

Transport for London

Minutes of the Audit and Assurance Committee

**Conference Rooms 1 and 2, Ground Floor, Palestra, 197 Blackfriars Road,
London, SE1 8NJ**

10.00am, Tuesday 8 March 2016

Members

Keith Williams (Chair)
Steve Wright (Vice-Chair)
Richard Barnes
Charles Belcher (for Minute reference 01/03/16 to 11/03/16)
Brian Cooke

Present

Sarah Bradley	Head of Group Financial Accounting
Howard Carter	General Counsel
Andrea Cutinha	Group Strategic Risk Manager (Minute Reference 09/03/16)
Brian Davey	Head of Financial Shared Services Centre (Minute Reference 10/03/16)
Richard De Cani	Managing Director, Planning (Minute Reference 06/03/16)
Michele Hanson	Chief Information Security Analyst (Minute Reference 12/03/16)
Ian Nunn	Chief Finance Officer and Managing Director, Finance
Steve Townsend	Chief Information Officer (Minute Reference 12/03/16)
Clive Walker	Director of Internal Audit

In attendance

Karl Havers	Audit Partner, Ernst & Young (EY)
Kath Barrow	Audit Partner, EY

Sue Riley	Secretariat Officer
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01/03/16 Apologies for Absence and Chair's Announcements

An apology for absence was received from Baroness Grey-Thompson DBE.

02/03/16 Declarations of Interests

The following interests were declared: Charles Belcher as a member of Atos Origin Advisory Council on Transport; and Steve Wright on matters relating to private hire vehicles.

03/03/16 Minutes of the Meeting of the Audit and Assurance Committee held on 8 December 2015

The minutes of the meeting held on 8 December 2015 were approved as a correct record and signed by the Chair.

04/03/16 Matters Arising and Actions List

The Committee noted the Actions List.

05/03/16 Management Actions Report

Clive Walker presented the report on recommendations to management that had not been actioned and were more than 60 days overdue.

The Committee noted the report.

06/03/16 Internal Audit Quarter 3 Report 2015/16

Clive Walker introduced the internal audit reports for Q3 2015/16, work in progress, and work planned for Q4.

The Committee discussed an audit report on People Management Documentation, which had been rated as poorly controlled, and noted a trend of significant audit issues being found in relation to human resources and people risks. Ian Nunn was content that payroll processes were adequate, but people documentation stored on SAP needed improving.

Ian Nunn would submit a report to the next meeting on the outcome of a business and finance review in relation to work currently being carried out on staffing matters.

[Action: Ian Nunn]

The Chair advised the Committee that he wished to discuss the Garden Bridge Design and Development Procurements and the internal audit of the procurement process, following the Chair's attendance at the GLA's Oversight Committee.

Committee Members had also been contacted directly by an organisation called Project Compass on this matter. Hard copies of the correspondence were made available at the meeting.

Richard De Cani answered questions from Members on the procurement process and provided clarification on a number of points.

On 8 January 2013, TfL provided preliminary legal advice, before the start of the procurement process. It stated that an Official Journal of the European Union (OJEU) procurement process for the bridge contract should be run. Legal advice was not normally made public as it was subject to legal privilege but, to aid transparency, it had been released to the London Assembly at the request of the GLA Oversight Committee.

This initial advice was then superseded by a further options assessment. Rather than run a single procurement, a staggered approach to the procurement process was taken as there was no commitment on the part of TfL at this stage to taking the Garden Bridge project forward.

Although the sums involved meant that legally no OJEU was required, it was decided that a 'mini-competition' be run and three reputable architectural firms were approached.

TfL had been involved in the project because of the clear transport links as well as the economic case. It had the potential to link up a number of stations and relieve congestion through the promotion of walking and the use of less well known connections.

The bids had been submitted on a daily rate basis, although the form provided had also included a fixed fee price option. All of the procurement documentation was very clear that the commercial assessment of bids would be carried out on the basis of day rates submitted by bidders, but in hindsight, it was recognised that the form should have been clearer.

There was no assumption that the second procurement contract would be awarded to the same company which had been successful in the first round. The same opportunities were afforded to each of the bidders at both stages in the process. Michele Dix, who was at that time the Managing Director of Planning, was kept informed of the whole process, including the scoring and assessment.

A technical panel was established, made up of individuals with expertise in different areas, to agree a shortlist based on a technical and value assessment (70/30 split). 13 entries were reduced to five through this process.

There was one bidder which was clearly ahead, in the panel's assessment, in terms of its technical submission, but weak on the commercial scoring. The bidder was then given the opportunity to re-price its submission, which, in hindsight, was procedurally incorrect, although this would not have altered the outcome. This issue was highlighted in the internal audit report. The scoresheets of each individual panel member were kept for three years but then disposed of during an office move. Internal audit had subsequently recommended that all such documentation should be scanned and stored electronically.

The review carried out by Internal Audit had been thorough and independent. It had identified a number of areas where the process followed departed from procedure, and management was taking forward actions to make sure these issues were addressed.

As part of the drafting of audit reports, it was considered best practice to involve senior managers responsible for an area being reviewed in the drafting of the final report, to ensure accuracy of reporting and that nothing of significance was missed. In this case a number of inaccuracies were changed as a result of that process. Clive Walker and Karl Havers confirmed that clarifying audit findings with senior managers responsible for the area being audited was common practice.

Clive Walker confirmed the decision to accept any revisions to the audit report was his alone and that he stood by the final report and its findings.

In order to ensure transparency and openness, the Committee requested that EY review the audit process and report back to the next meeting. **[Action: Karl Havers]**

The TfL contract with Arup, the successful bidder, had now ended and the project was the responsibility of the Garden Bridge Trust. TfL no longer had any direct influence over the project, except as a third party funder.

The Committee noted the report.

07/03/16 Crossrail Audit Committee

Clive Walker reported on matters discussed at the Crossrail Audit Committee meeting held on 14 December 2015.

Ian Nunn agreed to present reports to the Committee on Crossrail's operational and financial progress at future meetings. **[Action: Ian Nunn]**

The Committee noted the report of the Crossrail Audit Committee.

08/03/16 Integrated Assurance Plan 2016/17

Clive Walker introduced the integrated insurance plan for 2016/17, which was based on the current strategic risks.

The Committee noted that the integrated assurance plan included specific work on TfL's procurement processes, including an audit of activity within planning.

The Committee approved the plan and noted that it would need to be updated to reflect changes to the strategic risk register.

09/03/16 Strategic Risk Management - Update on New Approach and Reporting Documentation

Ian Nunn and Andrea Cutinha gave an overview of the work undertaken to date on an improved risk management process; the proposed new approach to TfL Strategic Risk Management and the new design of certain aspects of strategic risk reporting documentation. The new methodology took a 'top down' approach to risk management. The previous 'bottom up' approach to recording risks had meant that the register had become too quantitative and project based. Engagement across the organisation had been positive.

It was agreed that an annual report on resilience, disaster planning and business continuity planning would be submitted in future. **[Action: Ian Nunn]**

The Committee:

- 1 agreed that an improvement and change in the overall risk management process was desirable; and**
- 2 reviewed and approved the changes to the Strategic Risk Management approach and reporting documentation.**

10/03/16 National Fraud Initiative 2014

Brian Davey gave an update on the National Fraud Initiative (NFI) exercises for 2014.

There had been delays in resolving the Amberhill data matches due to difficulty in getting engagement from the Metropolitan Police.

The Committee noted the report.

11/03/16 Review of TfL's Independent Reporting Lines for Year Ended 31 December 2015

Howard Carter reported on the review of reports to the independent reporting systems SafeLine and CIRAS (Confidential Incident and Reporting and Analysis System) during 2015.

It was agreed that Howard Carter would clarify whether CIRAS membership also now included London Buses. **[Action: Howard Carter]**

The Committee noted the paper.

12/03/16 Cyber Security Update

Steve Townsend and Michele Hanson updated the Committee on work on cyber security since December 2015.

The Chair thanked officers for the recently hosted visit of Committee members to TfL's Cyber Security Centre.

Members were updated on the lessons learnt from the 'Iron Bridge' exercise. It was agreed that a list of scenario events used for exercise days be included as an appendix in future reports. **[Action: Steve Townsend]**

Interactions with third party organisations, the sharing of best practice and linkages with organisations such as the National Cyber Crime Centre were all key to a co-ordinated approach to improving cyber security.

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

13/03/16 Any Other Business the Chair Considers Urgent

There was no urgent business.

14/03/16 Date of Next Meeting

The next meeting would be held on 14 June 2016 at 10.00am.

15/03/16 Exclusion of Press and Public

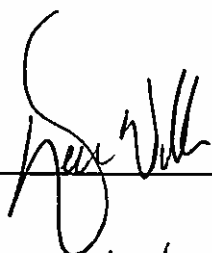
The Committee agreed to exclude the press and public from the meeting, in accordance with paragraph 7 of Schedule 12A to the Local Government Act 1972 (as amended), in order to consider the exempt information in relation to the item on Cyber Security Update.

Following the meeting, the Committee held its annual private meeting with the Chief Finance Officer.

The meeting closed at 12.30pm.

Chair: _____

Date: _____

A handwritten signature in black ink, appearing to be 'Alex Vell', written over the horizontal line for the Chair's name.

14 June 2016