

ID and Title:	IA 20-007 Governance of the Lane Rental Scheme		
Engagement Sponsor:		Strategic Risk:	ER 7 Financial Sustainability
Business Area:	Network Management	Date	30/03/2021

Objective

To provide assurance that the income from the Lane Rental Scheme was being managed in accordance with Department for Transport regulations (DfT)

Scope

The audit focussed on the control environment in relation to the following key risk areas:

- Governance including: committee oversight, decision making, adherence to DfT regulations, approvals process and authorisation of funding
- Application for surplus funding, including application process, selection criteria and cost benefit analysis
- Project Management Process including: documentation, progress monitoring, payment milestones and closure report
- Communication and Interface with Litigation and Commercial legal teams; and
- Reporting and Assurance

Issue overview

Total	Rating		
	High	Medium	Low
0	0	0	0

Summary of areas reviewed

Governance

A robust governance structure was in place. The Lane Rental Governance Committee (LRGC) meets quarterly to review and approve applications for surplus funds in line with the regulations. THE LRGC reports annually on the financial status of the scheme.

Applications for surplus funding

Detailed guidance on the process for application of surplus funding has been developed and is available via the TfL website. All appropriate paperwork was clearly identified in the guidance and templates provided for the funding application, project milestones and progress & closure reports. The guidance also covers the process for submissions, the approval process and the need for cost benefit analysis to be carried out as part of the submission.

A review of the selected applications demonstrated that the funds had been allocated in accordance with the appropriate legislation.

Project management

Successful applicants are required to submit periodic reports detailing progress against agreed milestones. Payments are only made once action against these milestones is verified. Closure reports have been produced once each project has been completed. These are posted on the TfL website

Legal interface

Robust and effective interfaces exist with both Commercial and Litigation legal teams. These have been used as required and provided input when setting up the initial charging scheme as well as any specific legal queries around section 159 agreements.

Reporting and assurance

Sufficient reporting processes are in place via periodic, closure and annual reports. All are uploaded directly onto the TfL website in full or as a summarised format.. Approved projects provide a project progress report to the committee for review and a closure report is published after scheme completion on the TfL website. The annual monitoring reports track the benefits provided by the Lane Rental Scheme compared to parts of the network not covered by the scheme. The committee also provides an annual financial summary of net income.

Assurance is carried out by the Lane Rental team prior to approval and during each projects lifetime. This assurance is subsequently discussed by the Lane Rental Committee members. No monies are paid out to applicant without approval by this committee.

Conclusion

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.

Based on our findings the controls around Lane Rental Governance are well controlled.

Introduction and background

- The New Roads and Street Works Act 1991 places duties on highways authorities to coordinate road and street works to facilitate traffic flow. Works carried out by utilities and other third parties may disrupt traffic and cause costs to the local economy and individuals
- Under the act highways authorities were enabled to operate permit schemes for works by third parties and it also provides the basis for applying lane rental charges to road and street works.
- The TfL Lane Rental Scheme is designed to control the carrying out of street works in specified traffic-sensitive locations by applying a daily charge for each day that the street is occupied by the works
- Monies raised from this scheme after deductions of running costs and scheme evaluation may be used for certain projects to reduce disruption or other adverse effects arising from the works'
- The Lane Rental Scheme Governance Committee, comprised of TfL personnel and works promoters, are charged with the responsibility of deciding how net revenues are utilised in line with the regulations.

Limitations or Restrictions

There were no notable limitations of scope, or restrictions placed on access to records, personnel and properties affecting our affecting our delivery timeline, organisational independence, or auditor objectivity.

Definition of findings and Overall conclusion categories

Finding	Indicative Business Impact of Control Weakness (Linked to Enterprise Risk Assessment Matrix (ERAM))	ERAM
High	<u>Severe weaknesses</u> in key business controls	Very High
		High
Medium	<u>Moderate weaknesses</u> in key business controls	Medium
Low	<u>Minor weaknesses</u> in key business controls	Low
		Very Low

	Overall conclusion categories
Conclusion	Description
Well Controlled	<p><u>There is no cause for concern.</u></p> <ul style="list-style-type: none"> There is a sound system of internal control designed to meet the organisation's objectives; Controls are consistently applied in all areas reviewed; Assurance mechanisms are effective, and would identify any reduction in internal control to ensure action is taken to maintain risk within acceptable tolerances.
Adequately Controlled	<p><u>There is no cause for concern.</u></p> <ul style="list-style-type: none"> There is generally a sound system of internal control designed to meet the organisation's objectives; Controls are generally applied consistently, however, minor weaknesses in the design or the inconsistent application of controls may put the achievement of a particular objective at risk; Assurance mechanisms are effective/ partially effective, and should identify reduction in internal control to maintain risk within acceptable tolerances.
Requires Improvement	<p><u>There is some cause for concern.</u></p> <ul style="list-style-type: none"> Weaknesses in the design, and/ or the inconsistent application of internal controls put the achievement of the organisation's objectives at risk Assurance mechanisms, do not exist or are partially effective/ ineffective, and may fail to identify reduction in internal control to maintain risk within acceptable tolerances.
Poorly Controlled	<p><u>There is serious cause for concern.</u></p> <ul style="list-style-type: none"> Fundamental weakness in the control design and/ or consistent non-compliance with control requirements could result/ has resulted in failure to achieve the organisation's objectives in the area reviewed Assurance mechanisms do not exist/ have failed to identify reduction in internal control to maintain risk within acceptable tolerances.

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