

Transport for London

Minutes of the Audit and Assurance Committee

**Conference Rooms 1 and 2, Ground Floor, Palestra,
197 Blackfriars Road, London, SE1 8NJ
2.00pm, Thursday 13 July 2017**

Members

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|--------------------------|------------|
| Anne McMeel | Chair |
| Dr Lynn Sloman | Vice Chair |
| Kay Carberry CBE | Member |
| Dr Mee Ling Ng OBE | Member |
| Dr Nelson Ogunshakin OBE | Member |

Executive Committee

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| Howard Carter | General Counsel |
| Vernon Everitt | Managing Director, Customers, Communication and Technology (Minute Reference 24/07/17) |
| Ian Nunn | Chief Finance Officer |

Staff

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|--------------------|--|
| Sarah Bradley | Group Financial Controller |
| Michael Bridgeland | Head of TfL Project Assurance |
| Robert Brooker | Fraud Investigations Manager (Minute Reference 34/07/17) |
| Andrea Cutinha | Group Strategic Risk Manager (Minute References 38 and 41/07/17) |
| Tanya Coff | Finance Director, London Underground |
| Patrick Doig | Finance Director, Surface Transport |
| Andrew Freeman | Head of Corporate Business Finance |
| Sue Riley | Secretariat Officer |
| Rachel Shaw | Group Accounting Policy Manager |
| Shashi Verma | Chief Technology Officer and Director of Customer Experience (Minute Reference 42/07/17) |
| Clive Walker | Director of Internal Audit |

Also In Attendance

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|----------------|--|
| Karl Havers | Partner, Ernst & Young (EY) |
| Andrew McGowan | Senior Manager, EY |
| Chris Gilbert | Assistant Director – Business and Performance, London Transport Museum (Minute Reference 30/07/17) |
| Colin Porter | Independent Investment Programme Advisory Group (Minute References 37 and 38/07/17) |
| Sue Riley | Secretariat Officer |

20/07/17 Apologies for Absence

There were no apologies for absence.

21/07/17 Declarations of Interest

Members confirmed that their declarations of interests, as published on tfl.gov.uk, were up to date and there were no interests that related specifically to items on the agenda.

22/07/17 Minutes of the Meeting Held on 14 March 2017

The minutes of the meeting held on 14 March 2017 were approved as a correct record and signed by the Chair, subject to a minor typing amendment.

23/07/17 Matters Arising and Actions List

The Committee noted the Actions List.

24/07/17 Annual Report 2016/17

Vernon Everitt presented TfL's Annual Report 2016/17.

Members welcomed the style and content of the Annual Report, which provided a positive narrative on the work of TfL for 2016/17. It was suggested that further reference to the Mayor's focus on the Healthy Streets Approach be added to the report.

A number of other minor changes were also suggested.

The Committee noted the Annual Report and noted the delegation to the Managing Director, Customers, Communication and Technology to make any adjustments prior to submission to the Board.

25/07/17 TfL's Statement of Accounts for the Year Ended 31 March 2017

Ian Nunn presented the draft Statement of Accounts. As the Committee was considering the accounts during the public consultation period, any post-balance sheet issues raised by EY and any issues in the letter or representation, would be discussed with the Chair, prior to the submission of the accounts to the 19 September 2017 meeting of the Board for approval.

Members supported the case to lobby Government on the need for grant funding for road maintenance in London.

The Committee:

- (a) noted the draft Statement of Accounts and the delegation to the Chief Finance Officer, in consultation with the Chair, to make any adjustments arising from the ongoing audit work prior to submission to the Board. Any material adjustments arising would be reported to the next meeting of the Committee;**

- (b) recommended that the Board confirm its overall approval of the provision of an ongoing guarantee by Transport Trading Limited of all the outstanding liabilities of those of its subsidiary companies listed below, such guarantee enabling those subsidiaries to be exempt from the need to have their accounts audited:

- (i) Woolwich Arsenal Rail Enterprises Limited;
- (ii) City Airport Rail Enterprises Limited;
- (iii) London Underground Limited;
- (iv) LUL Nominee BCV Limited;
- (v) LUL Nominee SSL Limited;
- (vi) Docklands Light Railway Limited;
- (vii) Tube Lines Limited;
- (viii) Rail for London Limited;
- (ix) Tramtrack Croydon Limited;
- (x) London Buses Limited;
- (xi) London Bus Services Limited;
- (xii) London River Services Limited;
- (xiii) Transport for London Finance Limited;
- (xiv) TTL Properties Limited; and
- (xv) TTL Earls Court Properties Limited.

- (c) recommended that the Board confirm its approval in respect of the provision of a guarantee to the following subsidiary companies with effect from the financial period ended 31 March 2017:

- (i) Rail for London (Infrastructure) Limited; and
- (ii) Victoria Coach Station Limited.

26/07/17 Review of Annual Governance and the Annual Governance Statement for Year Ended 31 March 2017

Howard Carter introduced the Annual Governance Statement for inclusion in the 2016/17 Annual Report and Accounts.

It was agreed that an item on the governance programme for Crossrail transition be added to the Improvement Plan for 2017/18. **[Action: Howard Carter]**

The Committee approved the Annual Governance Statement for signing by the Chair of TfL and the Commissioner, for inclusion in the 2016/17 Annual Report and Accounts.

27/07/17 EY Report to Those Charged with Governance

Karl Havers presented the report setting out the key issues identified by EY during the course of their audit of the Statement of Accounts for the Transport for London Group for the year ended 31 March 2017.

There were no material issues identified but two outstanding issues were noted in terms of the possibility of post balance adjustments prior to the accounts being reported to the Board in September 2017 and the production of the letter of representation by TfL. It was agreed that the Chair would be consulted on these issues before the accounts were presented to the Board.

[Action: Chief Finance Officer]

The Committee requested that EY's recommendation that the overall number of employees with 'firefighter' user access to core IT systems be reduced should be addressed, as a matter of urgency, and any operational objections to this request should be presented to the next meeting.

[Action: Chief Finance Officer]

The Committee noted the report.

28/07/17 Annual Audit Fee 2017/18

Ian Nunn introduced the annual audit fee proposed by EY for the year ending 31 March 2018, which remained unchanged from last year.

The Committee noted the paper.

29/07/17 EY Report on Non-Audit Fees for Six Months Ended 31 March 2017

Karl Havers introduced the report on fees billed by EY for non-audit services.

The Committee noted the report.

30/07/17 Internal Audit Quarter 4 Report 2016/17

Clive Walker presented the report informing the Committee of the audit work completed in quarter 4 2016/17, the work in progress at the end of quarter 4, and the work planned for quarter 1 2017/18.

As there were two outstanding actions over 60 days, allocated to the London Transport Museum (LTM), Chris Gilbert was in attendance for this item. Issues around IT resource, capacity and expertise had meant that LTM had been unable to complete the actions recommended by Internal Audit. These actions were now being addressed, with support from TfL's Technology and Data department.

The Committee noted the report.

31/07/17 External Quality Assessment of Internal Audit

Clive Walker introduced the report prepared by the Chartered Institute of Internal Auditors on the quality assessment of internal audit.

The Committee congratulated the Director of Internal Audit on the outcome of the review.

Involvement of the Committee in evaluating and monitoring future performance of internal audit would be discussed once changes to assurance and risk processes, through the Transformation programme, were completed. **[Action: Howard Carter/Clive Walker]**

The Committee noted the report.

32/07/17 Internal Audit Annual Report 2016/17

Clive Walker presented the summary of internal audit activity for the year ended 31 March 2017 and the account of the use of resources and opinion on the internal controls as required by the Public Sector Internal Audit Standards, which were assessed as adequate and effective, in accordance with the relevant standards.

The Committee noted the report.

33/07/17 Crossrail Audit Committee

Clive Walker introduced the paper on matters discussed at the Crossrail Audit Committee.

The Chair of the TfL Audit and Assurance Committee now attended meetings of the Crossrail Audit Committee.

The Committee noted the paper.

34/07/17 Half Yearly Fraud Report 2016/17

Rob Brooker presented the half yearly fraud report for the second half of 2016/17 and supplemental information that was exempt from publication.

Members welcomed the pro-active work carried out by internal audit in delivering anti-fraud training across the organisation.

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

35/07/17 Register of Gifts and Hospitality for Members and Senior Staff

Howard Carter introduced the details of the gifts and hospitality received and declared by the Board and senior staff.

It was agreed that the summary of offers declined should continue to be included in future reports but that the detail no longer needed to be included in the appendix.

[Action: Howard Carter]

The Committee noted the paper.

36/07/17 Legal Compliance Report (1 October 2016 – 31 March 2017)

Howard Carter introduced the information provided by each TfL Directorate for the Legal Compliance Report for the period 1 October 2016 to 31 March 2017.

Members were advised that due to a decline for several months in TfL's response rate to Freedom of Information requests, the Information Commissioner's Office had advised that it would be monitoring TfL's response rate for a period of three months, in accordance with the Data Protection Act 1998. The Committee was pleased to note that action had already been taken to correct the position on poor response rates before the intervention of the Information Commissioner's Office.

Further information on the judicial review case involving Heathrow Airport Limited and the Office of Rail and Road would be circulated outside of the meeting.

[Action: Howard Carter]

The Committee noted the report.

37/07/17 Independent Investment Programme Advisory Group – Annual Report 2016/17

Michael Bridgeland presented the Independent Investment Programme Advisory Group (IIPAG) Annual Report for 2016/17 and the TfL management response. Colin Porter, a member of the IIPAG, was also present for this item.

The Committee noted the Independent Investment Programme Advisory Group Annual Report for 2016/17 and endorsed TfL's management response.

38/07/17 Independent Investment Programme Advisory Group – Review

Michael Bridgeland presented the Report from the review of TfL's Independent Investment Programme Advisory Group (IIPAG). Colin Porter, a member of the IIPAG, was also present for this item.

The Committee noted the report had already been considered by the Programme and Investment Committee and supported the proposals in the report, which built on the strengths of the current model but which offered further flexibility in calling on individual expertise as required. An implementation plan would be submitted to the next meeting.

[Action: Michael Bridgeland]

The Committee noted the Independent Investment Programme Advisory Group Review Report and endorsed its recommendations.

39/07/17 Garden Bridge – TfL Response to the Hodge Review

Howard Carter introduced the paper setting out the background to TfL's involvement in the Garden Bridge project and TfL's response to the recommendations addressed to TfL.

The Committee noted that it had already received reports on this matter and it endorsed the actions taken and the further proposed actions set out in the report. The importance of ensuring an appropriate escalation and feedback process existed for significant changes to matters which were subject to Mayoral Directions such as a substantial increase in costs was highlighted.

The Committee noted the Review.

40/07/17 Strategic Risk Management and Assurance Annual Report 2016/17

Andrea Cutinha presented the paper summarising the key strategic risk management activity in TfL.

It was agreed that Board wide risk discussions and allocation of risk by Committee or Panel, be discussed as part of the Board Effectiveness Review.

[Action: Howard Carter]

The Committee noted the report.

41/07/17 Strategic Risk Management Update

Andrea Cutinha presented the paper providing an update on strategic risk management to the Committee.

It was agreed that Crossrail Transition be considered for inclusion as a standalone risk on the Strategic Risk Register.

[Action: Andrea Cutinha]

The Committee noted the inclusion of two new TfL Strategic Risks (delivery of modernisation for London Underground and decreasing ridership in buses) and the status of TfL strategic risk.

42/07/17 Cyber Security Update

Shashi Verma introduced the update on TfL's cyber security programme and supplemental information that was exempt from publication.

Issues with recruiting specialist staff in this area had been identified as a challenge.

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

43/07/17 Members' Suggestions for Future Discussion Items

Howard Carter presented the current forward programme for the Committee.

The Committee noted the forward programme.

44/07/17 Date of Next Meeting

The next meeting would be held on Wednesday 11 October 2017 at 10.00am

45/07/17 Exclusion of Press and Public

The Committee agreed to exclude the press and public from the meeting, in accordance with paragraphs 5 & 7 of Schedule 12A to the Local Government Act 1972 (as amended), in order to consider the exempt information in relation to the items on: Half Yearly Fraud Report 2016/17 and Cyber Security Update.

The meeting closed at 4.45pm.

Chair:

Amem Smeel

Date:

11 October 2017