's business needs and operated in an effective manner.

Basis of the Internal Audit Opinion

- 3.2 We are satisfied that 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.
- 3.3 In giving this opinion, the Committee 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 Internal Audit opinion is based on the audits, including consulting and advisory assignments, carried out by Internal Audit during 2020/21, 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 Counter-fraud and Corruption 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 Project Representative (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 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 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 TfL took the opportunity for a total refresh of all Level 0 Enterprise and Level 1 Strategic Risks as a result of the changes brought on by the coronavirus pandemic. Each of the newly identified and assessed Level 0 Enterprise Risks have been formally reviewed by the Executive Committee and the relevant Board Committee or Panel once throughout 2020/21 with the exception of Financial Sustainability (ER7), as this risk has been subject of ongoing discussions and negotiations throughout.

4.3 The interconnectivity between all Level 0 and Level 1 risks were mapped to model the systemic interconnectivity and correlation between risks, to better understand causality and the potential systemic impacts.

4.4 Our ERM maturity programme has resulted in a number of further continuous improvements to the risk process, including updates to TfL's Enterprise Risk Management Framework, our internal Risk Management Procedure, the Enterprise Risk template, guidance documents and a change to a quarterly review of risks by the Executive Committee.

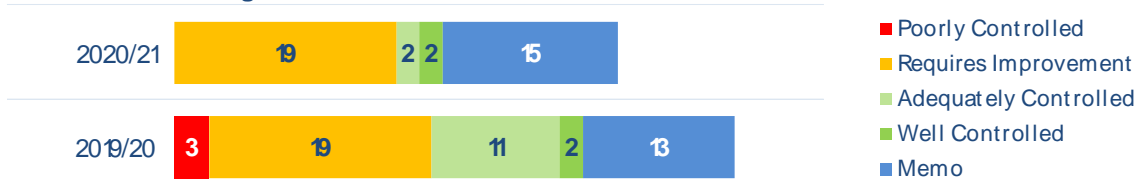
4.5 The forward-looking schedule for risk reviews by the Executive Committee over the next year has been approved and will provide the appropriate assurance, accountability and oversight of TfL's Enterprise Risks.

4.6 Challenges remain, including quantification of Level 0 and Level 1 risks and the integration of processes to provide second and third line assurance of strategic controls, however these challenges will form part of our focus over the coming year.

Internal Audit Activity

- 4.7 The Committee approved the Integrated Audit Plan for 2020/21 on 16 March 2020. Due to the coronavirus pandemic and subsequent furlough of the Internal Audit team, a revised plan was approved by the Committee on 11 September 2020. 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 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 2020/21 Audit Plan, which commenced late in Quarter 4 (Q4) of 2020/21, were still in progress at 31 March 2021. A summary of the Internal Audit reports issued during the year is set out in the table below and includes 15 audits carried forward from the 2019/20 audit plan. The total number of reports issued was 38. Despite the effects of the coronavirus pandemic to TfL and furlough of the whole Internal Audit team, with their return only fully in September 2020, this is only 10 audits less than the previous year. We continued to be impacted by headcount vacancies during the year (see section 7 below).

Annual Audit ratings



- 4.10 Excluding memorandums, the percentage of audit reports that were poorly controlled or requires improvement has increased from 63 per cent (2019/20) to 82 per cent (2020/21). This compares with 48 per cent (2018/19) and 34 per cent (2017/18). The reasons for this increase are being assessed and consideration given to whether the coronavirus pandemic has contributed to this as many processes had to be suspended or changed to deal with the circumstances the business found itself in. We feel this is reflective of the revision to the plan in September 2020 to focus on high risk areas and specifically audits around coronavirus pandemic activities such as changes to working practices, procurements and expense claims.

Assurance Activity

- 4.11 The chart below summarises the ratings arising from work completed at the second and third line of assurance by our various Risk and Assurance teams, by reference to the related Enterprise Risk. More detailed information in relation to the internal audits completed against each of the Enterprise Risks can be found in Appendix 1. IIPAG also perform reviews at third line and these are reported by them in a separate paper on the agenda.

2020_21 Assurance Activity								
	←2nd line assurance			Total	←3rd line assurance			Total
ER1 Major health, safety or environmental	3	2	13	21	1			1
ER2 Protecting the wellbeing of TfL's workforce					1	2		3
ER4 Cyber and protective security		14	5	19	3			3
ER6 Loss of stakeholder trust	1			1				
ER7 Financial sustainability					6	2	6	14
ER8 Delivery of key projects and programmes	4	16		20				
ER10 Inability to support new ways of working					1			1
R11 Disparity leading to unequal or unfair outcomes					1			1
ER12 Asset condition	2	3	2	4	2			13
ER13 Governance and controls suitability	1			1	3	1	1	5
ER14 Opening of the Elizabeth Line					4	1		9
LTM	1			1	1			1

Audit rating/PA review outcome

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

4.12 The following paragraphs highlight some of the findings from the audit and assurance work carried out in 2020/21.

ER7 – Financial Sustainability

4.13 Audits under this risk heading cover a wide range of activities, including basic financial control as well as procurement/ commercial processes, comprised 37 per cent of the plan. Additional financial controls around expenditure and cash flows were implemented due to TfL's financial position following the impacts of the pandemic on TfL revenue.

4.14 During 2020/21 TfL has continued to progress a transformation programme aimed at strengthening governance and controls in the Procurement and Supply Chain area and IIPAG reported during the year on the progress made. As IIPAG were undertaking strategic work on this transformation, the Internal Audit work was pushed back so that it could consider IIPAG's findings in its work and Terms of Reference. This audit therefore started during the latter part of Q4 and will conclude in Quarter 1 of 2021/22.

4.15 As part of our collaboration, IIPAG will carry out further work on the strategic issues associated with this transformation, once we have completed our audit in this area. We also will look at the Procurement Improvement Plan in real time during the 2021/22 financial year.

4.16 Also, under this risk there were three memorandums covering grants to TfL and two audits on the TfL pension plan. The grant audits have enabled TfL to certify £9.6m of expenditure for providing additional dedicated school buses, improving traffic flow on the A2 and reducing transport carbon emissions via the use of solar panels. The certification enabled TfL to cover the costs of providing these schemes. Other audits included: Use of Whole Life Costings (WLC) in Procurements (Technology and Data) which found there was no standardised WLC model in use; Procurements during COVID-19 showed that audit trails in the procurement process were absent and

verified approvals were not in place; despite the challenges of the pandemic the London Underground (LU) Modernisation Plan audit did not identify any issues and is on track to exceed the target savings of £183m for the 2020/21 financial year.

ER8 – Delivery of the TfL Key Investment Programme

- 4.17 The primary source of assurance over delivery of the TfL Investment Programme is through the work of the Project Assurance team. The team carries 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.
- 4.18 During the year the team undertook 54 assurance reviews, these consisted of 14 sub-programme reviews and 40 project reviews. This is around 40 per cent lower than in previous years due to the impacts of the coronavirus pandemic, these include staff being on furlough, projects being Safe Stopped and the uncertain capital funding situation. Summaries of the findings from the assurance reviews undertaken have been included in the Risk and Assurance quarterly reports to the Committee.
- 4.19 There are a number of key themes highlighted by the Project Assurance team's work during the year, including the following:
- (a) Availability and capability of commercial resources are of particular concern, this appears to be compounded by seemingly higher than normal staff turnover. Project Assurance have also identified similar concerns, but currently to a lesser degree, affecting engineering, risk management and planning resources. As a result of their findings over the last year Project Assurance have adjusted their continuous assurance reporting process to ensure they capture and can monitor resourcing issues that arise across the capital investment programme.
 - (b) Due to the financial challenges the business has faced over the previous year, and continues to face, Project Assurance have applied more focus to the financial management of projects. As a result, over the last year the team has made a number of recommendations to ensure that there is increased robust financial management in place for projects.
 - (c) There has been limited progress seen over the year in improvements on the quality and consistency in preparing business cases and demonstrating clear value for money. An improvement plan is underway in the Investment Delivery and Planning Directorate to address this but we have yet to see the benefit of these improvements. IIPAG intend to look at value for money in an upcoming review.

ER1- Major health, safety or environmental incident or crisis, ER3 - Major Service Disruption and ER12 Asset Condition Unable to Support TfL Outcomes

- 4.20 The Integrated Assurance team delivers the majority of our assurance over these three risks. Much of the work focused on the implementation of the Safety, Health and Environment (SHE) management system and asset engineering quality management.

- 4.21 Two of the audit reports issued by Integrated Assurance during the year were concluded as 'poorly controlled', as follows:
- (a) Audit of Vegetation Management in LU – this was a revisit following a 'poorly controlled' audit the previous year. Significant actions in the previous audit had not been fully embedded into ongoing management activities resulting in a backlog of corrective works orders and preventative maintenance. All actions from this audit have been closed.
 - (b) Audit of LU Earth Structures Inspector Competence - non-conformances were identified in the production of competence records in accordance with internal standards and legal requirements.
- 4.22 We have continued the roll out the programme of Integrated Systems Audits following some delays due to social distancing limitations. These short, focused audits, initially within LU Operations, are now also being rolled out into Asset Operations to test local compliance with critical elements of the management system, including SHE, security, competence and financial controls. The trends and lessons learnt identified from this work have been well received by management.
- 4.23 A specific request was made for the Integrated Assurance team to conduct a risk review of sites where LU shares operational track with Network Rail and other train operating companies. This followed a near miss incident involving a Chiltern Railways train earlier in 2020 and involved other organisations where LU is either the asset maintainer or train operator. The actions from this report will introduce improved means of sharing assurance between LU and external duty holders
- 4.24 The Internal Audit team completed one memorandum around the adequacy of the SHE management system. There will be a follow up audit on this topic in the 2021/22 plan. The audit on Fatigue Risk Management was in draft report stage at the end of Q4 and will be reported at the next Committee meeting.

ER2 – Protecting the Wellbeing of our Employees

- 4.25 Three audits were included under this risk, two of which were on the Work-Related Violence and Aggression Strategy. There is a programme of work being undertaken by the business in this area and all of our recommendations and actions will be implemented as part of this. The Compliance, Policing, Operations and Security Directorate has made significant progress in updating conflict management training and support in line with the strategy.
- 4.26 The remaining audit reviewed TfL's Return to Work Strategy for the short term prior to a more orchestrated return after restrictions are lifted. We found that the project was being managed well and that TfL had implemented the measures proposed by the government guidelines. Issues were raised around meeting minutes and actions not being adequately documented but these were corrected during the course of the review. Some further work on this topic is scheduled for the 2021/22 plan to look at the long-term approach post coronavirus pandemic conditions.

ER13 – Governance and Controls Suitability

- 4.27 Included under this heading were audits of the TfL Management System and the Furlough Process. The audit on the management system found that there was

duplication of information due to lack of controls and a large number of documents were overdue for review. The original furlough process was prone to errors and the business areas surveyed reported significant challenges in ensuring that accurate furlough information was provided at the start. Checks of employee activity to ensure adherence to furlough rules were not conducted by managers. Both audits were concluded as Requires Improvement.

ER4 – Major Security Incident

- 4.28 All three of the internal audits under this risk heading were concluded as Requires Improvement. All of the audits covered Technology and Data, with one audit reviewing the management of remote working during lockdown and subsequent working from home for the majority of staff where Display Screen Equipment assessments were of particular concern. The End User Computing audit found there was no asset management governance framework and controls are focused on data controls not physical assets. A number of the policies and procedure in this area were found to be out of date. The Cloud Computing governance audit showed that Cloud-related risks discussed in service review meetings are not being actively transferred and managed in the Technology Service Operations risk register.
- 4.29 The Integrated Assurance team have provided a team member on a six-month secondment to the Security team to assist in the formation of TfL's security strategy using risk and assurance principles. Integrated Assurance was involved due to the security qualifications and experience of an individual within the team. The applicable security qualifications are a requirement to undertake PCI compliance assessments.
- 4.30 The initial work was to establish appropriate governance for the development work using good practice and industry guidance. TfL's security risks have been documented at the enterprise level to clearly describe the causes, consequences and controls and risk ratings. Risks have been assigned accountable directors and risk owners and will be supplemented by business specific strategic and tactical risks.
- 4.31 Working with external security experts and internal subject matter experts, the Integrated Assurance team assisted with the development of a road map of how TfL can improve security culture maturity in TfL, based around a model of what a good security culture in TfL would look like alongside a Security Policy and Security Communications Strategy. The conclusion of our work has been contributing to the proposal that will be put before the TfL Security Executive Group regarding future direction and funding. Integrated Assurance has allocated audit resource in 2021/22 to assess the level of implementation and compliance by TfL teams.

ER14 – Opening of the Elizabeth Line

- 4.32 Crossrail has established a three-lines model for assurance over delivery of the project. TfL Internal Audit provides third line assurance and, as of January 2021, also by a sub-group of IIPAG.
- 4.33 Second line assurance is provided by Crossrail's own Project Assurance team, and further assurance delivered by the P-Rep and independent advisors
- 4.34 Our audit work in Crossrail recommenced in Quarter 2 and by the year end we had issued nine audit reports, four of which of which were concluded as Requires

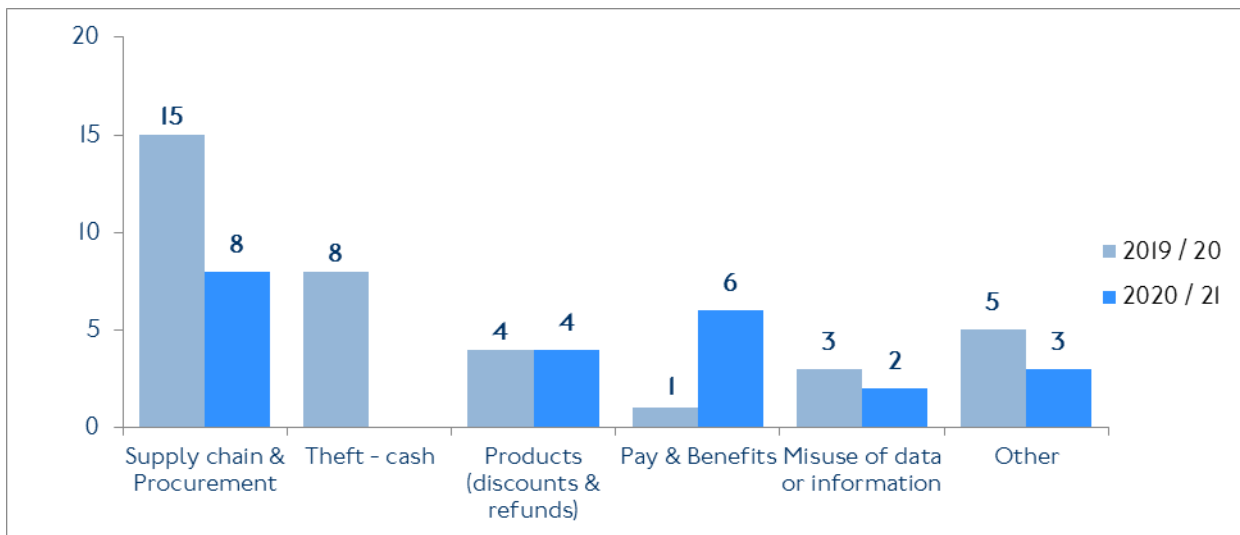
Improvement. The audit conclusions reflect the rapidly changing nature of the programme and lack of expected controls. A more in-depth view is provided in a separate paper covering Elizabeth Line Assurance elsewhere on the agenda.

Counter- Fraud and Corruption

4.35 The Counter-fraud and Corruption team have managed 23 new cases during 2020/21, compared to 36 in the previous year. This reduction in the number of cases does not reflect a reduction in the number of referrals to the team, which has remained high, despite the pandemic. The volume of LU ‘revenue related’ case referrals was particularly low, as a direct result of reduced ridership and collected revenues.

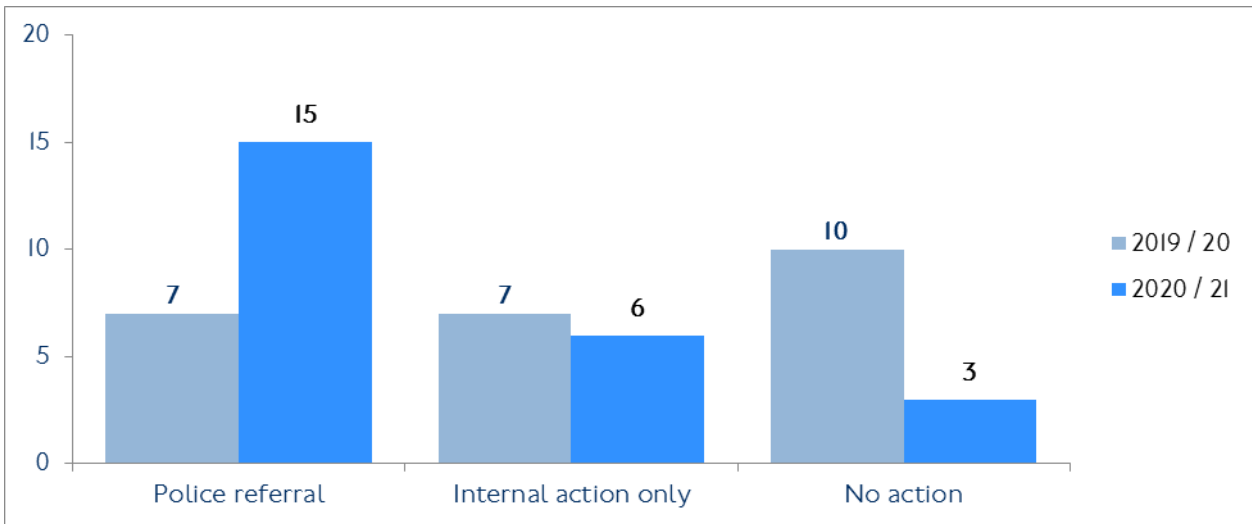
4.36 A new Fraud and Corruption Investigations Manager was recruited to the team in April 2020. The team will further strengthen in 2021/22 with the appointment of a Data Analyst, who will also support the Risk and Assurance Directorate with data analytics.

4.37 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 2020/21 and comparative figures for 2019/20 are shown below.



4.38 Of the 23 new cases opened in 2020/21, seven (30 per cent) have already been referred to Police for prosecution; there was insufficient evidence to refer two cases and decisions regarding the remaining 14 have yet to be made. In comparison, of the 36 cases opened in 2019/20, 23 (64 per cent) were referred to Police for prosecution. The number of closed cases, that have proceeded to Police, has again increased compared with previous years. Convictions secured, in collaboration with law enforcement, have also continued to grow, highlighting the efforts made by the team to build and maintain effective relationships with law enforcement agencies. 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.

4.39 During the year a total of 24 cases were closed (2018/19: 24 cases), including six cases opened during the financial year 2020/21 and 18 cases brought forward from previous years. The outcomes of these cases are summarised as follows.



4.40 The Counter-fraud and Corruption Steering Group continues to meet regularly, chaired by General Counsel, and consisting of senior managers from across the organisation. The Group leads and supports the delivery of our Counter-fraud and Corruption strategy and monitors the progress and delivery of fraud prevention initiatives and activities.

4.41 Our Counter-fraud and Corruption 'Action Plan 2019-21', approved by the Executive Committee in December 2019, will be reviewed and updated in 2021/22. The 2019-21 plan has underpinned 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 continues to be made on many of the activities within the current plan including:-

- (a) the remote hosting of our 'Fraud Awareness week' in November 2020, including the use of a 'click-bait' intranet article, resulting in over 4,000 views and healthy debate about online fraud and phishing scams;
- (b) the development and rollout of our 'Bribery Act' e-learning course, which is now available to all TfL employees;
- (c) working alongside our Commercial and Legal teams to finalise a revised Procurement Policy and Management Procedure, including references to countering fraud and corruption within end-to-end processes;
- (d) the continued use of our in-house social media platforms, Yammer, and SharePoint 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;
- (e) working with the TfL Press Office to prepare pro-active press releases of those convicted of fraud against TfL, designed to deter others; and

- (f) working with TfL stakeholders, subject matter experts and business areas to improve controls through fraud risk prioritisation exercises and the completion of controls reports highlighting weaknesses identified during our fraud and corruption investigations.

Steering Group Participation

4.42 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.

Integrated Assurance Summary

4.43 In total Integrated Assurance completed 56 assurance assignments in 2020/21, these comprised of:

- (a) 32 audits against risk ER1 'Major health, safety or environmental incident or crisis' (this includes 13 Integrated Systems audits, see 4.4 below);
- (b) 13 'Integrated Systems' audits (assessing operational teams' compliance with a range of management system requirements including SHE, competence and finance);
- (c) 16 audits of TfL asset quality and compliance with internal or industry standards against risk ER12 'Asset condition unable to support TfL outcomes'; and
- (d) 18 PCI DSS compliance audits, against risk ER4 Major security incident.

4.44 Of these audits, six were concluded as 'well controlled', 20 'adequately controlled', six 'requires improvement' and two 'poorly controlled'. Twenty-one audits were not concluded, the majority of these were the 13 'Integrated Systems audits' which are not concluded as they cover a wide range of subjects and risks making a single conclusion misrepresentative. However, more detailed analysis of trends and lessons learnt are provided quarterly to the Operations leadership team on the 'Integrated Systems audits'.

4.45 Due to the nature of our assurance work being at the second line of defence, the most commonly occurring findings relate to non-compliances with TfL management systems, industry standards or legal requirements. The most common causes behind the non-compliances are ineffective monitoring or assurance regimes, out of date management system documents or gaps in the procedure documents, record keeping or incomplete competence management arrangements. Following the introduction of new audit software in 2021, we will begin codifying all findings in the database from April 2021 allowing for greater trend analysis by Directorate or risk in the future.

4.46 A significant piece of work in 2020/21 was the provision of consultancy services to support the development of the TfL security strategy and culture. This is discussed under the section 'ER4 – Major security incident' above.

5 Quality Assurance and Improvement

- 5.1 In accordance with PSIAS, 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 We carried out our annual assessment during January - February 2021. The self-assessment involves a review of Internal Audit's performance against the requirements of the Chartered Institute of Internal Auditors' (IIA) International Professional Practice Framework. We selected a sample of audits for review at random and included 40 per cent of audits completed since the introduction of our revised processes in December 2019.
- 5.3 Overall, the 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 2040: Policies and Procedures - Audit Manual requires review as guidance on a number of key areas is missing;
 - (c) Standard 2240: Engagement Work Programme / Standard 2320: Analysis and Evaluation / 2330: Documenting Information - Inconsistent adherence to defined process; and
 - (d) Standard 2410: Criteria for Communicating: Inconsistent documentation of closing meetings.
- 5.4 A number of recommendations were made to achieve full compliance and improve the overall effectiveness of the function. The recommendations and the status of the actions are summarised in Appendix 2.
- 5.5 We will monitor the completion of these recommendations, and report progress to the Committee annually.

6 Risk and Assurance Strategy

- 6.1 As last year's Annual Report indicated, the activity related to the 2018 Risk and Assurance strategy has now been imbedded as business as usual.
- 6.2 Further improvements have been made in improving collaboration between the teams and the sharing of key information between all three lines of defence. The benefits of this are now beginning to be seen and this will be built on further over the coming year.
- 6.3 The Pentana audit management system went live in February 2021 and is now being used effectively in the Directorate. The system has the capability to improve exporting of data into Power BI which will be fully utilised in the coming year.

- 6.4 Now that the new Interim Director of Risk and Assurance is in post, she has plans to engage with staff and stakeholders so that improvements to processes and removal of any barriers to more effective working and performance can be identified. Key updates on this work will be provided to the Committee in the Directorate's Quarterly Reports as appropriate during the course of the year, with full details provided as part of next year's Annual Report.

7 Resources

Headcount

- 7.1 We began the financial year with 10 vacancies across the Risk and Assurance Directorate. During the year, the two key Subject Matter Expert roles in Project Assurance were successfully filled, as were a number of secondments to cover maternity, paternity and Armed Forces reservist duties across the team. The TfL headcount controls process has been rigorously applied and so vacancies are only being filled when essential and as workload and business need requires. As such, at the end of the year there were eight vacancies which were at different stages of being recruited for or on hold for the time being.
- 7.2 As reported to the Committee at various points, the Directorate made use of the Government's Coronavirus Job Retention Scheme (furlough) between 27 April and 31 October 2020. Overall, 71 per cent of the Directorate were furloughed at one time or another. The only team unaffected by furlough were the Counter-fraud and Corruption team who were fully staffed throughout that period.
- 7.3 Staff turnover reduced from 28 per cent in 2019/20 to eight per cent in 2020/21, which has provided more stability for the Directorate. Some churn of staff is always expected however it is good from a management perspective that turnover has now levelled off and more people are remaining in the team.

Staff Training and Development

- 7.4 All Internal Audit staff are expected to have, or work towards, a relevant audit qualification from a recognised certification body (eg the IIA). Auditors with an IT specialism are required to obtain the Certified Information Systems Auditor certification from Information Systems Audit and Control Association. 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.
- 7.5 Staff have various requirements for Continuing Professional Education associated with their professional qualifications. Additionally, we agree and monitor individual training and development plans for members of staff through the performance management process.
- 7.6 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

- 7.7 During the year we have utilised co-sourcing contracts consisting of two external providers, for delivery of Technology and Information Security (TIS) audits due to a lack of internal resource. The quoted costs and quality of the work has been variable and we are looking to reduce our dependence on the co-source providers by recruiting TIS auditors.
- 7.8 Separately, a co-sourcing contract has been used for delivery of part of the audit plan for audits in relation to the Elizabeth line with variable results. From August 2021 we intend to use two fixed term contractors to deliver the work as the reduced size of the plan makes this possible as the programme draws to a close.

Secondments

- 7.9 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.
- 7.10 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 2020/21 the return rate for completed feedback questionnaires was 34 per cent, across both the Internal Audit and Integrated Assurance teams. This represents a considerable decrease over the 63 per cent achieved in 2019/20. The summary of scores received in the year, and in previous years, is as follows:

Scores	Very Poor %	Poor %	Satisfactory %	Good %	Very Good %
2020/21	4%	6%	13%	23%	55%
2019/20	0%	3%	16%	34%	47%
2018/19	0%	0%	9%	41%	50%

- 8.3 The majority of respondents continue to be satisfied with the way we carry out our work, although the low return rate makes it difficult to draw any meaningful conclusions for comparison with previous years. All feedback which is less than satisfactory is followed up by Risk and Assurance management to ensure the concern is understood, discussed with the relevant team and lessons learned where appropriate. Of the four audits rated Poor or Very Poor, three were conducted by our co-source providers and we have held discussions to make them aware of this. On the fourth audit, after an investigation it was determined that the concerns raised were not valid.

List of appendices to this report:

Appendix 1: Overview of Internal Audit Work 2020/21

Appendix 2: Internal Quality Assurance and Improvement Action Plan

List of Background Papers:

Audit reports.

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Transport for London Audit and Assurance Committee

Overview of Internal Audit work completed during year ended 31 March 2021

Appendix 1

- Thirty-eight Internal Audit reports issued, no audits concluded as Poorly Controlled.

Enterprise Risk	Directorate	Ref	Audit title	Summary of Finding	Conclusion	Priority		
						H	M	L
ER1 Major SHE incident or crisis	London Underground	20 002	Adequacy of the HSE Management System	<p>Issues identified include the following:</p> <ul style="list-style-type: none"> - There is an absence of a direct link to the SHE and TfL management systems from the TfL intranet homepage. - Guidance for lone working could only be located for London Underground. - Lack of assurance and management system reviews, which is not in line with ISO standards. 	Memo	0	0	0
ER2 Protecting the wellbeing of our employees	Finance	20 003	Post Covid-19 return to work strategy	<p>Issues identified include the following (corrective action has already been taken in the majority of cases):</p> <ul style="list-style-type: none"> - Minutes of strategic and tactical meetings were not being formally documented or reviewed at the beginning of the next Recovery and Reoccupation meeting. Furthermore, decisions taken and action agreed were also not being recorded or tracked. - The Activity Plan tracker had some action due dates missing and in many cases the completion status was not filled out. - The Reoccupation Communications Plan did not include how the effectiveness of desired outcomes and changes in behaviour would be measured, or the data for this evaluation and its method for collection. - The Recovery and Reoccupation risk register had not been adequately completed, with risks connected to eight outcomes and their supporting activities not having been identified. 	Memo	0	0	0

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Enterprise Risk	Directorate	Ref	Audit title	Summary of Finding	Conclusion	Priority		
						H	M	L
ER2 Protecting the wellbeing of our employees	Surface Transport	20 000	Work-Related Violence and Aggression Strategy-Reporting	<p>There were three medium and two low priority issues identified. The medium priority issues were as follows:</p> <p>1) The general updates capture some elements of the twenty-three actions, indicators and expected improvements, but it is difficult to assess full progress as reporting against all three elements is not systematic or consistent.</p> <p>2) Inconsistent categories and types of violence and aggression in reporting forms.</p> <p>3) Assembly and analysis of data for reporting to the Safety, Sustainability and Human Resources Panel requires further standardisation and consistency.</p>	Requires Improvement	0	3	1
	Surface Transport	20 001	Work-Related Violence and Aggression Strategy-Training	<p>The Compliance, Policing, Operations and Security Directorate has made significant progress in updating conflict management training and support in line with the Work-related Violence and Aggression Strategy and has made available a variety of resources. There is an opportunity for this good practice to be shared with all operating partners and business areas across TfL, and for a consistent approach to be implemented before all processes are updated.</p>	Memo	0	0	0
ER4 Major security incident	Customers Communication & Technology	19 408	The strategic approach to cloud computing governance	<p>Cloud-related risks discussed in service review meetings are not being actively transferred and managed in the Technology Service Operations risk register.</p> <p>Risks relating to TfL's SAP ERP system migration to the cloud could crystallise once the system goes live as flow through of risks is lacking between risks discussed in service review meetings and other risk documentation produced by the current managed service provider.</p>	Requires Improvement	2	4	1

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Enterprise Risk	Directorate	Ref	Audit title	Summary of Finding	Conclusion	Priority		
						H	M	L
ER4 Major security incident	Customers Communication & Technology	20400	End User Computing (EUC) hardware stock management	<p>An EUC asset management governance framework is not formalised and the processes and procedures that currently exist are focused on data controls and not the management of physical assets.</p> <p>A number of EUC Asset Management policies and procedures are outdated and do not reflect the process currently being followed.</p> <p>Control weaknesses exist regarding the logical security of EUC assets – desktops, laptops and tablets - as BitLocker device encryption is currently not configured in line with best practice.</p> <p>Control gaps were noted regarding the assignment of asset tags which serves to identify the EUC assets for tracking, inventory and accountability purposes, as the current IT Service Management tool, Remedy, is misconfigured and not appropriately used.</p>	Requires Improvement	4	1	0
	Customers Communication & Technology	20401	Remote Working Arrangements	<p>The criteria to determine the need for a Display Screen Equipment (DSE) Assessor is not documented. A list of DSE Assessors is maintained but it is unclear how many are actually performing the role.</p> <p>Sample testing revealed gaps in the audit trail supporting the DSE assessment process overseen by the DSE Assessors.</p> <p>Sample testing revealed instances where individuals had not raised DSE assessments on PACE before requesting equipment, and User Action Reports had not been updated before or after receipt of equipment.</p>	Requires Improvement	0	3	3

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Enterprise Risk	Directorate	Ref	Audit title	Summary of Finding	Conclusion	Priority		
						H	M	L
ER7 Financial sustainability	Customers Communication & Technology	20 109	Clean mobile energy (fifth review)	<p>Total cost certified is €20,638.21 and covers the period 1/1/20 - 30/6/20.</p> <ul style="list-style-type: none"> - Expenditure claimed was in line with rules and complies with conditions of the grant. - Expenditure is related to activities in line with the application form. - No evidence of infringements of rules or double financing of expenditure was identified. 	Memo	0	0	0
	Customers Communication & Technology	20 115	Clean mobile energy (sixth review)	<p>Total cost certified is €18,987.88 and covers the period 1/7/20 - 31/12/20.</p> <ul style="list-style-type: none"> - Expenditure claimed was in line with rules and complies with conditions of the grant. - Expenditure is related to activities in line with the application form. - No evidence of infringements of rules or double financing of expenditure was identified. 	Memo	0	0	0
	Finance	19 012	Budget Planning and Forecasting (ST)	<p>There was no consistency in the approach to the budgeting and forecasting process. The level of communication and support can vary greatly.</p> <p>The introduction of new finance systems in parallel with organisational change increases the risk that resource is placed under further pressure and existing support provided to budget holders is reduced further. A more structured internal approach to business communication is required.</p> <p>Business Partners need to develop a better understanding and knowledge of the areas they cover. Based on our work earlier this year, and ongoing engagement with the management team we are satisfied that the Finance team is planning to address the weaknesses noted above.</p>	Memo	0	0	0

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Enterprise Risk	Directorate	Ref	Audit title	Summary of Finding	Conclusion	Priority		
						H	M	L
ER7 Financial sustainability	Finance	19 405	Use of Whole Life Costings in Procurements (T&D)	<p>There is no standard Whole Life Costing Model currently in place which covers the full lifecycle of a procured or prospective IT service from tender to decommissioning. It was noted that there is a lack of formalised project documentation, charter and approval for its development; in particular, timelines and resources have not been formally determined, assigned and signed off by senior management.</p> <p>We noted there is not a standardised model across the projects assessed in the audit, with all four projects assessed using different cost models.</p> <p>We could not see evidence of a consistency of approach in relation to documentation and consideration of risks related to costing at the project level.</p>	Requires Improvement	4	2	0
	Finance	19 609	Management of the ONE Facilities Management (FM) Contract	<p>A lack of strategic support for harmonisation of data, accuracy of data, processes, clarity of communication, roles and responsibilities means an increased risk of ineffective service delivery causing operational and financial uncertainty.</p> <p>Asset data is unreliable and incomplete due to multiple systems being used across TfL and an attempt to present data in a single format to suppliers without validating accuracy which has resulted in significant time being spent to get the supplier aligned to the actual requirements. This has presented a safety, controls and financial risk to TfL.</p> <p>Failure to document TfL requirements comprehensively and in a consistent way has resulted in contractual arrangements that are not aligned to TfL requirements and there has not been sufficient planning put in place to ensure lessons are learned for future tenders. This increases the financial risk to TfL.</p>	Requires Improvement	1	2	0

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Enterprise Risk	Directorate	Ref	Audit title	Summary of Finding	Conclusion	Priority		
						H	M	L
ER7 Financial sustainability	Finance	20 100	TfL Scorecard	<p>Two recommendations for improvement were made as follows:</p> <ul style="list-style-type: none"> - More specific measure to gauge year on year increases in walking, cycling and use of public transport to meet the Mayoral target by 2041. - Training on Weighted Bus Customer Journey Time calculations to ensure knowledge retention. 	Memo	0	0	0
	Finance	20 102	LU Expense Claims during Covid-19	<p>The medium priority issues identified are as follows:</p> <ul style="list-style-type: none"> - Lack of a strategic approach across London Underground (LU) functional areas in communicating mileage claim controls to senior managers. - Controls and checks introduced in Network Operations for reimbursing mileage claims were not adequately enforced by senior management. - Absence of clear guidance and insufficient vigilance to spending controls by approving managers for the Covid-19 expenses category. 	Requires Improvement	0	3	0
	Finance	20 607	Procurement during Covid-19	<p>Lack of clear audit trail from requisition to release of Purchase Order.</p> <p>Use of Materials Requirement Planning process does not provide a clear audit trail of who approved a Shopping Cart.</p> <p>Use of Single Sourcing not adequately controlled or documented.</p> <p>A number of instances were noted where papers submitted for approval did not capture signatures from budget holders or include any form of electronic confirmation from them.</p>	Requires Improvement	0	7	0

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Enterprise Risk	Directorate	Ref	Audit title	Summary of Finding	Conclusion	Priority		
						H	M	L
ER7 Financial sustainability	Human Resources	20105	Pension Contributions - TfL Pension Fund (Inc AVCs)	<p>The high and medium priority issues identified are as follows:</p> <ul style="list-style-type: none"> - There was no control in place whereby access rights, for users with Display and Maintain access to SAP payroll and pension data, were periodically reviewed for appropriateness. - SAP exception reports have not been used on pension data. - There was no routine process or internal control in place to identify pension fund members who are not recorded as a member or non-member. - Pension contributions are not transferred to the Pensions team in a timely manner, impacting when investments are made. 	Requires Improvement	1	3	4
	Human Resources	20114	Pension Contributions – TfL Savings for Retirement Plan	<p>The high and medium priority issues identified are as follows:</p> <ul style="list-style-type: none"> - There was no control in place whereby access rights, for users with Display and Maintain access to SAP payroll and pension data, were periodically reviewed for appropriateness. - SAP exception reports have not been used on pension data. 	Requires Improvement	1	1	3
	London Underground	20005	LU Modernisation Programme Phase 1	<p>The audit did not identify any issues. For the four years up to 2019/20 the savings target was exceeded by £181m. Due to the coronavirus pandemic, the target for 2020/21 was revised in Period 3 to £183m as a number of the workstreams were suspended. The forecast for year-end savings at Period 9 is £184.1m, slightly in excess of the revised budget.</p>	Well Controlled	0	0	0

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Enterprise Risk	Directorate	Ref	Audit title	Summary of Finding	Conclusion	Priority		
						H	M	L
	Surface Transport	20 007	Governance of the Lane Rental Scheme	The processes evidenced throughout this audit identified that there is generally a sound system of internal control designed to meet the organisation's objectives with regard to the use of surplus funds generated by the Lane Rental Scheme.	Well Controlled	0	0	0
ER7 Financial sustainability	Surface Transport	20 101	Certification of the A2/M2 Connected Corridor Project Costs	Total cost declared, and certified, is €462,059.70 Exceptions identified include: - One contract award notice out of five could not be located for the specific contract lot used in the procurement; - Personnel costs were initially overstated by €18,682. The implementing body agreed to remove these costs from the financial statements.	Memo	0	0	0
	Surface Transport	20 104	LIPS Scheme for Hillingdon Borough	Our review established that adequate action has not been taken in response to an external complaint. A key finding was that a financial audit of a sample of borough's schemes each year is undertaken by ST Finance. Transformation and the resulting personnel changes in ST Finance have affected this process, and it has not been completed in recent years. An audit on Payments to Local Authorities using the Borough Portal was recently completed, and this has also identified a number of control improvements in Network Sponsorship.	Memo	0	0	0

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Enterprise Risk	Directorate	Ref	Audit title	Summary of Finding	Conclusion	Priority		
						H	M	L
ER10 Inability to support new ways of working	Customers Communication & Technology	19 410	Active Directory Controls: Follow-up	Of the 22 identified issues identified as part of the 2016 IA15-421 audit, five high priority issues remain relevant: No design documentation has been developed to support or justify the current Active Directory (AD) design model; The EUC team risk register has not been updated since 2017; There is no recovery test plan and the AD IT disaster recovery plan has never been tested; Quest ActiveRoles Server (Quest ARS) is being by passed, with administrators making changes directly through PowerShell, uncontrolled modifications to AD; and A test showed TFLMO Forest's functional level is 2008 R2. Which is listed for end of life by Microsoft and therefore increases the risk to TFLMO as Microsoft will no longer be offering patch and security support as standard.	Requires Improvement	5	2	0
ER11 Disparity leading to unequal or unfair outcomes	Human Resources	20 111	Adequacy of Business Rules Governing Performance Awards	Our review established that TfL's Senior Manager Reward Framework – Payband 4 & 5 Business Rules have been adequately designed. Two minor recommendations were made, and agreed, that will help in strengthening the control environment.	Memo	0	0	0
ER13 Governance and controls suitability	Finance	19 622	CPC Contract Management Review	One Low priority issue was identified. Several areas where the processes could be strengthened, in particular the documentation of the operation of these controls, to form part of a robust audit trail.	Adequately Controlled	0	0	1
	Finance	20 103	Furlough Process	Three medium priority issues: - Residual errors in furlough data; - Ensuring adherence to furlough rules; - Transition of furlough process.	Requires Improvement	0	3	1

Transport for London Audit and Assurance Committee

Enterprise Risk	Directorate	Ref	Audit title	Summary of Finding	Conclusion	Priority		
						H	M	L
	General Counsel	20 112	TfL Management System (TMS)	<p>The high priority issues identified were as follows:</p> <ul style="list-style-type: none"> - An absence of a recent executive mandate for the TfL Governance Framework and consequently the TMS. - A lack of controls for SharePoint sites resulting in information being duplicated or replicated from the TMS. - Review requirements not being met or prioritised by business areas risks inaccurate or irrelevant standards, policies and procedures being used. - A large volume of documents in the TMS library are overdue for review. Automatic reminder notifications from the TMS have been disabled and there is no risk based approach on where to concentrate efforts. 	Requires Improvement	4	1	0
ER13 Governance and controls suitability	General Counsel	20 602	The Brydon Report: Relevance and application to internal audit at TfL	<p>The Brydon report is in the majority not applicable to Internal Audit. Our assessment of the 64 Report recommendations has concluded that currently 58 are not applicable to TfL, one is complied with fully, four are partially complied with and one is not complied with. Which is that 'The board should make a Resilience Statement that incorporates, enhances and builds on the [current] Going Concern and Viability Statements'. The Brydon report is still under review by Government and therefore we do not recommend any immediate action need be taken.</p>	Memo	0	0	0
ER13 Governance and controls suitability	Surface Transport	19 006	Payments to Local Authorities using the Borough Portal	<p>The medium priority findings were:</p> <ul style="list-style-type: none"> - Lack of borough compliance with published guidance in respect of reporting. - The claims approval process should include evidence that payment is linked to Local Implementation Plans (LIP) scheme progress. - A LIP scheme tracker system should be introduced to monitor progress on LIP schemes and associated costs. - Guidance should be introduced for LIP Sponsors to ensure consistent ways of working and standards. 	Requires Improvement	0	9	0

Transport for London Audit and Assurance Committee

Enterprise Risk	Directorate	Ref	Audit title	Summary of Finding	Conclusion	Priority		
						H	M	L
				<ul style="list-style-type: none"> - Introduce a protocol around IT changes so the business is informed in advance of change implementation. - Refresh portal guides to reflect the new look portal system. - A suite of periodic financial reports should be issued to LIP Sponsors. - Dashboard style reports should be introduced to provide senior management with an overview of scheme progress and to aid strategic decision making. - Improve communications with boroughs on LIP schemes. 				
ER14 Opening of the Elizabeth Line	Crossrail	19 129	Crossrail Complaints	<p>Accounts of the Crossrail Complaints Commissioner, in all material aspects, accurately reflect the receipts and payments during the financial period ended 31 March 2019.</p> <p>In addition, in all material aspects, the accounts comply with the Accounts Directions issued on behalf of the Crossrail High Level Forum.</p> <p>This review and report were delayed due to the coronavirus pandemic.</p>	Memo	0	0	0
ER14 Opening of the Elizabeth Line	Crossrail	19 501	Adequacy of the Supply Chain Assurance Framework	<p>Terms of reference and Responsible, Accountable, Consulted and Informed matrices for the Visualisation Board meetings have not been defined.</p> <p>Forecast due dates for actions were not being updated and they were not being discussed in order of severity.</p>	Requires Improvement	0	4	1
ER14 Opening of the Elizabeth Line	Crossrail	19 504	Consents Compliance Governance	<p>The high priority issues were:</p> <ul style="list-style-type: none"> - Consents registers were not up to date Serious Incident Event Review reports were not completed in a timely manner. 	Requires Improvement	0	2	1

Transport for London Audit and Assurance Committee

Enterprise Risk	Directorate	Ref	Audit title	Summary of Finding	Conclusion	Priority		
						H	M	L
ER14 Opening of the Elizabeth Line	Crossrail	19 506	Governance and Organisational Effectiveness	<p>Governance, Visualisation and Programme Risk systems are not integrated to the extent they provide management with, or support, the assessment of a single version of the truth, often working in isolation of each other.</p> <p>Terms of reference are documented but need to be revisited to ensure outputs continue to reflect actual practice, and that the escalation process is clear.</p> <p>Management information is heavily focused on the presentation of statistical and schedule type metrics but a supporting narrative is often missing.</p> <p>Committees frequently use action logs as their main output, but these are not developed enough to offer an appropriate record of the management decisions made, or the direction being provided.</p> <p>Programme risk management needs to be re-incorporated into committee agendas, visibility and review of risk at committee level is currently poor.</p>	Memo	0	0	0
ER14 Opening of the Elizabeth Line	Crossrail	19 509	Counter fraud assurance	<p>Three high priority issues were noted as follows:</p> <ul style="list-style-type: none"> - Functional areas do not use Crossrail's Risk Management process to manage risks and risk of fraud does not appear in Project or Enterprise Risk Registers. - Key policies and Whistleblowing Procedure have the wrong Safeline number for reporting fraud and staff awareness of key policies is low. - There is inconsistent completion of Gifts and Hospitality returns. 	Requires Improvement	3	1	0
ER14 Opening of the Elizabeth Line	Crossrail	19 510	Culture Change	<p>Crossrail is operating without an agreed framework for assessing, managing and monitoring organisational culture.</p> <p>Values statements should be expanded to provide guidance around expected behaviours and best practice at the corporate, directorate and project levels.</p>	Requires Improvement	2	2	0

Transport for London Audit and Assurance Committee

Enterprise Risk	Directorate	Ref	Audit title	Summary of Finding	Conclusion	Priority		
						H	M	L
ER14 Opening of the Elizabeth Line	Crossrail	20 500	Crossrail Complaints Commissioner Accounts	Accounts of the Crossrail Complaints Commissioner, in all material aspects, accurately reflect the receipts and payments during the financial period ended 31 March 2020. In addition, in all material aspects, the accounts comply with the Accounts Directions issued on behalf of the Crossrail High Level Forum.	Memo	0	0	0
ER14 Opening of the Elizabeth Line	Crossrail	20 509	Risk Management	External events including COVID-19 have significantly changed the operating environment for the Crossrail programme. Despite this, there have been areas where the risk management function has been able to make further improvements in Crossrail's maturity, moving the average maturity from Level 1 ("Engaging") to Level 2 ("Happening") in the ALARM framework.	Memo	0	0	0
ER14 Opening of the Elizabeth Line	Crossrail	20 510	Transfer of CRL programme to TfL	Four issues were identified of which two were of medium and two low severity. The medium severity issues were: 1) Arrangements and timeline for developing and agreeing organisational structure post-Trial Running are not yet finalised. 2) Elizabeth line planning considers a number of slippage scenarios, but formal contingency planning in the event Trial Running, Operations, & Passenger Service dates are not met is difficult to identify.	Adequately Controlled	0	2	2
London Transport Museum (LTM)	Customers Communication & Technology	19 130	LTM Fraud Controls	The high priority issue relates to permissions granted to some users of SAP and Futura, the two computerised systems used for procurement, financial management and stock control. These breach segregation of duties controls and allow some users to perform transactions not relevant to their roles.	Requires Improvement	1	8	1

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Quality Assurance and Improvement Update

Appendix 2

Ref.	IIA Focus Area	QAIP Findings	Agreed Action	Status
4	Code of Ethics - Competence	There has been no training budget for several years. Auditors have been encouraged to seek more creative ways to obtain training. A proposal for an annual rolling budget for training was submitted to the previous Director of Risk and Assurance.	Provided approval is obtained, review the team's training needs and create an implementation plan.	In progress
		The Internal Audit Charter has not been reviewed in over three years.	Review the Internal Audit Charter and ensure it is ratified by the Audit and Assurance Committee.	In Planning
2040	Policies and Procedures	The Audit Manual does not currently detail the full breadth of engagements completed. Examples include grant certifications, paper reviews and co-source audits.	The Audit Manual should be reviewed and updated, ensuring the full breadth of engagements, such as grant certifications, paper reviews and co-source audits, are included.	In planning
2130	Control	The Audit Manual does not currently provide any guidance on sampling.	The Audit Manual should be reviewed and updated, ensuring guidance on sampling is included.	In planning

Transport for London Audit and Assurance Committee

Ref.	IIA Focus Area	QAIP Findings	Agreed Action	Status
2200	Engagement Planning	Audits sampled identified that Letters of Engagements (LoEs) had not always been approved for issue by the Head of Internal Audit (HoIA).	The Audit Manual should be reviewed and updated, ensuring it is clearly stated where HoIA approval on LoEs is/is not required.	In planning
2201	Planning Considerations	Audits sampled identified that planning/opening meeting notes were not always on file.	The HoIA to remind staff about the importance of documenting all planning/opening meetings.	Completed
		The Audit Manual does not currently provide any guidance on consultancy assignments.	The Audit Manual should be reviewed and updated, ensuring guidance on consultancy assignments is included.	In planning
2210	Engagement Objectives	Audits sampled identified that it was not always clear risks to the audit area and fraud considerations had been discussed at the planning stage.	The HoIA to remind staff about the importance of documenting discussions of risks to the audit area and fraud considerations.	Completed
		In one case the audit objective was not included on the LoE issued.	The HoIA to remind staff to ensure LoEs include all required information, including the objective of the review.	Completed

Transport for London Audit and Assurance Committee

Ref.	IIA Focus Area	QAIP Findings	Agreed Action	Status
2230	Engagement Resource Allocation	Audits sampled identified that planning dates had not been met in some cases, however no justification or rationale was provided as to why this was the case.	The HoIA to remind staff to ensure planning notes are put on file where planned dates have not been met, explaining the reason why.	Completed
2240	Engagement Work Programme	<p>Audits sampled identified the following issues:</p> <ul style="list-style-type: none"> • A Risk Based Audit Programme (RBAP) was still a work in progress • RBAPs were not always reviewed and/or approved by Senior Internal Audit Managers (SIAMs) prior to fieldwork commencing. • A RBAP was not reviewed by the SIAM before, during or after fieldwork. • A RBAP did not have supporting workpapers embedded within it. • A completed RBAP had not been loaded on the audit system due to an oversight. 	<p>The HoIA will reiterate the importance of reviewing and approving RBAPs:</p> <ul style="list-style-type: none"> • Prior to fieldwork commencing; • After fieldwork has been completed, and before the draft report is issued. 	Completed
			<p>The HoIA to remind staff about the importance of ensuring all RBAPs are fully completed, with appropriate evidence links attached, and retained on the audit system.</p>	Completed

Transport for London Audit and Assurance Committee

Ref.	IIA Focus Area	QAIP Findings	Agreed Action	Status
2330	Documenting Information	The Audit Manual does not currently refer to the Internal Audit Record Management Policy	The Audit Manual should be reviewed and updated, ensuring reference to the Internal Audit Record Management Policy.	In planning
2410	Criteria for Communicating	Audits sampled identified that closing meeting minutes were not documented in all cases.	The HoIA to remind staff about the importance of recording closing meetings.	Completed
		Audits sampled identified that Customer Feedback Forms (CFFs) had not been sent in all cases.	The HoIA to remind SIAMs and Business Support about the importance of issuing CFFs in all cases.	Completed

Audit and Assurance Committee



Date: 7 June 2021

Item: Elizabeth Line Programme Assurance Quarter 4 Report
2020/21

This paper will be considered in public

1 Summary

- 1.1 This paper provides an overview of programme assurance activity in relation to the Elizabeth line during Quarter 4 of 2020/21.
- 1.2 A paper is included on the Part 2 agenda which contains supplementary information that is exempt from publication 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.

2 Recommendation

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

3 Background

- 3.1 The Crossrail Integrated Assurance Framework (IAF) was established in June 2019, based on a Three Lines of Defence (3LoD) model comprising:
 - (a) Line 1 - Crossrail management controls functions;
 - (b) Line 2 - Crossrail's Project Programme Assurance (PPA) team; and
 - (c) Line 3 - TfL Internal Audit and (as of January 2021) a sub-group of the Independent Investment Programme Advisory Group (IIPAG-CRL).
- 3.2 This paper reports specifically on Line 2 (PPA), Line 3 (Internal Audit) and Line 3 (IIPAG-CRL) assurance progress.

4 Line 2 (PPA) Assurance

- 4.1 Line 2 assurance continues to be undertaken, principally, on a real-time, continual assurance basis, through participation in project meetings and related activities, and providing real-time feedback to the project teams. Formal reporting is through the LoD2 Periodic Assurance Review (PAR) Reports.

- 4.2 Since the last meeting of the Committee, LoD2 has issued PAR Reports covering Periods 12 and 13 of Quarter 4, which have provided input to the periodic Integrated Assurance Report to the Elizabeth Line Delivery Group and Elizabeth Line Committee.
- 4.3 The programme achieved two important milestones in the last Quarter:
- (a) application of Railways and Other Guided Transport Systems (Safety) Regulations 2006 to the Central Operating Section; and
 - (b) commencement of Trial Running in the Central Operating Section.
- 4.4 Based upon our Period 13 assessment, it is the opinion of Line 2 assurance that the schedule and cost for completing Crossrail are under significant pressure but the publicised opening timeframe of 'first half of 2022' currently remains intact.
- 4.5 Planned Line 2 assurance activity is set out as part of the 3LoD Assurance Forward Look provided in Appendix 2 to this paper.

5 Line 3 (TfL Internal Audit) Assurance

- 5.1 The Crossrail Internal Audit Plan for 2020/21 was approved by the Crossrail Audit and Assurance Committee on 16 March 2020. Nine audits have been delivered over the year of which four were memorandums and five audit reports. Four of the reports were rated Requires Improvement and one as Adequately Controlled.
- 5.2 Line 3 (TfL Internal Audit) meet periodically with Crossrail Assurance, the Project Representative and the Crossrail risk team to share assurance information and ensure that assurance activity is coordinated, and duplication of effort is avoided.

Audit Delivery

- 5.3 TfL Internal Audit issued one audit report and two memorandums (memos) during Q4. The two memos related to the Risk Management and Organisational Effectiveness. The audit report covered the transfer of the Crossrail Programme Governance to TfL and was rated as adequately controlled. We found that risk management has improved in most areas, but they have not reached the maturity that would be expected of a long running programme organisation. Organisational effectiveness was impacted by the rapidly changing environment in which the programme finds itself but has been strengthened by the transfer of governance to TfL.
- 5.4 In addition, three audits are in the reporting phase, due to report in the next period and two audits are in progress. One audit from the 2021/22 plan is scheduled to start in Q1.
- 5.5 Details of the audit reports issued are included in Appendix 1. Work in progress is set out in Appendix 2, audits planned to start during Q1 in Appendix 3 and changes to the plan in Appendix 4.

Management Actions

- 5.6 Currently there are no actions overdue.

Changes to the Plan

- 5.7 Line 3 (TfL Internal Audit) regularly review and update the plan throughout the year, in liaison with management, to reflect changing business priorities. There were four changes to the plan in Quarter 4.
- 5.8 Three audits were cancelled in Q4 as they are no longer relevant due to: changes to the Crossrail programme, removal of assurance duplication or actions taken by Crossrail to mitigate the risk. One audit was renamed to better reflect the scope.

6 Line 3 (IIPAG-CRL) Assurance

- 6.1 The Terms of Reference of the IIPAG-CRL sub-group require the group to provide a look ahead of its proposed areas of interest and work. The work plan will be integrated into the overall Integrated Audit and Assurance Plan, which is maintained by the second line of assurance. There are three main areas of focus for the coming six months. They are:
- (a) Baseline 1.2 (BL1.2) – the project is currently undertaking a planning refresh of the schedule and associated control documents, the output of which will be BL1.2. The sub-group will seek to understand from LoD2, the Project Representative and other stakeholders what assurance will be provided to BL1.2 to ensure its robustness. In particular, the group is interested in the transition period between trial running and trial operations;
 - (b) supporting the work of the Railway Assurance Board - Crossrail (RAB-C) and its successor, the Integrated Technical Assurance Panel (ITAP) – the sub-group will engage with RAB-C and ITAP to understand the planning and implications for closing out the remaining assurance dependencies; and
 - (c) digital railway – the programme is often described as one of the most complex and novel major projects of its kind and therefore it is vital that this area can stand up to scrutiny as the project moves closer to running passenger services.
- 6.2 Work in these areas does not seek to duplicate other assurance that is happening elsewhere, but to provide and establish a degree of confidence in these critical areas for getting the railway into passenger service.

7 Infrastructure and Projects Authority (IPA) Critical Friend Review

- 7.1 The Infrastructure and Projects Authority is the Government's centre of expertise for infrastructure and major projects reporting to the Cabinet Office and HM Treasury. The IPA conducts regular independent reviews of selected major UK projects.
- 7.2 In November 2020, the IPA conducted a follow-up critical friend review of Crossrail and made seven recommendations. Five of the recommendations are currently being addressed as part of the Crossrail's delivery programme and two are currently under review by TfL.

8 Integrated Audit and Assurance Plan

- 8.1 The 3LoD IAF maintains an integrated plan of assurance activity coordinated through the Crossrail Programme Assurance Group forum. A summary of planned assurance activities is summarised in Appendix 5. An overview of the coordination of the IAF is provided in Appendix 6.

9 Infrastructure Projects Authority Critical Friend Review

- 9.1 The Infrastructure and Projects Authority (IPA) is the Government's centre of expertise for infrastructure and major projects reporting to the Cabinet Office and HM Treasury. The IPA conducts regular independent reviews of selected major UK projects.
- 9.2 In November 2020, the IPA conducted a follow-up Critical Friend Review of Crossrail and made seven recommendations. Progress with these actions will be reported at the next meeting of the Committee.

List of Appendices:

- Appendix 1: Line 3 (TfL Internal Audit) Reports issued in 2020/21
Appendix 2: Line 3 (TfL Internal Audit) Work in progress at the end of Quarter 4
Appendix 3: Line 3 (TfL Internal Audit) Work due to start in Quarter 1
Appendix 4: Line 3 (TfL Internal Audit) Changes to the 2020/21 plan
Appendix 5: 3LoD Assurance Forward Look
Appendix 6: Overview of 3LoD IAF Coordination and Reporting

List of Background Papers:

None

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Transport for London Audit and Assurance Committee

Overview of Internal Audit work completed during year ended 31 March 2021

Appendix I

- Five Internal Audit reports and four memorandums issued, no audits concluded as Poorly Controlled.

Enterprise Risk	Directorate	Ref	Audit title	Summary of Finding	Conclusion	Priority		
						H	M	L
FC3- Crossrail may not be able to demonstrate sufficient commercial and/or financial control.	Crossrail	19 129	Crossrail Complaints Commissioner Accounts	Accounts of the Crossrail Complaints Commissioner, in all material aspects, accurately reflect the receipts and payments during the financial period ended 31 March 2019. In addition, in all material aspects, the accounts comply with the Accounts Directions issued on behalf of the Crossrail High Level Forum. This review and report were delayed due to the Covid 19 pandemic.	Memo	0	0	0
		20 500	Crossrail Complaints Commissioner Accounts	Accounts of the Crossrail Complaints Commissioner, in all material aspects, accurately reflect the receipts and payments during the financial period ended 31 March 2020. In addition, in all material aspects, the accounts comply with the Accounts Directions issued on behalf of the Crossrail High Level Forum.	Memo	0	0	0
		19 501	Adequacy of the Supply Chain Assurance Framework	Terms of reference and RACI matrices for the Vis Board meetings have not been defined. Forecast due dates for actions were not being updated and they were not being discussed in order of severity.	Requires Improvement	0	4	1
		19 509	Counter fraud assurance	Three high priority issues were noted as follows: · Functional areas do not use CRL's RM process to manage risks and risk of fraud does not appear in Project or Enterprise Risk Registers. · Key policies and Whistleblowing Procedure have the wrong Safeline number for reporting fraud and staff awareness of key policies is low. · There is inconsistent completion of Gifts and Hospitality returns.	Requires Improvement	3	1	0

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Enterprise Risk	Directorate	Ref	Audit title	Summary of Finding	Conclusion	Priority		
						H	M	L
FC3- Crossrail may not be able to demonstrate sufficient commercial and/or financial control.	Crossrail	20 509	Risk Management	External events including COVID-19 have significantly changed the operating environment for the Crossrail programme. Despite this, there have been areas where the risk management function has been able to make further improvements in Crossrail's maturity, moving the average maturity from Level 1 ("Engaging") to Level 2 ("Happening") in the ALARM framework	Memo	0	0	0
OCI- Crossrail and TfL may fail to deliver on the transition plan to complete the programme		19 506	Governance and Organisational Effectiveness	Governance, Visualisation and Programme Risk systems are not integrated to the extent they provide management with, or support, the assessment of a single version of the truth, often working in isolation of each other. Terms of reference are documented but need to be revisited to ensure outputs continue to reflect actual practice, and that the escalation process is clear; Management information is heavily focused on the presentation of statistical and schedule type metrics but a supporting narrative is often missing Committees frequently use action logs as their main output, but these are not developed enough to offer an appropriate record of the management decisions made, or the direction being provided. Programme risk management needs to be re-incorporated into committee agendas, visibility	Memo	0	0	0

Transport for London Audit and Assurance Committee

Enterprise Risk	Directorate	Ref	Audit title	Summary of Finding	Conclusion	Priority		
						H	M	L
				and review of risk at committee level is currently poor.				
		19 504	Consents Compliance Governance	The medium priority issues were : Consents registers were not up to date Serious Incident Event Review (SIER) reports were not completed in a timely manner	Requires Improvement	0	2	1
OCI- Crossrail and TfL may fail to deliver on the transition plan to complete the programme	Crossrail	19 510	Culture Change	Crossrail (CRL) is operating without an agreed framework for assessing, managing and monitoring organisational culture. Values statements should be expanded to provide guidance around expected behaviours and best practice at the corporate, directorate and project levels.	Requires Improvement	2	2	0
	Crossrail	20 510	Transfer of CRL programme to TfL	Four issues were identified of which two were of medium and two low severity. The medium severity issues were: 1) Arrangements and timeline for developing and agreeing organisational structure post-Trial Running are not yet finalised. 2) Elizabeth Line planning considers a number of slippage scenarios, but formal contingency planning in the event Trial Running, Operations, & Passenger Service dates are not met is difficult to identify.	Adequately Controlled	0	2	2

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Transport for London Audit and Assurance Committee

Work in progress at the end of Q4 2020/21

Appendix 2

- Five audits were in progress at the end of Q4

Enterprise risk	Directorate	Ref	Audit title	Objective	Current Status
SC4 -Volume of residual works may impact operation and safety of the railway (ADM)	Crossrail	20 504	Alternative Delivery Model Strategy	To provide assurance that the alternative delivery model strategy is adequate	In reporting
FC3-Crossrail may not be able to demonstrate sufficient commercial and/or financial control	Crossrail	20 508	Demobilisation of Tier I contractors	To provide assurance that the controls around Tier I contractor demobilisation are adequate and effective.	In reporting
	Crossrail	20 505	Management of Staff costs	To provide assurance that the Crossrail organisation is managing indirect costs in line with Programme requirements	In reporting
HS4 Safety performance could be impacted by changing from the Crossrail programme rules to the IM operational rules.	Crossrail	20 507	CRL HSE framework	To provide assurance over the adequacy and effectiveness of the HSE framework	In progress
FC3-Crossrail may not be able to demonstrate sufficient commercial and/or financial control	Crossrail	20 511	Monitoring Professional Service and Framework Development Consultants (FDC's).	To provide assurance that PSC's and FDC's are being managed and monitored by CRL in an effective manner.	In progress

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Transport for London Audit and Assurance Committee

Work planned to start in Q1 2020/21

Appendix 3

- There is one audit planned to start during the quarter

Enterprise risk	Directorate	Ref	Audit title	Objective	Planned
FC3-Crossrail may not be able to demonstrate sufficient commercial and/or financial control.	Crossrail	21 049	Employer's Completion Process	To provide assurance that the controls around the Employer's Completion Process are effective	Q1

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Transport for London Audit and Assurance Committee

Changes to the 2020/21 audit plan

Appendix 4

- There were four changes to the plan since the last committee: three cancellations and one audit was renamed

Ref	Audit title	Status	Audit Comments
20 512	Readiness for Trial Operations	Cancelled	This audit was cancelled due to the introduction of IIPAG as an extra source of assurance and timing of the Crossrail Programme
20 503	Readiness for Trial Running		This audit was cancelled due to the introduction of IIPAG as an extra source of assurance and the short timescales leading to the start of trial running. An agreement was made to revisit this in April to discuss scope of any future work that will be needed. As the name and scope will change and it will take place in the 2021/22 financial year it was decided the most practical thing would be to cancel this audit and carry out any work under a new title and number
20 506	Management of AFC		Actions from previous audit had not yet been implemented -once the actions are in place the system will be robust -we will review whether any further audits are required in this area once the Targeted Assurance Review currently underway is completed
20 511	Monitoring Professional Service and Framework Development Consultants (FDC's).	Renamed	Renamed from Management of Indirect Costs to better reflect scope .

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Assurance Lookahead

Period	LoD1 Events	LoD2 - PPA	LoD3 - TFL (IA)	LoD3 - IIPAG (CRL)	Other / External
13	<i>Assurance inputs for Trial Running</i>	<i>Periodic Assurance Review P13 DCS Assurance Update TAR21 Technical Assurance Surveillance TAR25</i>	<i>(Quarter 1 plan in development) Operational Readiness for trial operations</i>	Note: IIPAG(CRL) Plan in development, timing provisional / indicative only.	NAO.
1	<i>T-4 Infra, Ops and Maintenance Ready for Trial Running</i>	<i>Periodic Assurance Review P11 RFLI TR Readiness TAR23 Coordination Support to NAO AUDIT</i>	<i>(Quarterly-based planning) 20 508 Demobilisation of Tier 1 contractors 20 505 Management of Staff cost 20 509 Risk Management</i>	<i>First IIPAG Meeting LoD2 and LoD1 Effectiveness Review Trial Running Readiness Review</i>	
2	<i>Trial Running in progress</i>	<i>Periodic Assurance Review P2 CRL Trial Running Readiness Review TAR25</i>	<i>20 503 Operational Readiness for trial running 20 500 Crossrail Complaints Commissioner 19 502 CRL HSE framework</i>	<i>DCS (Delivery Control Schedule) and periodic reporting (TBC)</i>	
3	<i>Trial Running in progress</i>	<i>Periodic Assurance Review P3 Stations Systems Integration Plan TAR26 Cost Pressures and Root Cause ReviewTAR 27</i>	<i>20 510 Transfer of CRL programme to TfL 20 506 Management of AFC 20 504 Alternative Delivery Model Strategy</i>	<i>(TBC)</i>	
4	<i>Stations SC3 Tranche 1 Complete</i>	<i>Periodic Assurance Review P4 Trial Running Progress Review TAR27</i>		<i>(TBC)</i>	
5		<i>Periodic Assurance Review P5</i>		<i>(TBC)</i>	



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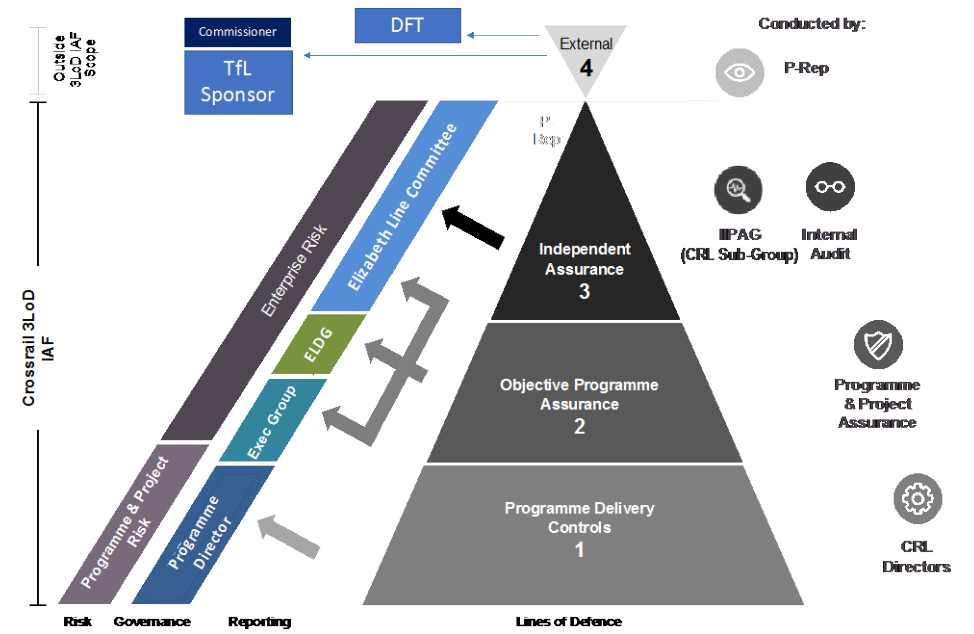
Outline of Crossrail / EL Assurance Coordination (1)

In response to a request at the TfL AAC meeting of 17 March 21 this document provides an outline of the assurance coordination and reporting arrangements operating on the Crossrail / Elizabeth Line programme:

Page 147

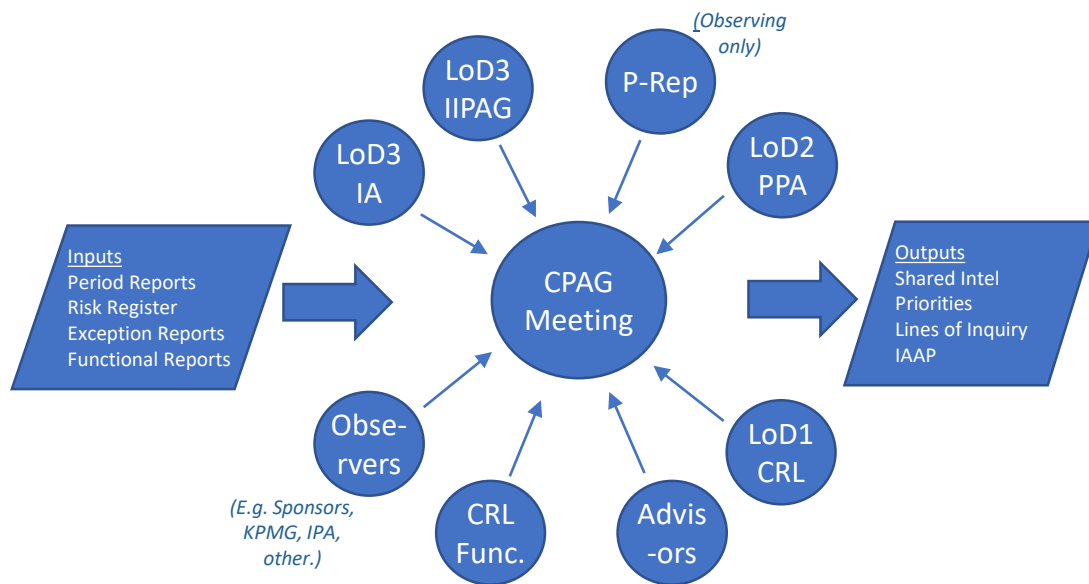
Three Lines of Defence

1. Crossrail / Elizabeth Line programme assurance is based on a three lines of defence model, illustrated by the diagram to the right.
2. The 3 Lines of Defence (3LoD) Integrated Assurance Framework (IAF) was approved by the CRL Board in June 2019
3. The IAF was updated to reflect the transition to TfL Governance in October 2020.



Coordination

1. The 3LoD IAF is coordinated by the CRL Project and Programme Assurance (PPA) function which is also responsible for delivering LoD2 Assurance.
2. Assurance activity is coordinated at the Crossrail Programme Assurance Group (CPAG).
3. CPAG is convened periodically and attended by representatives from all assurance functions.
4. The forum coordinates and documents plans through the development and maintenance of the Crossrail Integrated Audit and Assurance Plan (IAAP).



Outline of Crossrail / EL Assurance Coordination (2)

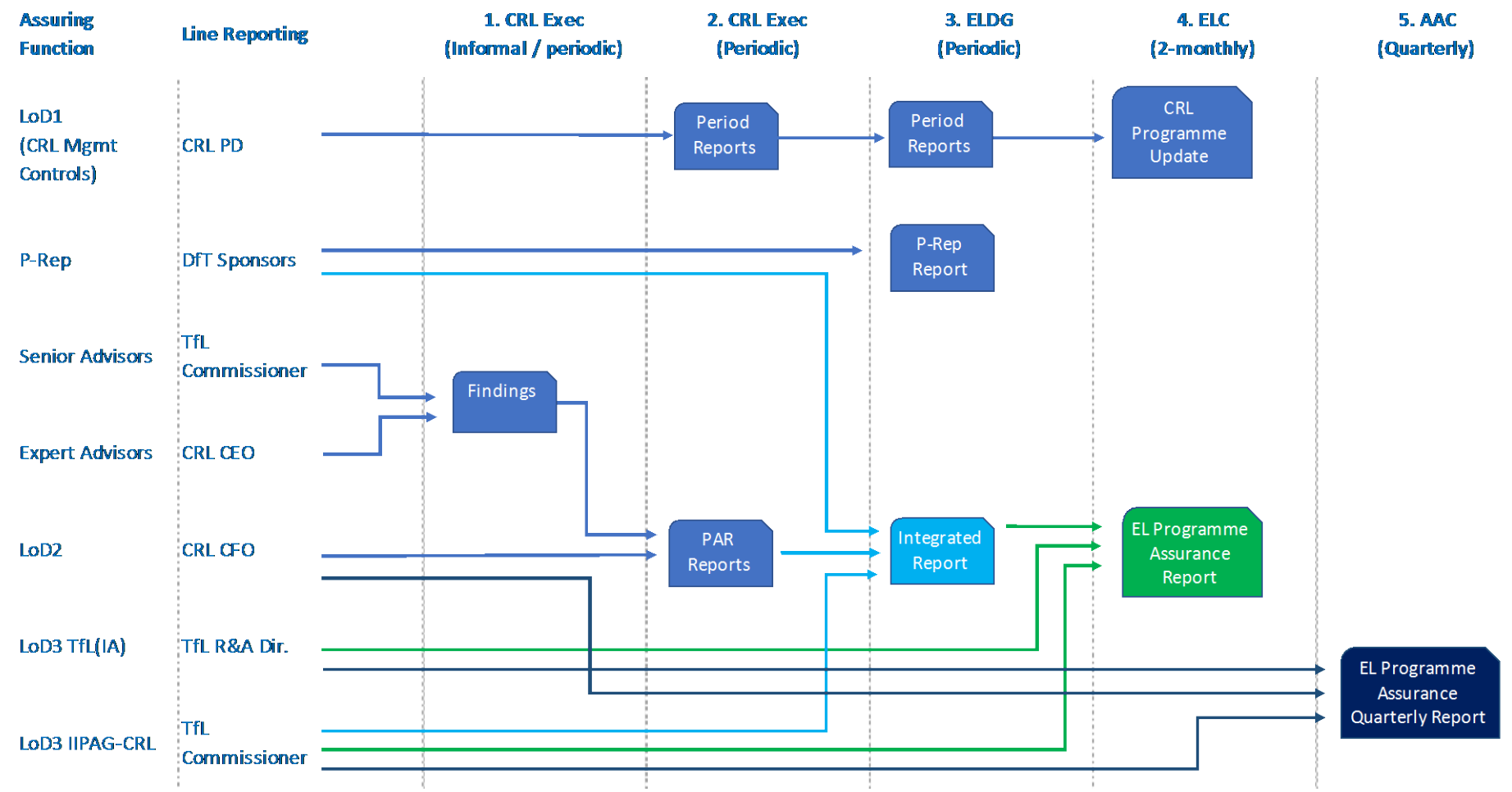
ASSURANCE REPORTING

Crossrail / Elizabeth Line Assurance Reporting takes place at 5 levels:

1. CRL Executive - Informal reporting of emerging risks and issues.
2. CRL Executive – Formal Periodic Reporting
3. ELDG – Periodic reporting based on a single page ‘Integrated Report.’
4. ELC – The CRL Programme Assurance paper on a two-monthly basis.
5. AAC – The Elizabeth Line Programme Assurance Report on a quarterly basis.

ASSURANCE REPORTING

The diagram below illustrates how reporting is integrated by the main assurance and advisory bodies and feed into the main Elizabeth Line governance meetings.



Audit and Assurance Committee

Date: 7 June 2021

Item: Review of Governance and the Annual Governance Statement for Year Ended 31 March 2021

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 2020/21 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 2020/21 Annual Report and Accounts. The paper also reports on progress against the 2020/21 improvement plan (Appendix 2) and the improvement plan for 2021/22.

2 Recommendations

2.1 **The Chair, following consultation with 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 2020/21 Annual Report and Accounts; and**
- (b) **note the progress against the 2020/21 improvement plan, as set out in Appendix 2 and the plan for 2021/22, as set out in Appendix 3 of the paper.**

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.

3.2 The 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 2020/21 Review and the Annual Governance Statement

The 2020/21 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 2020/21 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. 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 2021/22.
- 4.4 The impact of measures to address the coronavirus pandemic on TfL will require a review of TfL's operations and finances. Once a long-term sustainable funding settlement has been agreed, our governance processes will be reviewed, renewed and refreshed.
- 4.5 The draft Annual Governance Statement is included as Appendix 1.
- 4.6 Progress against the improvement plan for 2020/21 is set out in Appendix 2.
- 4.7 The improvement plan for 2021/22 is set out in Appendix 3 and rolls forward and updates measures from 2020/21. The plan will be reviewed when a long-term sustainable funding settlement is agreed.

List of appendices to this report:

Appendix 1: Annual Governance Statement
Appendix 2: Progress Against Improvement Plan 2020/21
Appendix 3: Improvement Plan 2021/22

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
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Annual Governance Statement

The CIPFA/SOLACE Delivering Good Governance in Local Government Framework (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. 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 2020/21 Statement of Accounts. The key elements of the governance framework are set out below:

Key Elements of TfL's Governance Framework

Chair, Board, Committees and 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 five Committees and two Panels meet in public and all decisions taken are published. The approval of Financial, Programme and 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 that 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 Enterprise Risk within their remit at least annually. The Executive Committee also regularly reviews all the Enterprise Risks.
Scrutiny and review	The Board, Committees and Panels each receive regular quarterly reports on TfL's performance. These reports cover: 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 have been live streamed due to travel and social distancing restrictions introduced to restrict the spread of the coronavirus pandemic over the last year). 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 impact of the coronavirus pandemic on TfL's finances and not securing a long-term sustainable funding deal meant the Scorecards for 2020/21 were split into our immediate response and then working toward recovery and the Business Plan has been more short-term. 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, governance of the Crossrail project transferred to TfL. TfL established an operational Elizabeth Line Delivery Group and a special purpose Elizabeth Line Committee to provide appropriate oversight and governance of the project.

Principle E: Developing TfL's capacity, including the capability of its leadership and individuals within it: TfL undertakes a wide range of Human Resources activities to develop the capacity of its people. Regular reports are submitted to the Safety, Sustainability and Human Resources Panel and the Remuneration Committee on this and key initiatives including the leadership programme, succession planning and TfL's graduate and apprenticeship programmes. Addressing a previous recommendation from a Board Effectiveness Review, the Safety Sustainability and Human Resources Panel has specific meetings in its forward plan that have dedicated time to consider Human Resource issues. The Commissioner is leading a review of TfL's vision and values with significant staff engagement and a new performance management system is being implemented. 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. TfL reviewed all Level 0

Enterprise and Level 1 Strategic Risks as a result of the changes brought on by the coronavirus pandemic and each of these has been reviewed by the Executive Committee and the relevant Board Committee or Panel throughout the year, with the exception of Financial Sustainability (ER7), as this risk has been subject of ongoing discussions and negotiations throughout the year. 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. In response to the impact of the coronavirus pandemic on TfL's finances, several rigorous cost control and scrutiny measures were introduced during the year, including a Financial Commitment Oversight Group. TfL has also continued to embed the TfL HSE management system and has continuous improvement plans in place to enhance the system and 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 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 continually reviews the effectiveness of its governance arrangements, including 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 2021 concluded that the overall framework of TfL's governance, risk management and internal control is generally adequate for TfL's business needs and operated in an effective manner. There were no matters raised for the attention of the Board.

The coronavirus pandemic has had a significant impact on TfL's operational activities and its finances. TfL has submitted a financial sustainability plan to Government as part of the process for securing a long-term funding settlement.

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

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Improvement Plan 2020/21 Progress

Proposed Activity	Responsible Managing Director	Status Update
<p>Board Effectiveness: Implement outstanding recommendations from the externally led 2019 Board Effectiveness Review and prepare for any changes to the Board arising from the May 2021 Mayoral Election.</p>	<p>General Counsel [Updated from 2019/20]</p>	<p>The 2020 review identified two outstanding actions from 2019: The Safety, Sustainability and Human Resources Panel has since held an extended meeting to allow dedicated time for HR discussions and these are included in its forward plan.</p> <p>Recommendations on Board appointments were delayed due to the deferral of the May 2020 Mayoral Election until May 2021 and will be taken forward in the new Mayoral term.</p> <p>Work continues to refine paper summaries and content and to better reflect customer and other stakeholder views. An updated and accessible template is about to be introduced.</p>
<p>Subsidiary Entities: Annual reviews to be undertaken to simplify the structure and reduce unnecessary costs. Continued support to new and existing statutory directors on their duties and responsibilities.</p>	<p>General Counsel [Updated from 2019/20]</p>	<p>Ongoing. Annual reviews take place each May / June. Existing and new directors are offered advice and guidance as required, including briefings.</p>
<p>Operating Model and Processes: Continue to develop TfL's operating model and processes in accordance with agreed organisational change programmes. Recommendations from the Government and Mayoral commissioned reviews in response to Covid-19 to be considered and agreed actions implemented.</p>	<p>Executive Committee [Updated / Continuous]</p>	<p>The transformation programme continued during 2020/21 despite the impact of the coronavirus pandemic. Once a sustainable funding settlement is agreed, TfL's operating model and processes will continue to be kept under review.</p>

Proposed Activity	Responsible Managing Director	Status Update
<p>TfL Scorecards: Continue to develop TfL's Scorecard and effective operational and performance measurement processes. Review 2021/22 Scorecards to reflect requests from the Finance and Remuneration Committees for a simplified Scorecard with fewer priorities to help drive performance.</p>	<p>Executive Committee [Continuous]</p>	<p>The 2020/21 Scorecards were exceptional due to the impact of the coronavirus pandemic: The H1 scorecard was agreed in July 2020 and H2 scorecard in September 2020. Work has been undertaken to simplify the 2021/22 scorecard; its focus remains on recovery from the pandemic.</p>
<p>TfL Management System: Continue with the development of a TfL wide integrated system.</p>	<p>General Counsel [Continuous]</p>	<p>This work is ongoing.</p>
<p>Safety, Health and Environment (SHE): To continue to implement and embed the TfL Safety, Health and Environmental management system.</p>	<p>MD London Underground/ Chief SHE Officer / Executive Committee [Continuous]</p>	<p>This work is ongoing and benefitted from the establishment of the integrated SHE function in 2019/20.</p>
<p>Audit, Assurance and Risk Management: Rebase the Audit and Assurance Plan considering the impact of Covid-19. Continue to develop our Risk Management processes and their oversight by Committees and Panels, addressing lessons learned from 2019/20 (as reported to the Audit and Assurance Committee in March 2020).</p>	<p>Chief Finance Officer/ General Counsel/ Director of Risk and Assurance / Executive Committee [Continues / Updated from 2019/20]</p>	<p>New Enterprise Risks were adopted and embedded for 2020/21, reflecting the impact of the coronavirus pandemic. Lessons from 2020/21 are being addressed.</p> <p>A revised Integrated Assurance Plan for the remainder of 2020/21 was approved by the Audit and Assurance Committee in September 2020.</p>
<p>Crossrail: Transition governance for decision making and accountability into TfL, at the earliest opportunity. Continue to review and adapt governance arrangements, ensuring all previous KPMG review recommendations are addressed.</p>	<p>Executive Committee [Updated from 2019/20]</p>	<p>The governance of the Crossrail project was transferred to TfL on 1 October 2020. This included executive oversight through the Elizabeth Line Delivery Group, chaired by the Commissioner and Board oversight through the establishment of the Elizabeth Line Committee, chaired by the Deputy Chair of TfL. The delivery of a safe</p>

Proposed Activity	Responsible Managing Director	Status Update
		and reliable operational railway, as soon as possible remains a priority.
<p>Crossrail 2: Continue to review and adapt governance arrangements for Crossrail 2. These arrangements will reflect lessons learned from the governance of the Crossrail 1 project.</p>	<p>General Counsel/ MD Crossrail 2 [Updated from 2019/20]</p>	<p>TfL's financial situation means this project is on hold. Extensive archives have been put in place for when the project is restarted.</p>
<p>Transparency: Continue to develop our proactive approach to transparency.</p>	<p>MD Customers, Communication and Technology/ General Counsel [Continuous]</p>	<p>We continued to publish more information and improve the quality of information published. In 2020/21, we maintained the very good performance in responding to FOI requests achieved in 2019/20.</p>
<p>Procurement and Contract Management: The 2020/21 Internal Audit Plan includes an audit of the ongoing transformation of Procurement and Supply Chain governance, highlighted in our Internal Audit Opinions for the years ended 31 March 2019 and 2020. Implementation of recommendations will be given a high priority and progress from these audits will be reported to the Audit and Assurance Committee.</p>	<p>Chief Finance Officer [Arising from Internal Audit Opinions in the years ending 31 March 2019 and 2020]</p>	<p>The Audit and Assurance Committee received an update on procurement issues in September 2020.</p> <p>During 2020/21 TfL continued to progress a transformation programme aimed at strengthening governance and controls in the Procurement and Supply Chain area and the Independent Investment Programme Advisory Group (IIPAG) reported during the year on the progress made. To allow IIPAG's work to conclude and influence the Internal Audit terms of reference, the planned audit started in late Quarter 4 and will conclude in Quarter 1 of 2021/22.</p>

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Improvement Plan 2021/22

Proposed Activity	Responsible Managing Director	Status Update
<p>Board Effectiveness: Undertake and implement recommendations from a 2021 Board Effectiveness Review and prepare for any changes to the Board arising from the May 2021 Mayoral Election.</p>	<p>General Counsel [Updated from 2020/21]</p>	<p>A review will be scheduled for autumn 2021.</p> <p>Discussions are ongoing with Members about reappointments and a recruitment campaign is about to commence for new Members.</p>
<p>Subsidiary Entities: Annual reviews to be undertaken to simplify the structure and reduce unnecessary costs. Continued support to new and existing statutory directors on their duties and responsibilities.</p>	<p>General Counsel [Continuous]</p>	<p>Ongoing. The 2021 annual review is in progress, including a review of directors.</p> <p>Advice and guidance will continue to be offered to existing and new directors.</p>
<p>Operating Model and Processes: Continue to develop TfL's operating model and processes in accordance with agreed organisational change programmes.</p>	<p>Executive Committee [Updated / Continuous]</p>	<p>Organisational change programmes continue.</p>
<p>TfL Scorecards: Continue to develop TfL's Scorecard and effective operational and performance measurement processes to reflect requests from the Finance and Remuneration Committees for a simplified Scorecard with fewer priorities to help drive performance.</p>	<p>Executive Committee [Continuous]</p>	<p>The 2021/22 Scorecards built upon the H2 2020/21 scorecard with its focus on recovery. As progress on recovery develops and long-term sustainable funding is secured, work will continue to enhance and simplify Scorecards.</p>
<p>TfL Management System: Continue with the development of a TfL wide integrated system and implement the outcome of the Vision and Values Review.</p>	<p>General Counsel [Continuous]</p>	<p>The development of the Management System is a continuous programme, which this year will include the implementation of the outcome of the Vision and Values Review.</p>

Proposed Activity	Responsible Managing Director	Status Update
<p>Safety, Health and Environment: To continue to implement and embed the TfL Safety, Health and Environmental management system.</p>	<p>MD London Underground/ Chief SHE Officer/ Executive Committee [Continuous]</p>	<p>This work is ongoing.</p>
<p>Audit, Assurance and Risk Management: Embed and refine the Audit and Assurance Plan and the Enterprise Risk (ER) management system. ERs will have oversight by Committees and Panels, addressing lessons learned from 2020/21.</p>	<p>Chief Finance Officer/ General Counsel/ Director of Risk and Assurance / Executive Committee [Updated / Continuous]</p>	<p>New Enterprise Risks were adopted and embedded for 2020/21. These and the Enterprise Risk Framework will continue to be developed and refined.</p>
<p>Crossrail: To further embed the new governance arrangements for the project to achieve its delivery to completion.</p>	<p>Executive Committee [Updated from 2020/21]</p>	<p>This work is ongoing. The governance of the Crossrail project was transferred to TfL on 1 October 2020. The operation of the Elizabeth Line Delivery Group and the Elizabeth Line Committee will continue to be developed to help ensure the delivery of a safe and reliable operational railway, as soon as possible.</p>
<p>Transparency: Continue to develop our proactive approach to transparency and maintain performance on responding to FOI requests.</p>	<p>MD Customers, Communication and Technology/ General Counsel [Continuous]</p>	<p>This work is ongoing.</p>
<p>Procurement and Contract Management: Implement the findings from the Independent Investment Programme Advisory Group and Internal Audit reviews of Procurement and Supply Chain governance (arising from Internal Audit Opinions for the years ended 31 March 2019 and 2020).</p>	<p>Chief Finance Officer [Arising from Internal Audit Opinions in the years ending 31 March 2019 and 2020]</p>	<p>The audit is due to conclude in Quarter 1 of 2021/22. The Implementation of recommendations will be given a high priority and progress from these audits will be reported to the Audit and Assurance Committee.</p>

Audit and Assurance Committee



Date: 7 June 2021

Item: Finance Control Environment Trend Indicators

This paper will be considered in public

1 Summary

1.1 This paper provides a report to the Audit and Assurance Committee on TfL's Financial Control Environment Trend Indicators.

2 Recommendation

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

3 Background

3.1 This paper reports on the Quarter 4 Financial Control Environment Trend Indicators, that informs the Committee as to the control environment across Finance, Business Services and Procurement.

3.2 As part of the Procurement and Supply Chain Improvement Programme, a reporting suite has gone live and had been included in the dashboard. This provides the full 2020/21 financial year metrics, except for the 'benefits delivery' metric which is being measured from the start of the 2021/22 financial year.

List of appendices to this report:

Appendix 1: Financial Indicators Dashboard

List of Background Papers:

None

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TfL Audit & Assurance Committee Performance Metrics Quarter 4, 2020/21

Appendix I



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Audit Committee performance metrics to Q4, 20/21

Q4 variances driven by:

Total operating income: is £29m higher than target. Passenger income was £11m better than target in Q4 and full-year passenger journeys are favourable to budget across all modes, which is reassuring as we start to emerge from the national lockdown.

Other operating income is £17m higher mainly owing to a change in the accounting treatment of coronavirus rent credits issued to tenants. The income is now shown grossed up and is offset in full by an increase in bad debt expense.

Operating costs: £268m lower than target, mainly owing to the release of unused centrally held contingency.

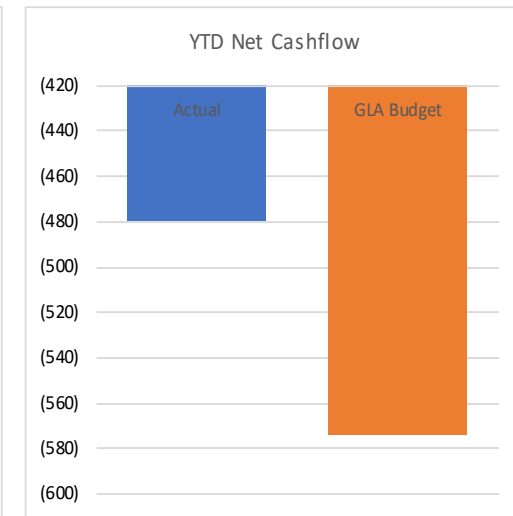
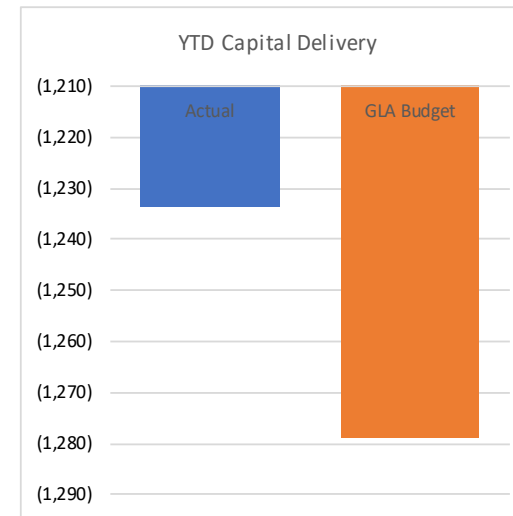
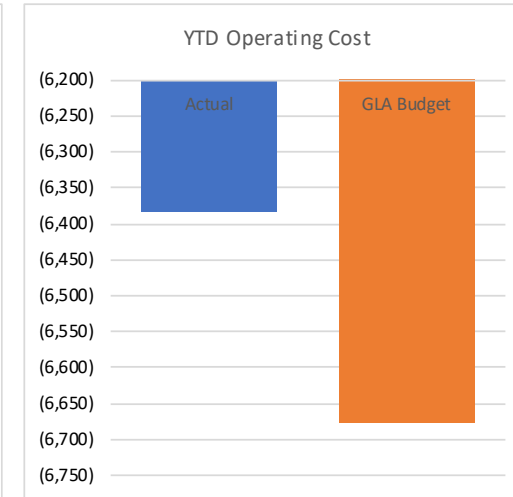
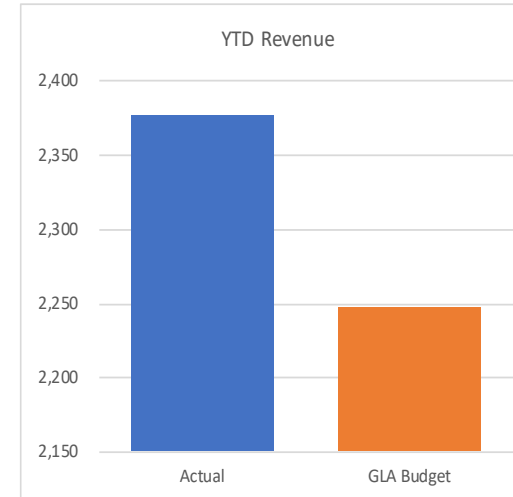
Total capital expenditure: £20m lower than target, driven by the deferral of capital works into 2021/22.

Forecasting accuracy

Quarterly Forecasting Accuracy				
£m	Q1 21	Q2 21	Q3 21	Q4 21
Revenue	332	649	697	699
Variance to reported Budget	-	-	100	29
Operating Cost	(1,441)	(1,457)	(1,517)	(1,967)
Variance to reported Budget	-	-	29	268
Variance to Forecast				
Capital Delivery	(180)	(245)	(289)	(517)
Variance to reported Budget	-	-	27	20
Variance to Forecast				
Net Cashflow	(559)	70	87	(78)
Variance to reported Budget	0	(0)	98	(5)
Variance to Forecast				

YTD Forecasting Accuracy - P13

£m	FY
Revenue	
Actual	2,377
Budget	2,248
Forecast	
Operating Cost	
Actual	(6,381)
Budget	(6,678)
Forecast	
Capital Delivery	
Actual	(1,233)
Budget	(1,279)
Forecast	
Net Cashflow	
Actual	(480)
Budget	(573)
Forecast	



* 2020/21: reporting is against the Emergency Budget for Q1; Q2 is against the Revised Budget and Q3 & Q4 are against the December TfL Budget.

** Total TfL Capital Expenditure excludes amounts relating to Crossrail.

Audit Committee performance metrics to Q4, 20/21

Value of open items > 30 days on the bank reconciliation have reduced between Q3 and Q4 as a small number of items of high value on the Museums bank rec were cleared in PI I. The number of open items continues to be reviewed by the BSF O2C team to actively clear out the more than 30 days.

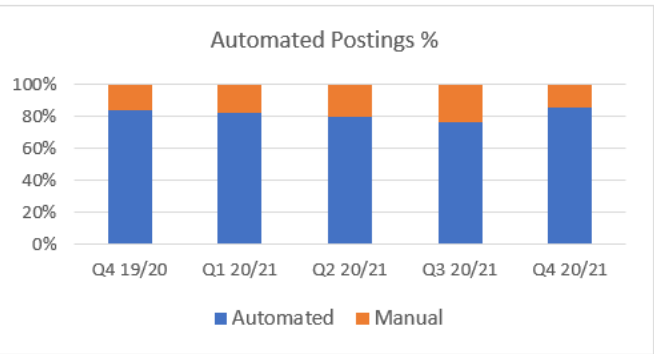
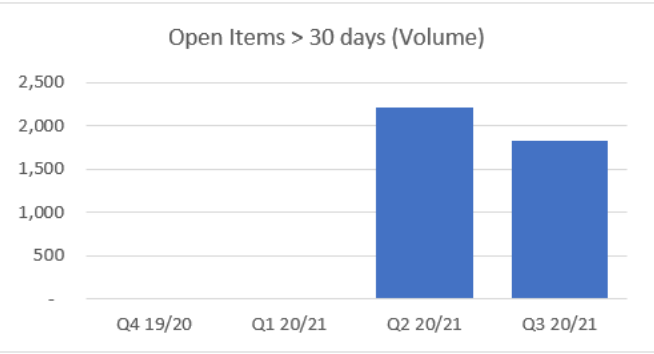
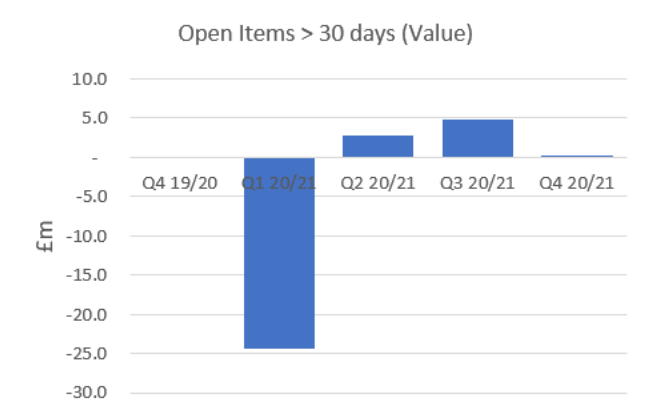
Volume of automated postings have increased significantly since Q3 as a new set of auto posting rules were installed at the end of Q3 resulting in higher volumes of postings carried out automatically.

Finance/BSF will continue to review manual postings to seek further automation opportunities.

Processing payments

Quarterly Figures

£m	Q4 19/20	Q1 20/21	Q2 20/21	Q3 20/21	Q4 20/21
Open Items < 30 days (£m Value)	n.q.	(145.0)	(137.7)	(18.6)	(7.8)
Open Items > 30 days (£m Value)	n.q.	(24.4)	2.8	4.9	0.05
Open Items < 30 days (Volume)	n.q.	n.q.	1,072	935	946
Open Items > 30 days (Volume)	n.q.	n.q.	2,205	1,819	1,927
Automated Postings %					
Automated	15,695	7,121	6,650	6,710	8,946
Manual	2,941	1,559	1,709	2,075	1,524
Automated	84%	82%	80%	76%	85%
Manual	16%	18%	20%	24%	15%



Audit Committee performance metrics to Q4, 20/21

There have been some peaks in the trends through the year. These are highlighted below:

Retrospective PO spend:

- General downward trend reflects improving controls.
- Period 2: A number of large construction payments were made which is likely the less than optimal application of the payment process. The PSCIP has improved this and deployed a new process in the last month.
- Period 6 & 9 : 2 Large payments for utilities. It is not unusual for these to be back dated for reconciliation purposes, to note a new commercial deal that was put in place earlier this year

Non Competitive Transaction (NCTs):

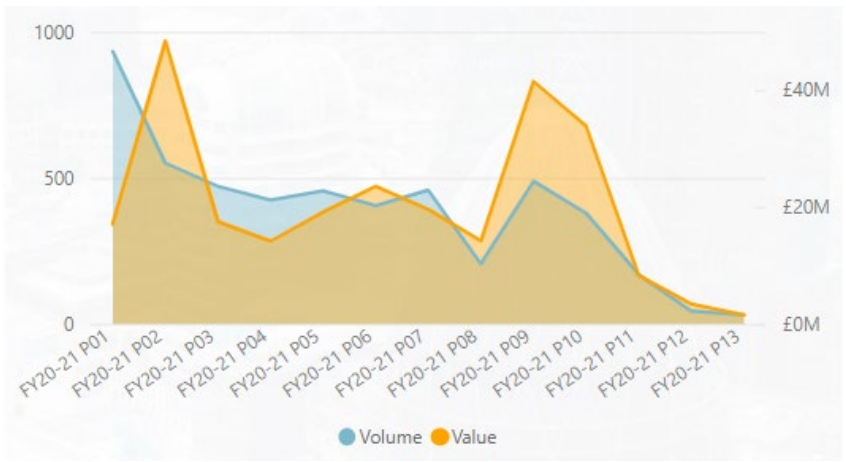
- P4: 4 contracts were awarded for Topographical services.
- P8/9 An I.T. cloud service agreement was signed at a value of c.£15m which was the best commercial sourcing option.

Spend Under Contract:

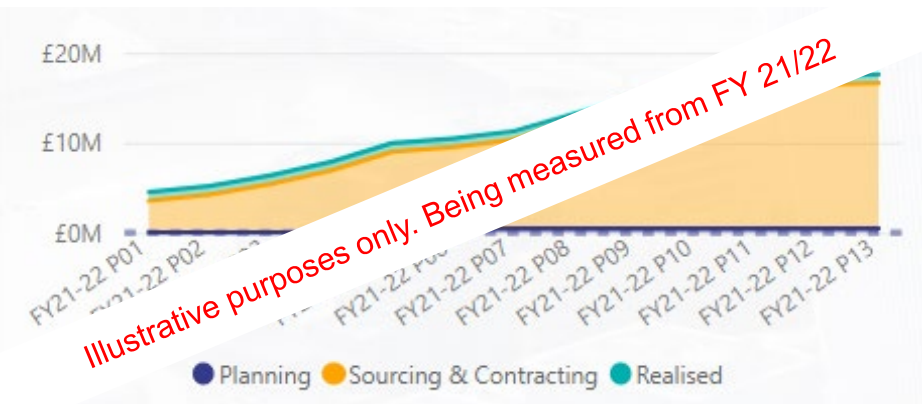
- Contract register data quality issues which are being resolved.

Procurement activity

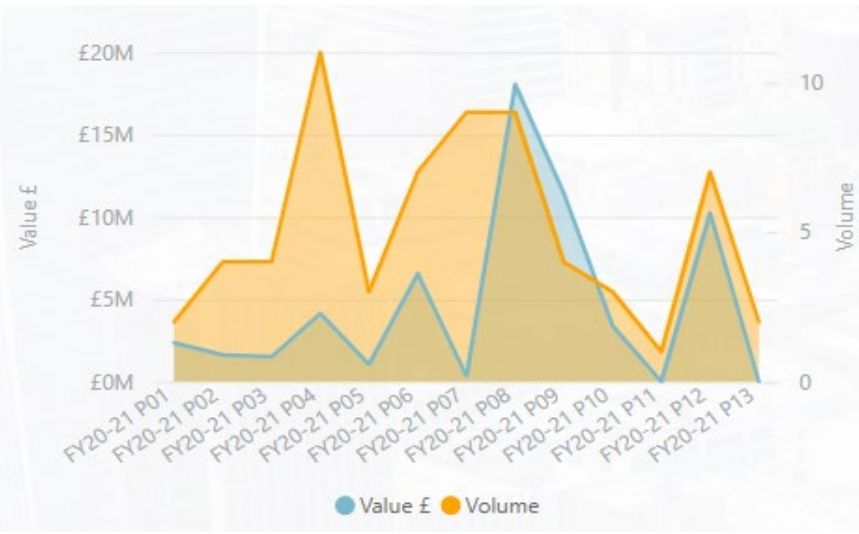
Retrospective PO Spend



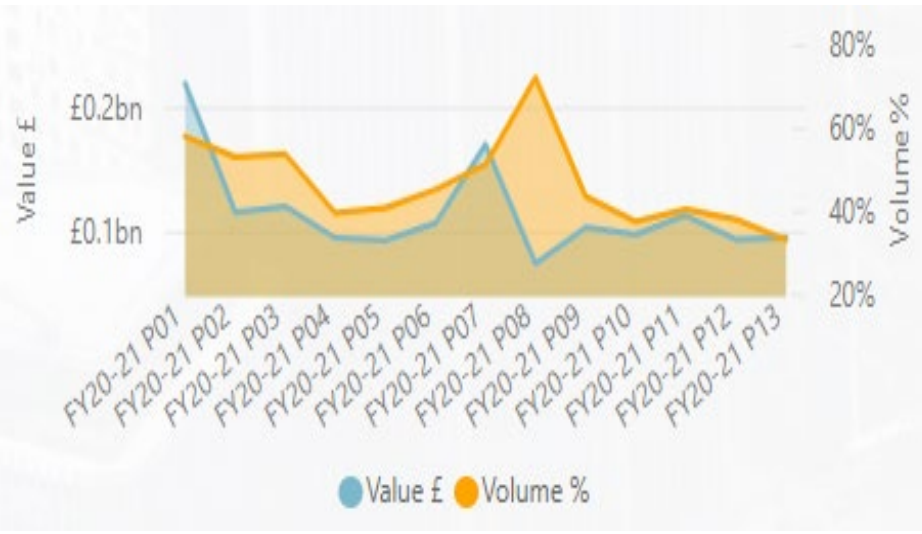
Benefit Delivery



Non- Competitive Transactions (NCTs)



Spend Under Contract



Audit and Assurance Committee



Date: 7 June 2021

Item: Legal Compliance Report (1 October 2020 – 31 March 2021)

This report will be considered in public

1 Summary

1.1 This paper summarises the information provided by each TfL Directorate for the Legal Compliance Report for the period 1 October 2020 to 31 March 2021.

2 Recommendation

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

3 Background

3.1 The Legal Compliance Report is compiled from information supplied through questionnaires completed by each TfL Directorate and follow up discussions concerning known legal compliance issues.

4 Scope of the Report

4.1 The Directorates were asked to identify where they are aware of any alleged breaches of law between 1 October 2020 and 31 March 2021. The questionnaire sought responses concerning the following:

- (a) prosecutions against TfL;
- (b) formal warnings or notices from the Health and Safety Executive, the Office of Rail and Road (ORR), the London Fire Commissioner, the Environment Agency, the Information Commissioner or other Government Agencies;
- (c) investigations by an Ombudsman;
- (d) alleged legal breaches notified by Local Authorities or other bodies;
- (e) judicial reviews;
- (f) involvement in inquests;
- (g) commercial/contract claims in excess of £100,000;
- (h) personal injury claims;
- (i) proceedings in relation to discrimination on the grounds of race, sex, disability, age, religion or belief, sexual orientation, equal pay or breach of contract;
- (j) wrongful or unfair dismissal;

- (k) actions to recover unpaid debt in excess of £5,000;
 - (l) breaches of EU/UK procurement rules and/or the Competition Act;
 - (m) other material breaches of the law;
 - (n) any other material compliance issues; and
 - (o) any initiatives introduced by Directorates to address compliance issues.
- 4.2 The reporting periods for the graphs included in this report follow the six monthly Legal Compliance reporting periods from April to September and October to March. Graphs are included where there is sufficient data from which to consider any trend analysis. The graphs commence in the reporting period covering 1 October 2015 – 31 March 2016. Each period includes any ongoing matters carried over from previous reporting periods where applicable. In accordance with TfL’s commitment to transparency, the Legal Compliance Report is included in this public paper.

5 Commentary on Legal Compliance Issues

Prosecutions

- 5.1 A notice of intention to prosecute was received on 12 May 2020 from the London Borough of Hackney, for an alleged breach of planning permission for the erection of an external timber deck structure with a canopy at 196 Shoreditch High Street, London E1. TfL is discussing compliance with the notice with the sub-tenant and the London Borough of Hackney has extended time for the structure to be removed.
- 5.2 A notice of intention to prosecute was received on 28 August 2020 from the London Borough of Tower Hamlets for alleged breaches of the Health Act 2006, planning consent under the Town and Country Planning Act 1991 and the Health and Safety at Work Act 1974 in relation to smoking of shisha in a shop at 568 Mile End Road, London E3. Previous enforcement notices received in April 2014 and April 2017 for the same alleged breach were addressed with the tenant. However, in 2020 the tenant reopened the shisha bar. On 5 February 2021, the London Borough of Tower Hamlets served the tenant with notification that it has been charged with an offence under the Health Act 2006. The tenant occupies the premises pursuant to a long protected lease which expires on 24 December 2021.

Formal Warnings or Notices from the Health and Safety Executive (HSE) or Office of Rail and Road (ORR)

- 5.3 Surface Transport previously reported an incident on the A40 in November 2011, in which a motorcyclist was injured as a result of temporary bridging plates installed over defective expansion joints on the A40 Westway. The HSE investigation is ongoing.
- 5.4 London Underground (LU) previously reported that the ORR has been investigating the tragic death of a member of the public who fell into the gap between the train and platform 3 at Waterloo station on the Bakerloo line on 26 May 2020. The ORR

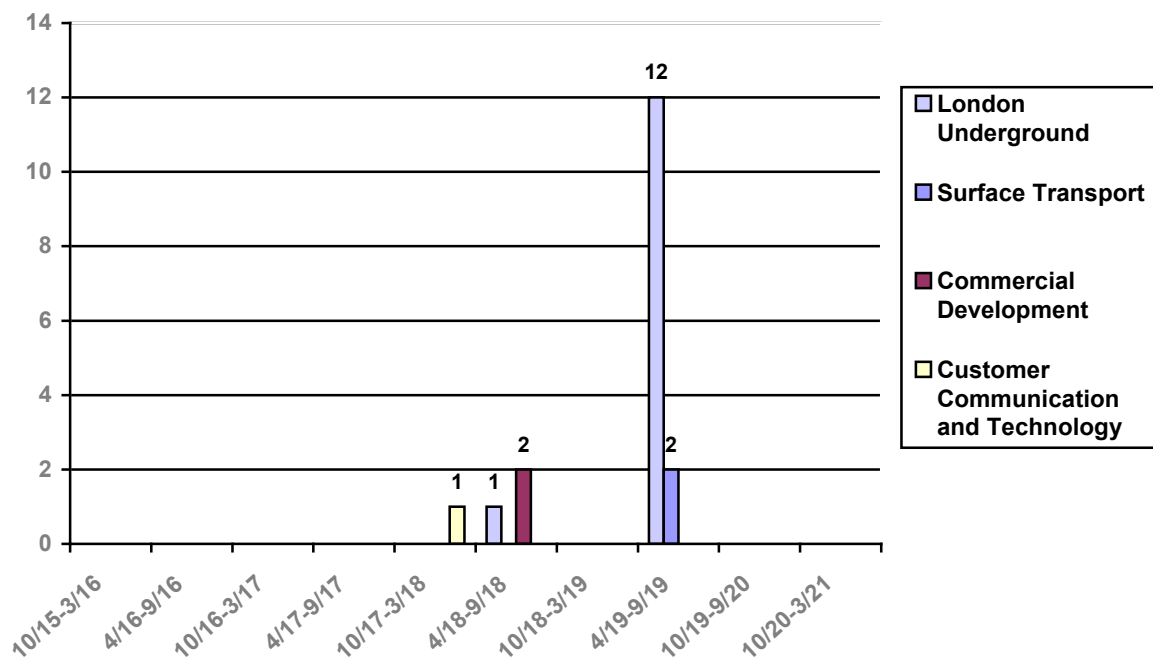
has been considering LU's arrangements for assessing the risks of a member of the public falling between the train and the platform and into the gap and the controls that follow from this assessment. On 29 October 2020, the ORR served an Improvement Notice requiring LU to undertake a suitable and sufficient assessment of the risks to persons not in LU's employment including members of the public who use the platform on the Bakerloo line at Waterloo station, or any train that stops at the platform, and who may fall into the gap between the platform and train so as to identify reasonably practicable measures to control these risks. The ORR noted the seriousness with which LU treated this issue and on 16 December 2020, confirmed it has closed the Improvement Notice. LU has shared lessons learnt across TfL. A date for the inquest is awaited.

5.5 LU reported a Notification of Contravention, received on 21 January 2021, following a visit in December 2020 from the HSE to the Long Rail facility at Ruislip depot, in relation to safety management practices at the depot. The notification identifies gaps in compliance with the Provision and Use of Work Equipment Regulations (specifically guarding and isolation of work equipment). This is a similar facility to that where the Network Rail fatality occurred in November (at Eastleigh). There are only three facilities like this in the country. LU has stopped the use of the machine in question while steps are taken to address all the actions in the notification.

Formal Warnings or Notices from the London Fire Commissioner (LFC)

5.6 No warnings or notices were reported for this period.

London Fire Commissioner Formal Warnings/ Notices

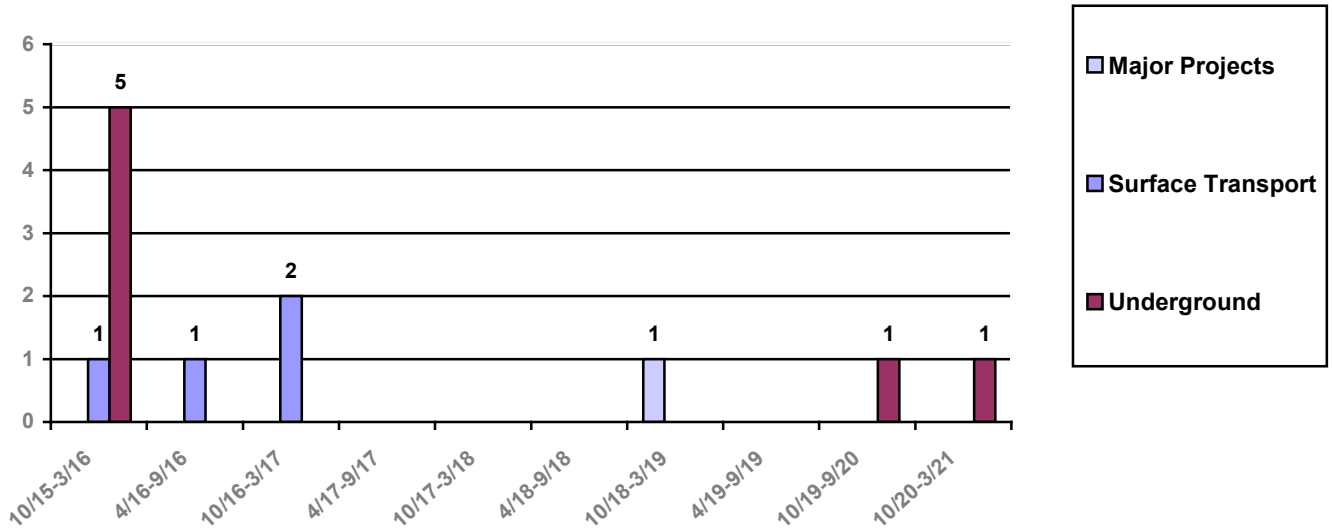


Formal Warnings or Notices from the Environment Agency

5.7 LU previously reported a notice from the Environment Agency received on 7 October 2019 in relation to equipment containing polychlorinated biphenyls (PCBs) on the

train network. The notice required the phase out and removal of all assets containing PCBs by 2023. LU has commenced the implementation of a removal plan which has been delayed by the coronavirus pandemic. LU continues to liaise with the Environment Agency to progress the removal plan.

Environment Agency Formal Warnings/Notices



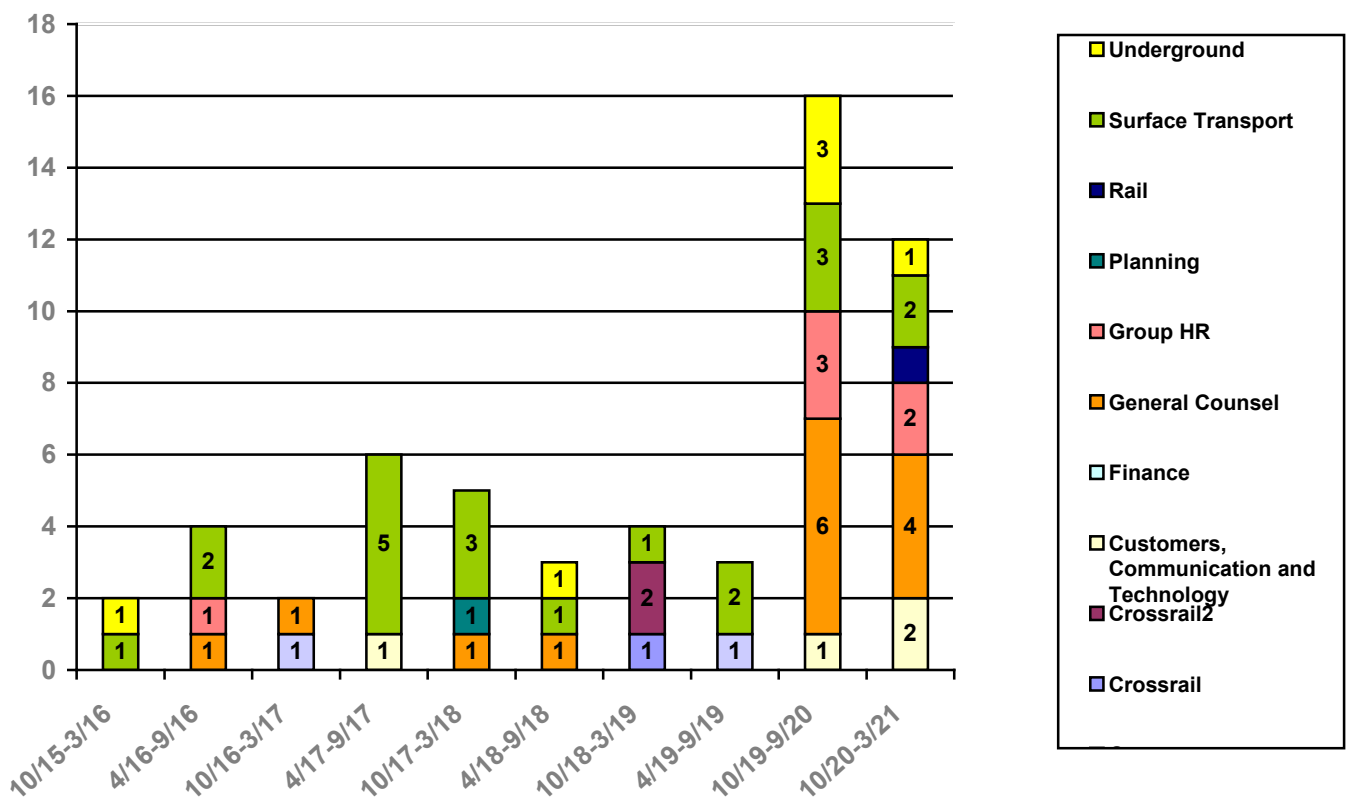
Formal Warnings or Notices from the Information Commissioner

- 5.8 The Information Commissioner’s Office (ICO) investigates alleged instances of non-compliance with the General Data Protection Regulation (GDPR), the Data Protection Act (DPA) 2018 and the Privacy and Electronic Communications (EC Directive) Regulations 2003 (the PECR) (together, data protection legislation), the Freedom of Information Act 2000 (the FOIA) and the Environmental Information Regulations 2004 (the EIRs).
- 5.9 No formal action was taken by the ICO in the reporting period in connection with TfL’s compliance with data protection legislation.
- 5.10 A requirement of the GDPR is for all data breaches posing a risk to individuals’ rights and freedoms to be reported to the ICO, within 72 hours, and for affected data subjects to be informed of the breach if it represents a high risk to their rights and freedoms.
- 5.11 One data breach (affecting one individual) occurred in the reporting period which TfL reported to the ICO. The ICO did not consider that any action was required in response to the incident.
- 5.12 There were nine new complaints to the ICO in the reporting period about TfL’s compliance with data protection legislation. One of these was determined to be unfounded. Four complaints related to late responses to requests for access to personal data. Two complaints related to accidental sharing of employee data by managers, and resulted in additional training, processes and guidance. One complaint, which was also raised with the Local Government Ombudsman (LGO), resulted from an error in recording a change of address when processing a Penalty Charge Notice. This error was rectified and a staff briefing was delivered by the

Privacy and Data Protection team. One complaint resulted from a customer's name and email address being accidentally included in an email to another customer. The ICO did not consider action was necessary as a result of this incident.

- 5.13 The FOIA and the EIRs give a general right of access to information held by public authorities. Public authorities are generally required to respond to requests for information within 20 working days and provide the requested information unless an exemption applies. Any person who has made a request to a public authority for the disclosure of information under FOIA or the EIRs can apply to the ICO for a decision on whether a request has been dealt with in accordance with the FOIA or EIRs. Unless the complaint is resolved informally, the ICO records the outcome in a published Decision Notice. Appeals against the ICO's decisions are heard by the First-Tier Tribunal (Information Rights).
- 5.14 In the reporting period 1,215 requests were made to TfL under the FOIA and EIRs and 1,214 (99.9 per cent) were replied to on time.
- 5.15 There were two complaints to the ICO open at the end of the last reporting period. One was resolved informally and one is still awaiting a final response from the ICO.
- 5.16 During this reporting period no Decision Notices were issued by the ICO relating to complaints made about TfL's compliance with the FOIA or the EIRs. Only one complaint was made to the ICO in this reporting period, about a late response to a request, which was resolved informally.

Information Commissioner Formal Warnings/Notices



Formal Warnings or Notices from any other Government Department or Agency Indicating a Breach of Law

5.17 No warnings or notices were reported for this period.

Investigation by an Ombudsman

5.18 In the last report, General Counsel (which includes the Licensing, Regulation and Charging function) reported three outstanding investigations and five new investigations. The three outstanding investigations related to complaints about TfL's handling of a private hire licensing cancellation application; the handling of a taxi/private hire vehicle (PHV) licence renewal application; and the handling of a low emission Penalty Charge Notice to a foreign registered vehicle.

5.19 In the first outstanding investigation, the complainant alleged that the application was rejected in error. The LGO found that TfL's failure to inform the complainant of where to send their documents had compromised the complainant's ability to make a delicensing application. On recommendation of the LGO, TfL made a payment and apologised.

5.20 In the second outstanding investigation relating to a taxi/PHV licence renewal application, the complainant alleged TfL's delay in handling their application caused a loss of earnings. TfL, on recommendation of the LGO, acknowledged that there was a delay in processing the application and offered a payment, but this was rejected. The complainant brought a claim for loss of earnings which the court dismissed on 7 December 2020. TfL renewed its previous offer awarded by the LGO. The complainant rejected this and has brought another claim. The matter is ongoing.

5.21 In the third outstanding investigation, TfL accepted the LGO recommendation and made a payment to the complainant. TfL has taken steps to review its processes to avoid a reoccurrence.

5.22 In the first new investigation, the complainant alleged the delay in receiving their private hire driver's badge and licence caused them loss of earnings. TfL had issued the complainant with a new licence but not a new badge. On recommendation of the LGO, TfL made a payment and apologised.

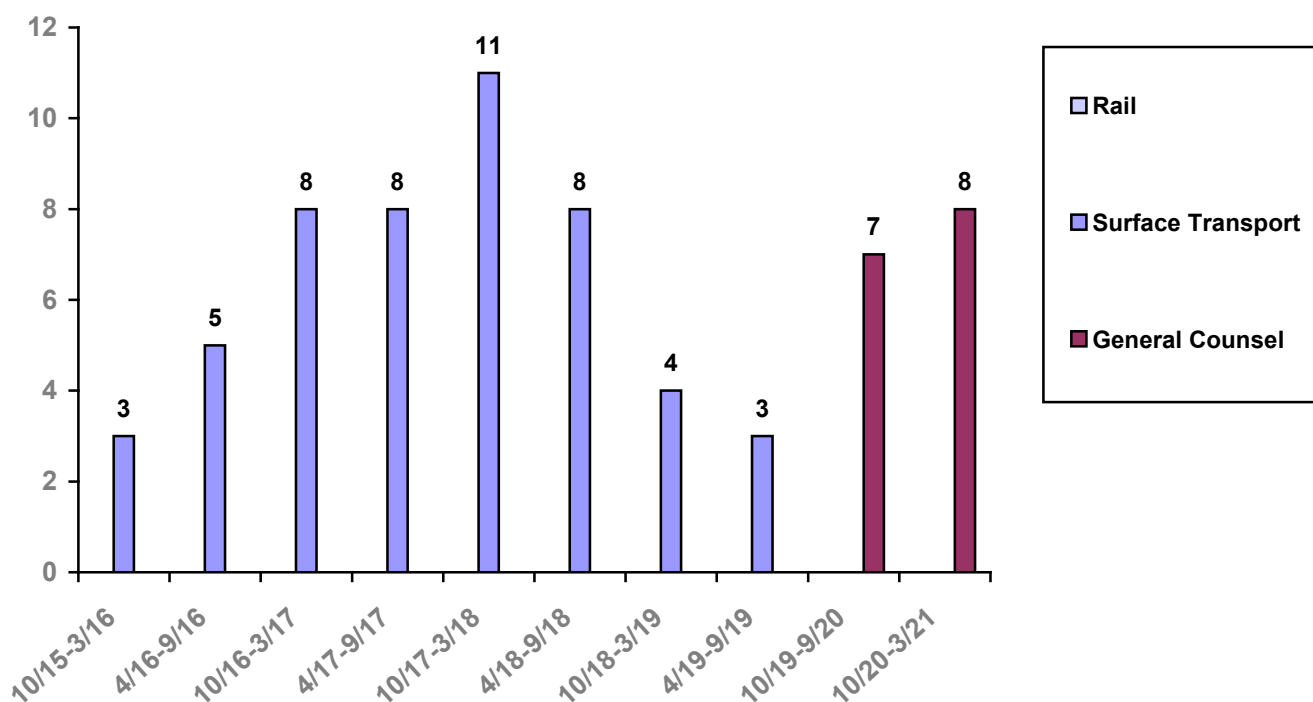
5.23 The second new investigation was in relation to a complaint about the recovery action taken in respect of a Penalty Charge Notice. The LGO found no fault but asked TfL to apologise for the delay in responding to their complaint. TfL acknowledged the delay and apologised.

5.24 The third new investigation related to recovery action taken in respect of penalties the complainant claimed to have already paid. The LGO found that the complainant was not notified of a failed payment and that the situation was not properly explained to the complainant. TfL cancelled the penalties on a discretionary basis.

5.25 The fourth new investigation was a complaint made by a passenger against a PHV driver who alleged they were injured when leaving the vehicle. The complainant wished to make a personal injury claim. TfL advised that any personal injury claim must be made through the driver's insurance. An outcome is awaited.

5.26 The fifth new investigation related to a complaint regarding TfL's processes for updating the compliance status of a vehicle for the Ultra Low Emission Zone. The LGO was satisfied that TfL had adequate procedures in place and acted reasonably.

Investigations by Ombudsman



Notices Received Regarding any Alleged Breach of Law by a Local Authority or Other External Agency

5.27 Commercial Development reported four outstanding notices carried over from the last report.

5.28 The first outstanding notice (received on 25 February 2014) was an enforcement notice from the London Borough of Haringey relating to an unauthorised front extension to units at 231-243 High Road and 249a High Road Tottenham. The tenant failed to remove the extension by 31 July 2014 as required by the notice. TfL wrote to the tenant to remind them of their lease obligations and the risk of prosecution by the London Borough of Haringey. The tenant lodged an appeal with the Planning Inspectorate. The enforcement notice remains stayed while a property management company prepares proposals for the frontages of the properties and all the adjacent properties. In January 2019, the Government approved a London Borough of Haringey Compulsory Purchase Order of TfL owned land on site to enable a wider borough led regeneration scheme. Following the tenants' unsatisfactory performance in relation to safety and compliance matters, TfL secured the management of the premises in July 2020. TfL continues to liaise with the London Borough of Haringey and monitor the matter.

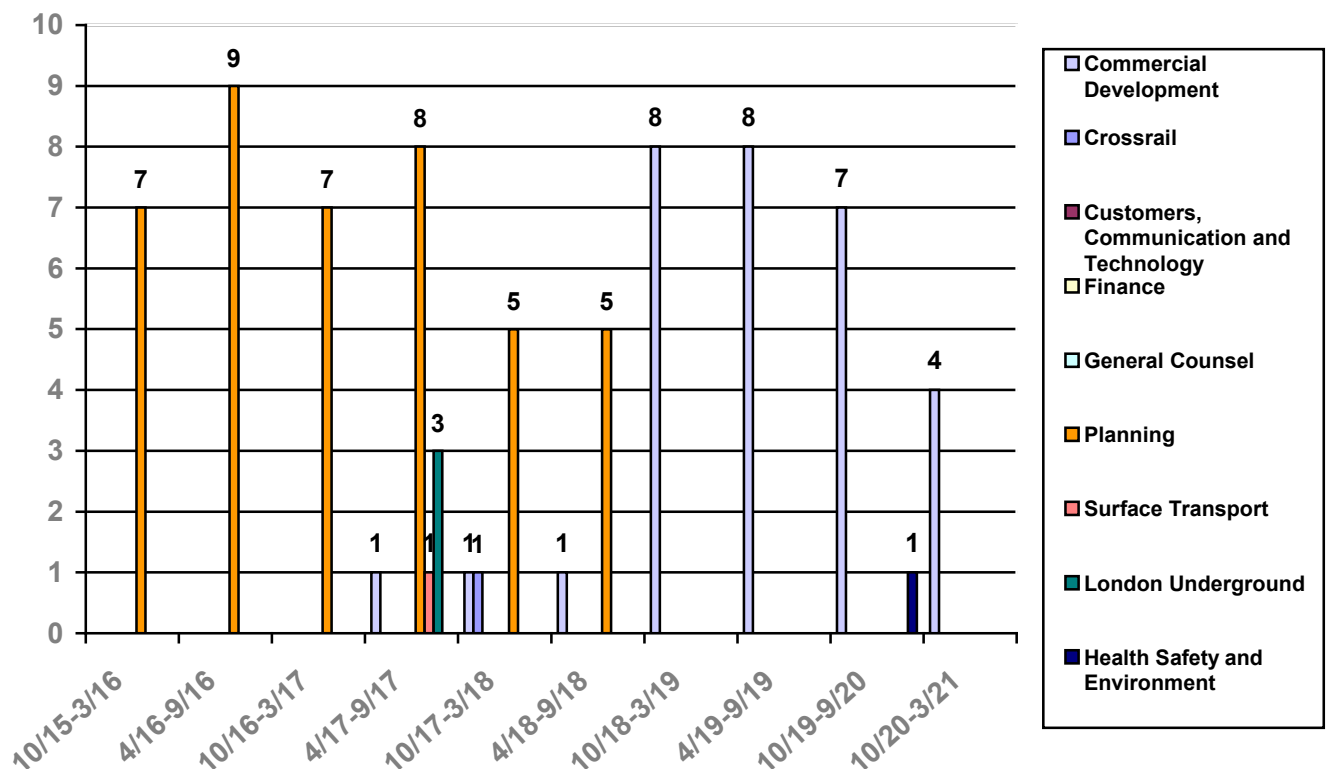
5.29 The second outstanding enforcement notice (received on 24 January 2018) from the London Borough of Hackney relates to a breach of planning control at a site at

Holywell Lane in Shoreditch (under the East London Line). The site is being used as a car park although it was granted temporary planning permission for use as office/ retail/ mixed use. The tenant submitted a planning application to the London Borough of Hackney to regularise the use of the site. The application was refused and the tenant appealed. The appeal was refused, however due to the pandemic the London Borough of Hackney has delayed the enforcement action against the tenant until July 2021. The current tenant is continuing occupancy under a tenancy at will which can be determined at a month's notice.

5.30 The third outstanding enforcement notice (received on 11 April 2018) was from Westminster City Council regarding a contravention of the control of advertising by a TV screen positioned behind a shopfront of a retail store in the West One Shopping Centre. The tenant confirmed that they have existing planning consent for the shop front and challenged the notice without success. Westminster City Council is planning to issue a further notice. TfL continues to monitor the matter and has written to the long leaseholder to ensure that the terms of the lease are enforced.

5.31 The fourth outstanding enforcement notice (received on 6 December 2019) was from the London Borough of Camden relating to a number of alleged breaches of planning permission. TfL continues to liaise with the tenant and the London Borough of Camden on this matter.

Alleged Breaches of Law by a Local Authority/Other External Agency



Decisions Subject to a Judicial Review

- 5.32 Surface Transport reported two outstanding judicial review applications. The first judicial review application was issued on 23 July 2020 by an individual seeking to challenge TfL's decision to re-route part of the 384 bus route from Strafford Road to Salisbury Road in High Barnet. Permission to bring a judicial review was granted for three of the five grounds sought. On 3 December 2020 the High Court dismissed the claim and ordered the Claimant to pay TfL's costs.
- 5.33 The second outstanding judicial review application was issued on 13 August 2020 by the taxi groups United Trade Action Group (UTAG) and the Licensed Taxi Drivers' Association Limited (LTDA) against TfL in relation to TfL's interim London Streetspace Guidance to Boroughs. An application for a statutory challenge against a Traffic Regulation Order made in support of the temporary A10/Bishopsgate scheme by TfL on 16 July 2020 was also made. On 28 August 2020 the Claimants sought injunctive relief to prevent the A10/Bishopsgate scheme from going ahead on the planned go live date of 31 August 2020, but the application was dismissed. The High Court refused permission for the claims to proceed on three of the five grounds sought but granted permission on the remaining two. TfL was awarded costs as a result of the incorrect procedure taken by the Claimants in relation to the statutory challenge.
- 5.34 The Claimants applied to renew the permission application on the three rejected grounds and amended the statutory challenge claim relating to the A10/Bishopsgate to a judicial review claim. The hearing took place on 25 and 26 November 2020. On 20 January 2021, the Court allowed the claims and quashed the Streetspace Plan, TfL's interim Borough Guidance and the A10 Bishopsgate Order. The effect of the Court's orders has been stayed until 21 days after the final determination of any appeal. The Claimants were awarded costs. TfL sought permission to appeal from the Court of Appeal and permission was granted on 25 March 2021. The appeal has been listed for 15 and 16 June 2021.
- 5.35 City Planning previously reported a judicial review claim following the Secretary of State for Transport's designation of the Airports National Policy Statement (ANPS) on 26 June 2018 in which a third runway at Heathrow airport was identified as the preferred scheme for achieving increased airport capacity in south-east England. The Mayor considers that the ANPS fails to adequately address the significant health impacts of the proposed scheme in terms of air quality and noise, the adverse impact on surface transport infrastructure which will result from the huge increase in staff, passenger and freight movements, and the implications for the UK's obligations in respect of climate change. The Mayor also does not consider that the environmental impacts of the scheme have properly been assessed. The Mayor joined with the London Boroughs of Hammersmith and Fulham, Hillingdon, Richmond, Wandsworth, the Royal Borough of Windsor and Maidenhead and Greenpeace in bringing a legal challenge against the designation of the ANPS by way of judicial review. TfL was an interested party in the proceedings and provided evidence in support of the claim. The hearing took place between 11-22 March 2019 together with four other separate claims. On 1 May 2019 the Divisional Court refused the application for judicial review on all grounds. The four other claims were also unsuccessful. Application for permission to appeal was granted by the Court of Appeal in respect of two grounds on which permission to judicially review the

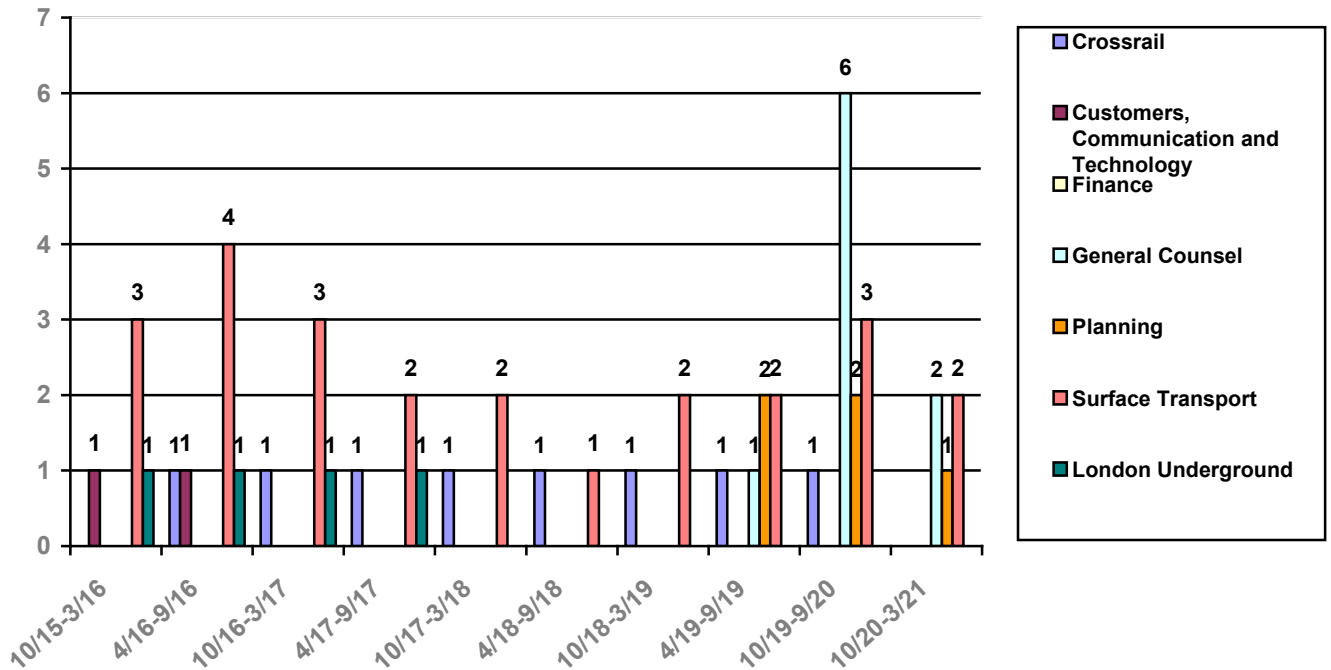
decision had been refused. Permission was also granted in respect of three of the other claims. The appeal was heard on 17 October 2019 for a period of six days. On 27 February 2020, the Court dismissed the Mayor/Borough/Greenpeace's appeal but upheld the climate change focused appeals brought by two environmental groups, Plan B and Friends of the Earth. The decision recognised that the Mayor and Boroughs also supported the climate change grounds. The Court ordered that the ANPS has no legal effect unless and until the Secretary of State reviews it to take into account the Paris Agreement.

5.36 On 6 May 2020, Heathrow Airport Limited and Arora, were given permission to appeal to the Supreme Court against the judgment in Plan B and Friends of the Earth's claims. The Government did not appeal. The Mayor/Borough/Greenpeace made applications for permission to appeal the decision in respect of their claim and to intervene in the Plan B and Friends of the Earth appeal which were refused. The Supreme Court heard the Plan B and Friends of the Earth appeal on 7 and 8 October 2020. On 16 December 2020 the Supreme Court allowed Heathrow Airport Limited's appeal on all grounds. The Mayor is pursuing his request for the Secretary of State to review the ANPS and withdraw it given the challenges of expanding Heathrow in light of the revised carbon reduction targets in the Climate Change Act and the advice of the Committee of Climate Change regarding international aviation emissions and airport capacity expansion.

5.37 General Counsel reported two new judicial review claims during the reporting period. The first new judicial review claim was issued on 10 November 2020 against the London Borough of Hounslow challenging decisions to implement a temporary version of the proposed C9 Cycleway. TfL, as designer and funder of the scheme, has been named as an Interested Party. The LTDA and UTAG have been given permission to make short written submissions. The hearing was scheduled for 17-18 June 2021 but was then adjourned to a date to be fixed after 1 October 2021.

5.38 The second new judicial review claim was issued on 6 November 2020 by UTAG against TfL's decision in August 2020 to grant a London PHV operator's licence to Transopco UK Ltd (trading as "FreeNow"). Transopco is named as an Interested Party and the grounds are that FreeNow enables PHV drivers to ply for hire in London using an App which is unlawful because plying for hire is an activity reserved to hackney carriages and that FreeNow's drivers are committing a separate offence of accepting bookings without a PHV operator's licence. On 8 March 2021 the High Court refused permission for the application and awarded TfL its costs. UTAG applied to renew its application for permission on 12 March 2021. A renewal hearing took place on 20 April 2021. UTAG was granted permission to proceed with the judicial review claim on the basis that the Court should look again at whether PHVs engaged via apps are plying for hire and whether PHV drivers are accepting bookings following the Supreme Court's judgment given in February 2021 in relation the worker status of drivers operating for Uber. A hearing date is awaited.

Judicial Reviews of decisions by TfL¹



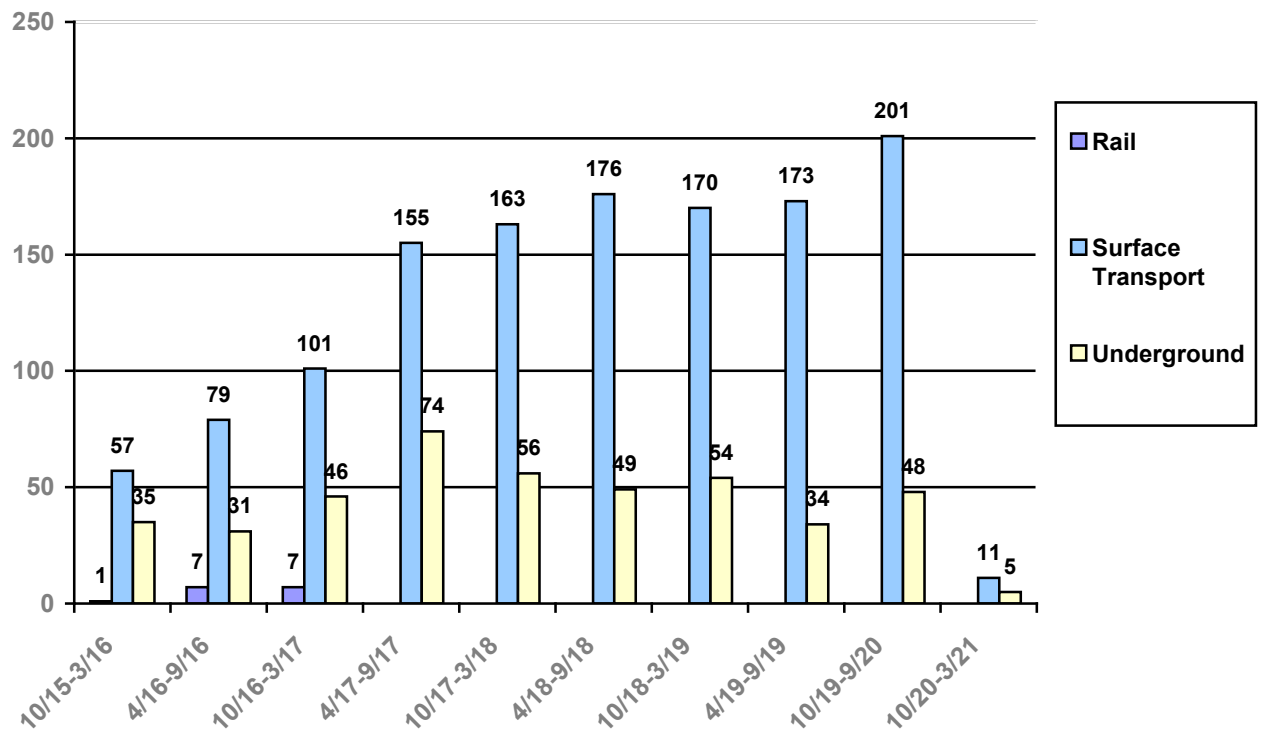
Inquests

- 5.39 Commencing from this reporting period, the inquests section of the report has been updated to include only those inquests in which TfL is either a witness, has been asked to provide information to the Coroner or is, or may be, an interested person. Previously inquests into fatalities that have occurred on all TfL modes were included even where TfL is not involved but TfL often has difficulty obtaining updated information on the outcomes on those inquests. This approach in reporting will reflect a reduction in the total number of inquests reported.
- 5.40 There are five inquests in which LU is either a witness, has been asked to provide information to the Coroner or is or may be, an interested person at an inquest.
- 5.41 There are 11 inquests in which Surface Transport is either a witness, has been asked to provide information to the Coroner or is or may be, an interested person at an inquest. Of the 11 inquests, one had a conclusion of death caused by asthma contributed to by exposure to excessive air pollution.
- 5.42 On 9 November 2016, Dane Chinnery, Mark Smith, Donald Collett, Robert Huxley, Phillip Logan, Dorota Rynkiewicz and Phillip Seary tragically died when a tram derailed and overturned on a curve as it approached the Sandilands junction in Croydon. The inquests touching on their deaths began on 17 May 2021 before the Senior Coroner and a jury. The inquests are expected to last for three months. TfL has provided the Senior Coroner with witness evidence and extensive disclosure to ensure a full investigation can be carried out and continues to provide such assistance throughout these inquests. There have been 96 personal injury claims received in relation to the fatalities and injuries caused by the overturning. Of these, 84 cases have been settled being all of the cases where claimants have been ready

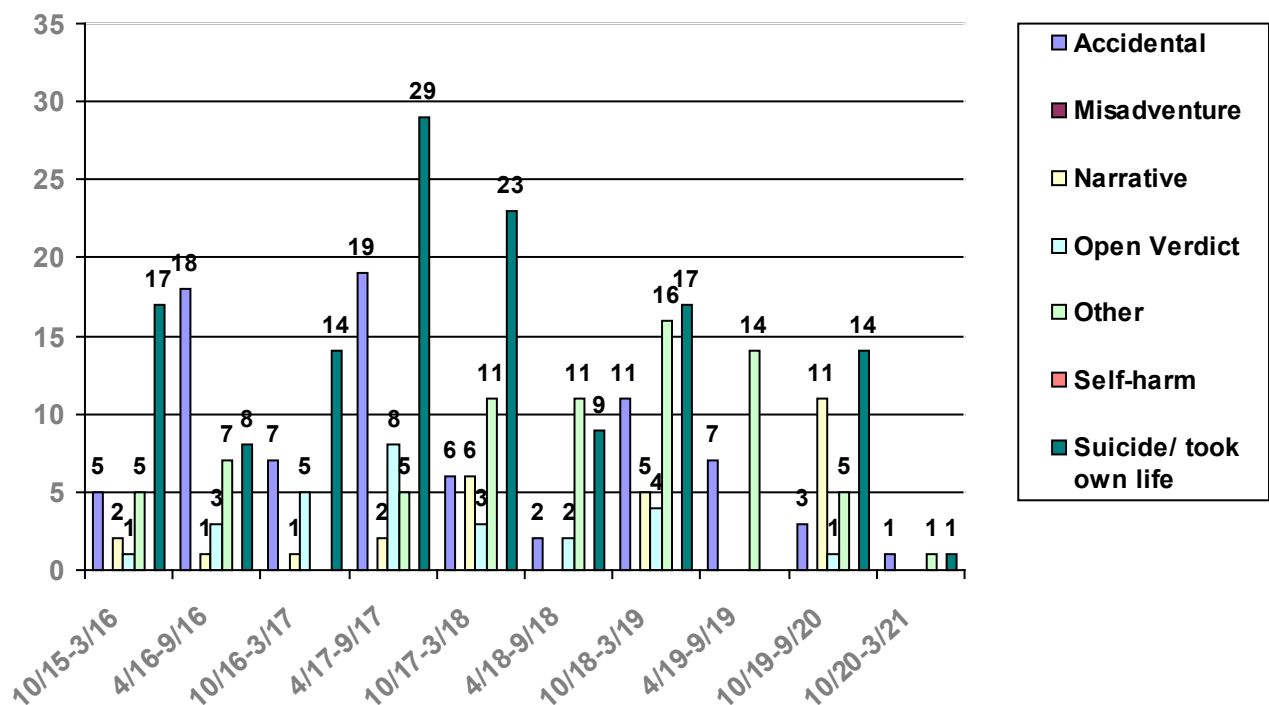
¹ Judicial Reviews in which TfL is a claimant or an interested party are not included in the table.

to finalise claims. Interim payments have been made ahead of the conclusion of claims where requested. More than £8.8m has been paid so far for counselling, rehabilitation, compensation and other support. Claims continue to be proactively managed.

Inquests²



Inquest Findings



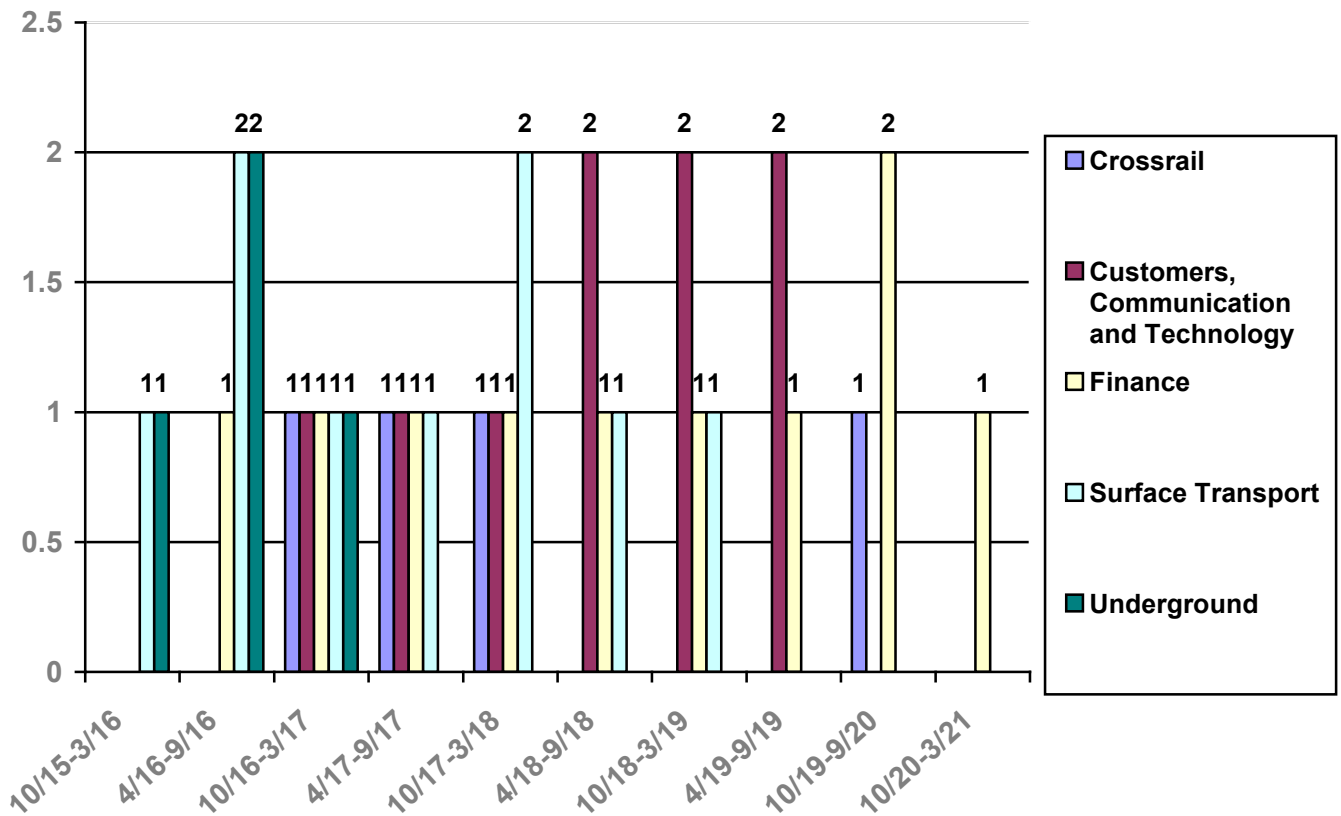
² Inquests in which TfL is not an interested party, are not included in the table

Commercial / Contract Claims Brought by or Against TfL in Excess of £100,000 (Not Including Personal Injury Claims)

5.43 Finance previously reported that on 9 September 2016 the TfL Trustee Company Limited, TfL’s pension trustee subsidiary, issued proceedings against HMRC for overpaid VAT on fund management services. A stay of the proceedings has been agreed, pending the outcome of two test cases. One of the test cases is being appealed and TfL will review its position once that has been determined.

5.44 Commercial Development reported that legal proceedings were issued on 23 March 2021 against the London Borough of Hackney in relation to the lease arrangements for Kingsland Viaduct. TfL is seeking a declaration regarding future rent payments due to the London Borough of Haringey for remaining term of the lease (75 years). A hearing date is awaited.

Commercial/ Contract Claims



Personal Injury Claims

5.45 LU has been the subject of 151 claims for personal injury that were closed during the reporting period, of which 29 claims were employers’ liability claims by staff and 122 claims were for public liability by customers/members of the public.

5.46 Of the 122 claims for public liability, 99 were closed without payment and 23 were settled.

5.47 Of the 29 claims for employers’ liability, 13 were closed without payment and 16 were settled.

5.48 Surface Transport has been the subject of 145 claims for personal injury that were closed during the reporting period, of which two claims were for employers' liability and 143 claims were for public liability.

5.49 Of the 143 claims for public liability, 111 were closed without payment and 32 were settled.

5.50 The two claims for employers' liability were settled.

5.51 Finance has been subject to three claims for personal injury that were closed during the reporting period. The claims were for employers' liability.

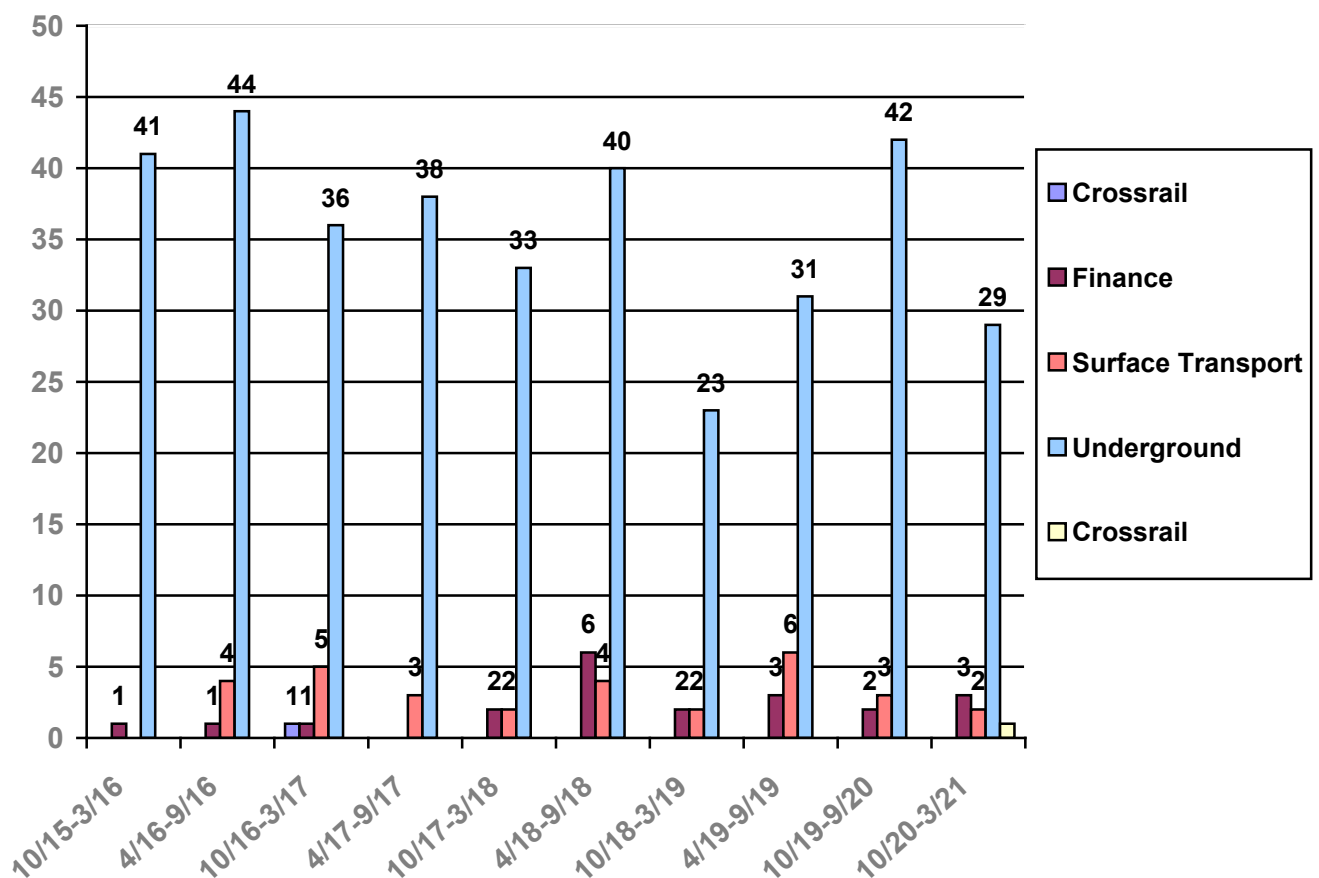
5.52 Of the three claims for employers' liability one was closed without payment and two were settled.

5.53 Crossrail has been subject to one employers' liability claim which was settled.

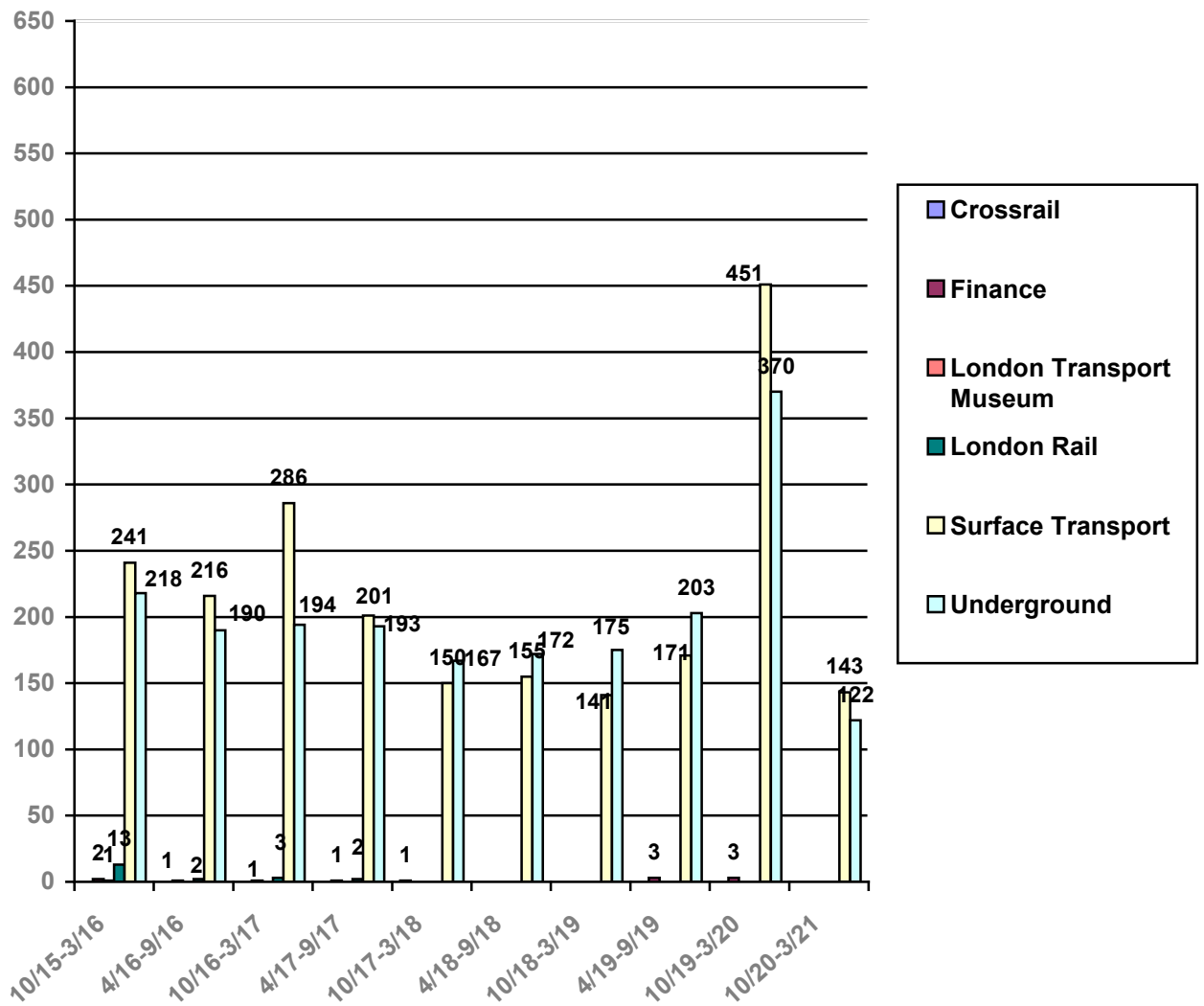
5.54 Out of the total of 300 personal injury claims closed during this period, 224 were closed without payment and 76 were settled.

Personal Injury Claims Concluded in the Reporting Period

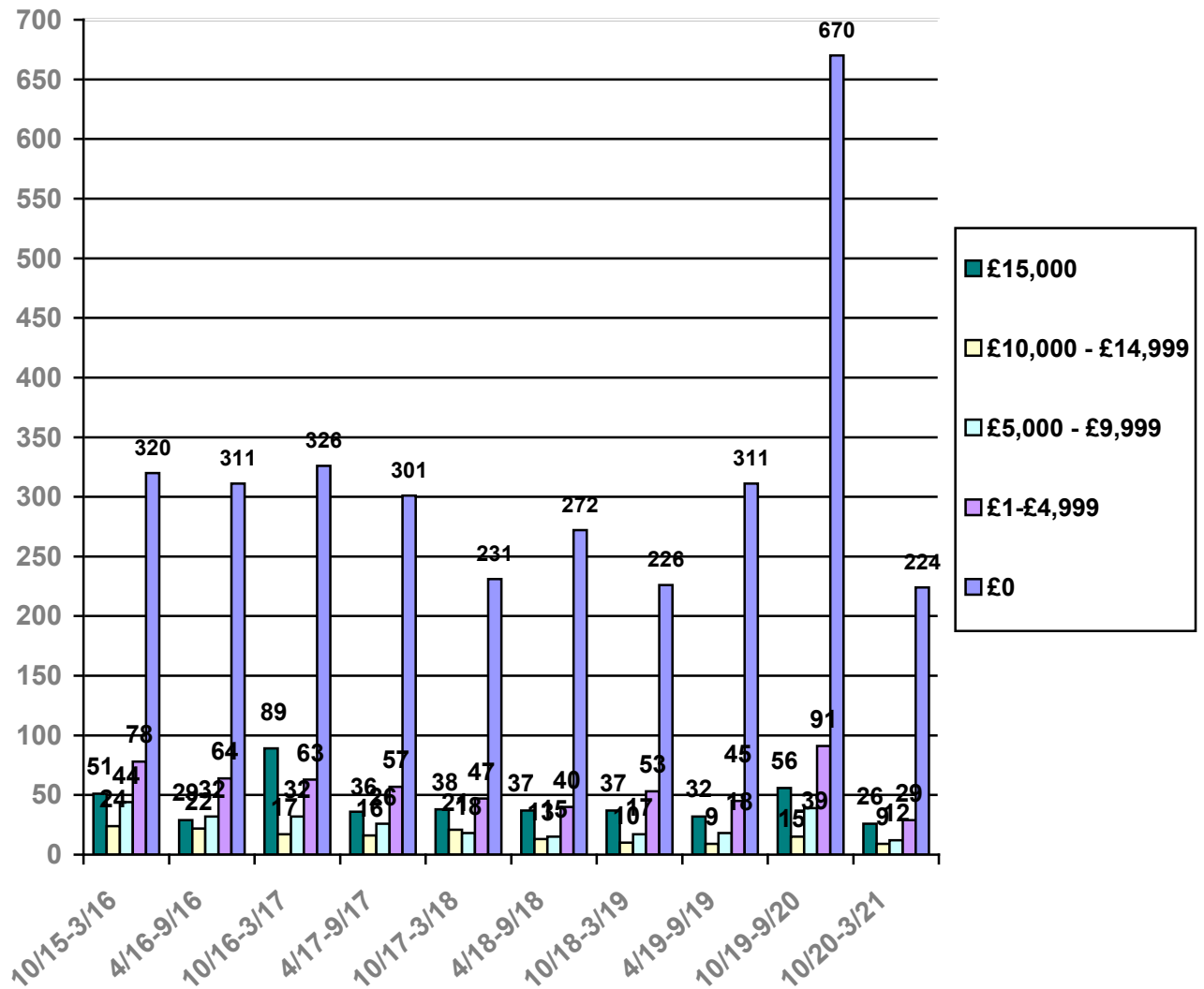
Personal Injury Claims – Concluded Employers' Liability (Staff)



Personal Injury Claims – Concluded Public Liability (Customers)



Personal Injury Claims – Concluded Cases



Employment Tribunal (ET) Proceedings

- 5.55 TfL continues to take a proactive and robust approach to managing ET cases, coupled with an extensive training programme for managers on the latest developments in the law and best practice so as to avoid employment disputes as far as possible.
- 5.56 LU has been the subject of 67 ET claims during the period of this report. Forty-four were carried forward from the previous period and 23 were reported for the first time in this period. Of the 67, 18 were for unfair dismissal, one was for wrongful dismissal, one was for constructive unfair dismissal, 19 were for disability discrimination, three were for trade union detriment, eight were for sex discrimination, 10 were for race discrimination, one was for not being allowed time off to carry out Health and Safety duties and six were for unlawful deductions from wages.
- 5.57 Surface Transport has been the subject of 20 ET claims during the period. Ten were carried forward from the previous period and 10 were reported for the first time this period. Of the 20, seven were for unfair dismissal, two were for constructive unfair

dismissal, two were for race discrimination, one was for unpaid holiday pay, one was for equal pay, one was for discrimination on the grounds of pregnancy/ maternity leave and six were for disability discrimination.

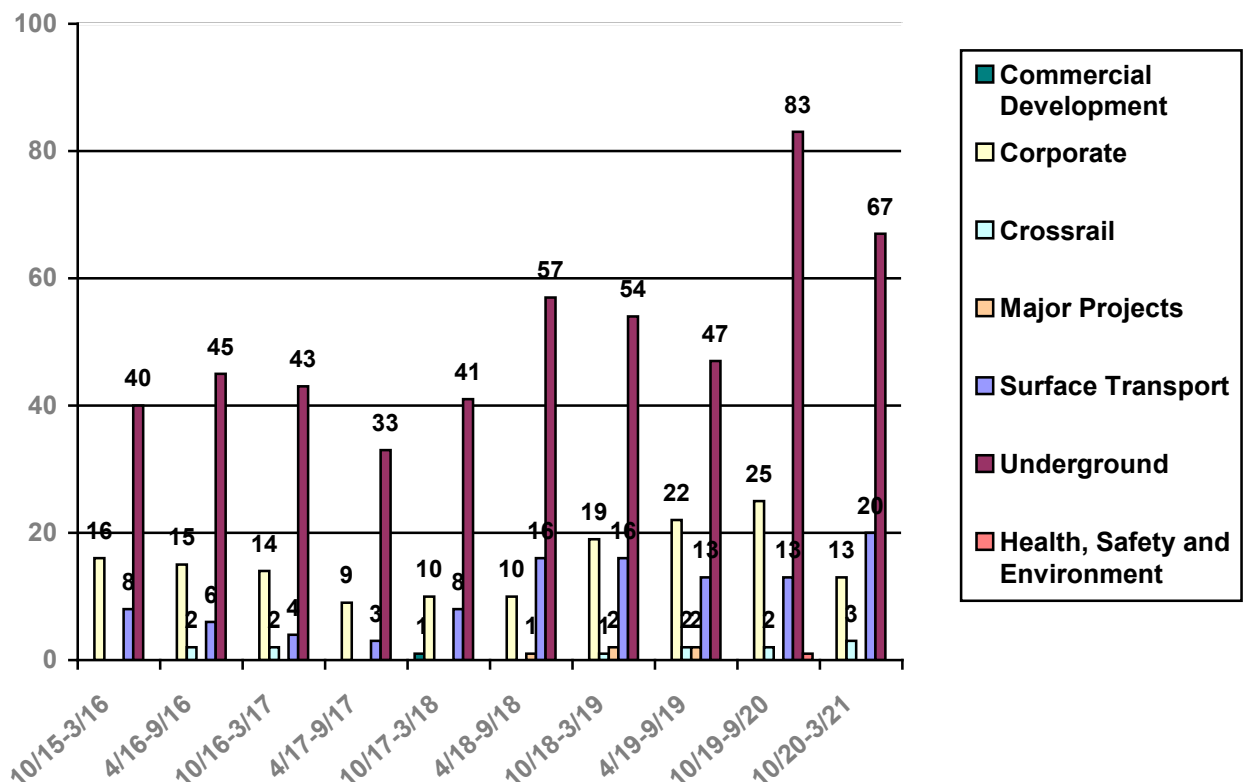
5.58 Professional Services have been the subject of 13 ET claims during the period. Ten were carried forward from the last period and three were reported for the first time this period. Of the 13, five were for disability discrimination, two were for unlawful deduction from wages, three were for unfair dismissal, one was for breach of contract, and two were for race discrimination.

5.59 Crossrail has been the subject of three ET claims. Two were carried forward from the last period and one was reported for the first time during this period. The claims were for unfair dismissal.

5.60 Of the total of 103 ET claims brought during the period, 76 cases are ongoing and 27 were concluded during the period. Of the 27 ET cases concluded during this period, nine were won, one was partially won, eight were withdrawn, one was lost and eight were settled.

5.61 Of the total 103 ET claims, 66 were carried forward from the last period and 37 were reported for the first time during this period.

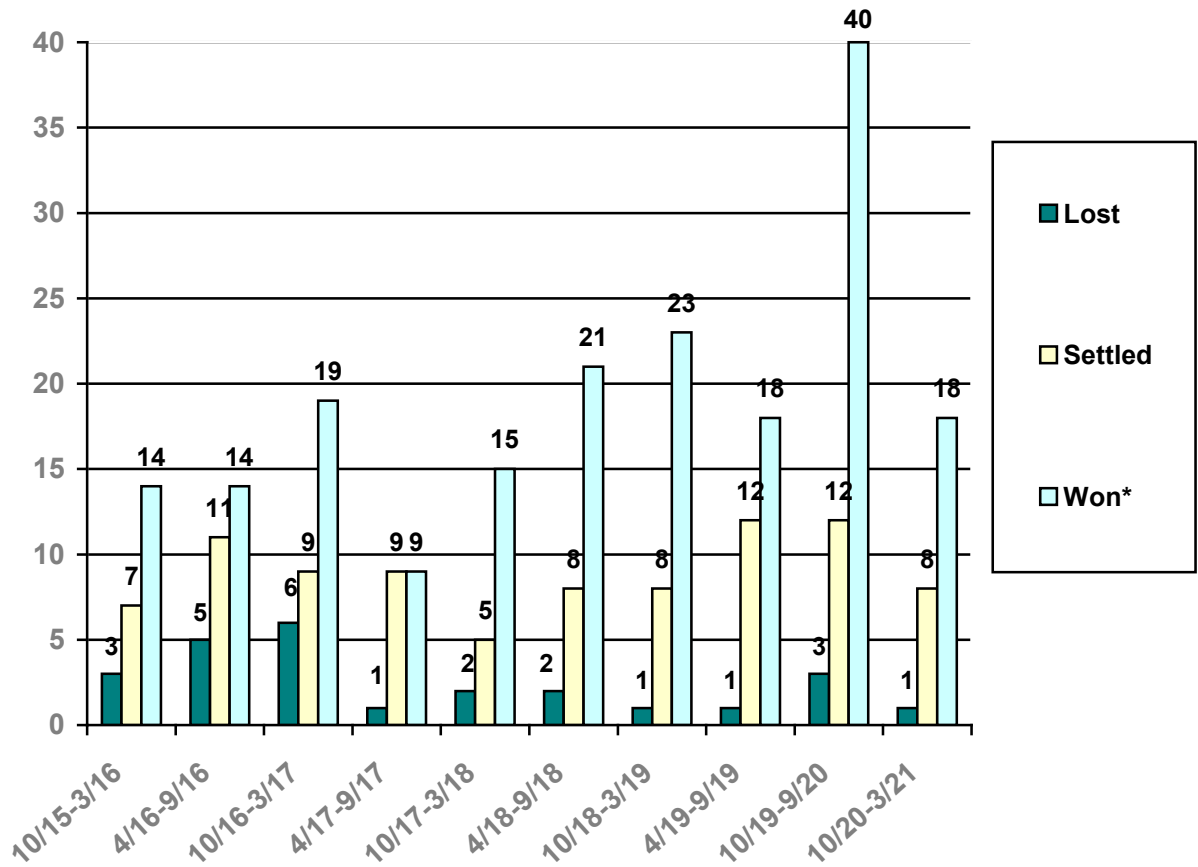
Total number of Claims³



³ A number of the reported claims have more than one head of claim (for example a claimant may claim unfair dismissal and race discrimination or sex discrimination and race discrimination). Where this is the case, the claim is reported once. Where claims involve unfair dismissal, these are reported as the main claim. In cases where there is no obvious main claim (such as multiple types of discrimination) one head of claim is selected.

Employment Tribunal Cases Concluded

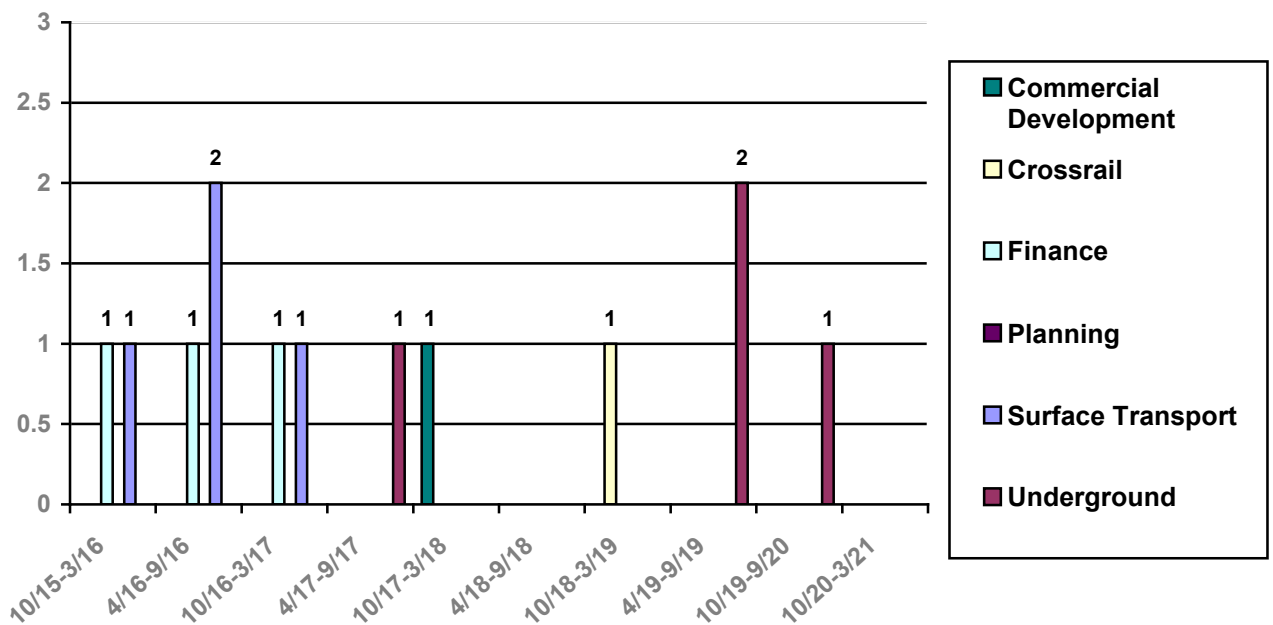
*Claims won include withdrawn and struck out claims



Civil Debt in Excess of £5,000

5.62 No civil debt claims were reported for this period.

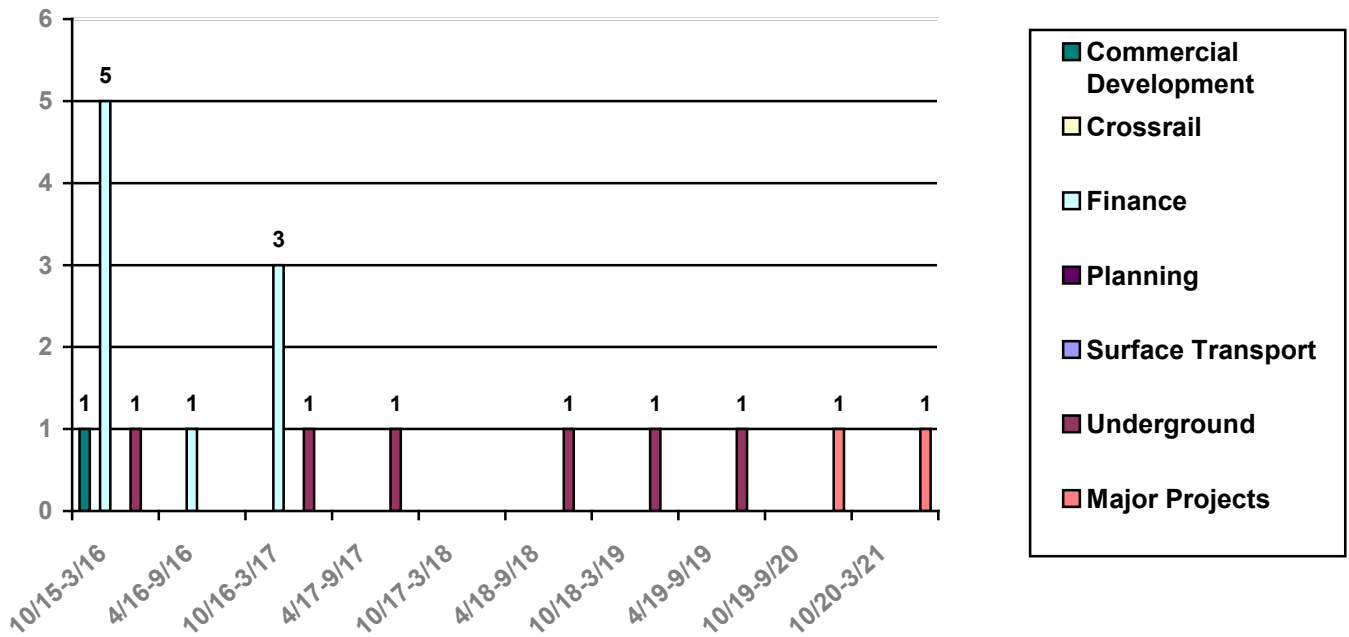
Unpaid Debt



Breaches or Alleged Breaches of EU/UK Procurement Rules and/or the Competition Act 1998

5.64 Major Projects reported that in August 2019, the reserve bidder on the Silvertown Tunnel project commenced High Court proceedings alleging errors in the scoring of the tender submissions and seeking a declaration that the contract should be awarded to it rather than the preferred bidder. The commencement of Court proceedings automatically suspended TfL’s right to enter into a contract with the successful bidder. In October 2019, the Claimant consented to TfL’s application to Court to have the automatic suspension lifted and TfL entered into contract with the successful bidder. In March 2021 the parties agreed a settlement resolving the dispute and concluding the litigation. A procurement lessons learned exercise will be carried out in order to identify any issues arising from the procurement with a view to mitigating the risks of future procurement claims.

Breaches or Alleged Breaches of EU/UK Procurement Rules and/or the Competition Act 1998



Other Known Breaches

5.65 No other known breaches were reported.

Other Material Compliance Issues

5.66 Commercial Development previously reported a dispute in relation to highways land that was vested in various London boroughs which TfL maintain and was transferred to TfL on 3 July 2000 pursuant to the GLA Roads and Side Roads (Transfer of Property) Order 2000. Of the 32 London boroughs, agreement has been reached for land transfers with 30 boroughs. The two remaining boroughs and TfL referred the various disputes between them to arbitration. Certain issues were then appealed following the arbitrator’s decision and the arbitration was stayed to

allow this process to take place. This litigation concluded with a Supreme Court judgment on 5 December 2018 in TfL's favour. TfL continues to progress discussions with the boroughs concerning the specific land that is to transfer following this ruling. Directions in the arbitration are being agreed with the City of London to determine the outstanding issues.

- 5.67 Surface Transport previously reported receiving a claim for compensation under the Land Compensation Act resulting from the Archway Gyratory scheme. A hearing took place on 8-10 September 2020 in the Upper Tribunal (Lands Chamber). The Tribunal awarded the Claimants substantially less than the amount claimed in the proceedings.
- 5.68 Surface Transport reported one outstanding claim from the last reporting period for unpaid invoices brought by a Claimant who provided traffic surveys to TfL. The payments were suspended following an internal investigation and there is also a Police investigation. TfL is defending the claim and a hearing date is awaited.
- 5.69 General Counsel reported that on 3 October 2020, TfL notified Ola UK Private Limited (Ola) that it would not be granted a new London PHV operator's licence at the expiry of its licence on 3 October 2020. TfL concluded that Ola was not fit and proper to hold such a licence after discovering a number of failures that could have risked public safety. On 20 October 2020, Ola appealed TfL's decision. The hearing of the appeal is listed for five days on 13-17 December 2021. Pending the outcome of the appeal, Ola may continue to operate and TfL will closely scrutinise Ola and its compliance with the conditions for the duration of the appeals process.
- 5.70 Following a BBC broadcast in November 2019 regarding fraudulent practices of some colleges offering BTEC qualifications in London including topographical qualifications required for a private hire driver's licence, we reviewed the licences of 422 drivers who obtained their qualifications via a company associated with the allegations. 143 previously licenced drivers had their licences revoked and 279 applicants had their applications refused. Following this action, 80 affected applicants and drivers appealed the decisions to the Magistrates' Court. Over the course of April and May 2021, 41 appeals were dismissed or withdrawn and the remaining 39 appeals are awaiting court determination.
- 5.71 General Counsel reported that since the end of the reporting period on 19 May 2021, Uber London Limited issued a High Court claim seeking a declaration from the Court as to whether the Private Hire Vehicles (London) Act 1998 requires a PHV operator who accepts a booking from a passenger to enter into a contract with that passenger to provide the journey. The Supreme Court upheld an ET ruling which classed drivers undertaking bookings for Uber London Limited as 'workers'. In doing so the Supreme Court also commented on the contractual relationship between operators and drivers as set out in their terms and conditions and how that affected compliance with the 1998 Act. Both TfL and UTAG have been named as defendants and directions from the court are awaited. We will assist the court with any points of law.

Management of Compliance Issues

- 5.72 TfL's legal and compliance risks are managed as part of TfL's overarching strategic risk management framework. A range of operational and assurance processes are in place to mitigate these risks at all levels in the organisation, taking into account during this reporting period the particular challenges presented in response to the coronavirus pandemic.
- 5.73 These safeguards are supported by the provision of advice on, and training in, relevant legal and corporate governance issues, which are tailored to the needs of TfL's business units and adjusted where possible to take account of increased home working as a consequence of the pandemic.
- 5.74 The legal and compliance framework is the subject of continuous review and improvement. Initiatives to address compliance across TfL have included:
- (a) ongoing work to update contractual and commercial templates and forms to ensure they align with legal requirements;
 - (b) promoting TfL's compliance with information governance legislation (including the FOIA, the DPA and the EIRs) and associated statutory Codes of Practice to the business;
 - (c) training on FOI, Data Protection, GDPR and records management;
 - (d) ongoing promotion and refresh of e-learning courses on FOI, Data Protection and records management, including mobile versions available for staff without PC access.
 - (e) the use of Data Protection Impact Assessments, to review proposed new or changed uses of personal data;
 - (f) the promotion through the TfL Management System of Information Governance policies, instructions and guidance;
 - (g) the promotion and maintenance of a programme of pro-active publication of information, to improve transparency and simplify the handling of FOI requests. This includes the publication of all TfL's FOI replies;
 - (h) ongoing bespoke training to the business and Human Resources on a range of employment issues including employment law updates, reasonable adjustments requirements and effective case management and providing guidance and best practice learned from ET cases;
 - (i) training on a range of legal issues including online training on common contract management, competitive procurement and contract modifications;
 - (j) continued support with the use of TfL's e-tendering system to assist users to comply with the procurement regulations, and to observe the principles of transparency, equal and fair treatment of suppliers;
 - (k) continued production of instructions, guidance and templates in the TfL

Commercial Toolkit to support compliance with regulations and governance;

- (l) ongoing work to identify and address areas of weakness in TfL's processes, helping to implement corrective actions where appropriate;
- (m) ongoing implementation of new Direct Vision Standard and Work Related Road Risk requirements to help improve safety on London roads, including reporting and implementation checks to ensure compliance with legal safety requirements and mitigate road risk; and
- (n) the ongoing issue of the Commercial Law Bulletin to the Commercial teams to support the dissemination of important messages relating to regulatory and legal issues.

6 Conclusions

- 6.1 The Legal Compliance Report for the period 1 October 2020 to 31 March 2021 sets out the legal and compliance matters of which TfL senior management is aware. There are no material breaches of the law which would affect TfL's continued operations.
- 6.2 Notwithstanding the pandemic, reported matters continue to be broadly in line with previous reports.

List of Appendices to this report:

None

List of Background Papers:

None

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Audit and Assurance Committee



Date: 7 June 2021

Item: Register of Gifts and Hospitality for Members and Senior Staff

This paper will be considered in public.

1 Summary

- 1.1 This paper sets out details of the gifts and hospitality declared by the Board and senior staff. Details of those accepted by Members and the most senior staff are routinely published on our website. In line with the GLA Group Framework Agreement, we submit a regular report to the Committee on the gifts and hospitality accepted by Board Members and senior staff. For these reports, we have extended the staff coverage to anyone on the top level organisation chart published on <https://tfl.gov.uk/corporate/about-tfl/how-we-work/corporate-governance/chief-officers>.
- 1.2 This report covers a three-month reporting period, from 1 February to 30 April 2021. The restrictions on travel and social distancing, to manage the coronavirus pandemic, resulted in relatively few offers during this period. This also affects the benchmarking data as the continuing situation does not relate to the previous baselines for the same quarter in the previous year.
- 1.3 During the three months covered by this report, no declarations were made by Members. A total of five declarations were made by senior staff, of which one was declined and four, though accepted, fall outside the scope of the policy.

2 Recommendation

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

3 Background

- 3.1 TfL's policy on gifts and hospitality applies to TfL Board Members, all staff who work for TfL and staff contracted to work for TfL including on advisory groups or through a third party. It covers both gifts and hospitality offered directly or offered through a spouse or partner.
- 3.2 The policy was last reviewed and updated in November 2017. It starts from the premise that any gifts or hospitality offered should usually be declined. No offer should be accepted where there is a possibility, or a perception, of being influenced by it. The guidance provides advice on the few circumstances where acceptance might be appropriate but, as a guiding principle, Members and staff are advised to err on the side of caution. Acceptance of any offer requires line manager approval and an explanation as to why acceptance is appropriate.

- 3.3 The policy will be reviewed shortly to ensure it is consistent with recent changes in the GLA's policy, which included an increase in the threshold for declaration, which has been raised from £25 to £50.
- 3.4 Currently, Board Members and staff are required to register with the General Counsel any gift or hospitality received in connection with their official duties that has a value of £25 or over, and also the source of the gift or hospitality. For staff, declarations are made at the end of every month. As the acceptance of any offers of gifts or hospitality by Members is uncommon, they are asked to confirm any declarations at the end of every quarter. Offers accepted by Members and the most senior staff are then reviewed and published on tfl.gov.uk on a quarterly basis.
- 3.5 Gifts and hospitality declarations from Members, the Commissioner and Managing Directors, the General Counsel and the Chief Finance Officer have been published on tfl.gov.uk since 2012.

4 Reporting Period and Issues for Consideration

- 4.1 There were no declarations by Members during the three-month period from 1 February to 30 April 2021.
- 4.2 A total of five declarations of offers were made by senior staff in this period. One was declined. The four declarations of offers that were accepted fall outside of the policy: two were virtual speaking engagements at a Central London Alliance roundtable discussion and at a London First webinar and the other two were pensions-related webinars, which both count towards requirements for officers' continuing professional development.
- 4.3 Table 1A shows the figures provided in previous reports since August 2019 and then breaks these down to a monthly average for each period reported, to enable some trend analysis. For comparison, Table 1B shows the figures for the corresponding three reporting periods i.e. February – April 2021, the current reporting period. An accurate comparison is difficult due to the impact of measures to control the coronavirus pandemic.
- 4.4 The offers received and accepted have been reviewed to ensure they comply with the policy and guidance. Where there are concerns that the policy or guidance is not being followed, these are raised with the member of staff and their line manager.

Table 1A: Figures reported to previous meetings and monthly averages

	01/08/19-31/10/19	01/11/19-31/01/20	01/02/20-30/04/20
Period reported to Committee	3 months	3 months	3 months
Total offers	163	174	57
Total declined	112	132	42
Total accepted	51	42	15
Monthly average			
Total offers	54.3	58	19
Total declined	37.3	44	14
Total accepted	17	14	5

Table 1B: Figures reported to this meeting

	01/08/20-31/10/20	01/11/20-31/01/21	01/02/21-30/04/21
Period reported to Committee	3 months	3 months	3 months
Total offers	16	3 (5*)	1 (5*)
Total declined	6	3	1
Total accepted	10	0 (2*)	0 (4*)
Monthly average			
Total offers	5.3	1	<1
Total declined	2	1	<1
Total accepted	3.3	0	0

*Events were recorded and accepted but fall outside of our policy.

List of appendices to this report:

None

List of Background Papers:

Corporate Gifts and Hospitality Register

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Audit and Assurance Committee



Date: 7 June 2021

Item: Members' Suggestions for Future Discussion Items

This paper will be considered in public

1 Summary

- 1.1 This paper presents the current forward plan 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 plan 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 plan 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:

1 December 2021
16 March 2022

Director of Risk and Assurance
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

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Email: HowardCarter@tfl.gov.uk

Audit and Assurance Committee Forward Planner 2021/22

Appendix 1

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

Standing Items		
Risk and Assurance Quarterly Report	Interim D. Risk and Assurance	Quarterly
Elizabeth Line Programme Assurance Quarterly	CFO, Crossrail	Quarterly
Finance Control Environment Trend Indicators	Chief Finance Officer	Quarterly
IIPAG Quarterly Report	Head of Project Assurance	Quarterly
Register of Gifts and Hospitality	General Counsel	Quarterly

15 September 2021		
TfL Statement of Accounts – Changes Made Prior to Finalisation	Chief Finance Officer	Annual
Effectiveness Review of the External Auditors	Chief Finance Officer	Annual
Annual Audit Letter	EY	Annual
Freedom of Information Update	General Counsel	Annual
Finance and Business Services – End to End Processes	Chief Finance Officer	Update
Enterprise Risk Update - Major Security Incident (ER4)	MD, Surface Transport	Annual
Update on Integrated Assurance on Crossrail	CFO, Crossrail	Update

1 December 2021		
External Audit Plan	EY	Annual
EY Report on Non-Audit Fees	EY	Six Monthly
Annual Tax Compliance Update	Chief Finance Officer	Annual
Legal Compliance Report	General Counsel	Six Monthly
Enterprise Risk Update - Cyber and Protective Security (ER4)	Director Compliance and On-Street	Annual

Audit and Assurance Committee Forward Planner 2020/21

16 March 2022		
Integrated Assurance Plan 2022/23	Interim D. Risk and Assurance	Annual
Critical Accounting Policies	Chief Finance Officer	Annual
Personal Data Disclosure to Police and Other Statutory Law Enforcement Agencies (2021)	Director of Compliance, Policing, Operations and Security	Annual
Governance and Controls Suitability (ER13)	General Counsel	Annual

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