

## **Transport for London**

### **Minutes of the Audit and Assurance Committee**

**Committee Rooms 1 and 2, Ground Floor, Palestra,  
197 Blackfriars Road, London, SE1 8NJ  
10.00am, Monday 10 June 2019**

#### **Members**

Anne McMeel  
Dr Lynn Sloman  
Dr Mee Ling Ng OBE  
Dr Nelson Ogunshakin  
OBE

Chair  
Vice Chair  
Member  
Member

#### **Executive Committee**

Howard Carter  
Vernon Everitt

Simon Kilonback  
Shashi Verma

General Counsel  
Managing Director Customers, Communication and Technology  
(Minute Reference 22/06/19)  
Chief Finance Officer  
Director of Strategy and Chief Technology Officer (Minute  
Reference 33/06/19)

#### **Staff**

Simon Adams  
Sarah Bradley  
Patrick Doig  
Jazz Garcha  
David Hughes

Lorraine Humphrey  
Tony King  
Nico Lategan  
Richard Mullings  
Dili Origbo  
Rachel Shaw  
Clive Walker

Head of Commercial, Crossrail (Minute Reference 32/06/19)  
Statutory Chief Finance Officer and Group Financial Controller  
Finance Director, Surface Transport  
Chief Information Security Officer (Minute Reference 33/06/19)  
Investment Delivery Planning Director (Minute Reference  
32/06/19)  
Head of Project Assurance  
Finance Director – Major Projects  
Head of Enterprise Risk  
Head of Fraud  
Head of Internal Audit  
Head of External Reporting  
Director of Risk and Assurance

Sue Riley

Secretariat

#### **Also In Attendance**

Karl Havers  
Caroline Mulley  
Joanne White

Partner, Ernst & Young (EY)  
Partner, Ernst & Young (EY)  
Independent Investment Programme Advisory Group Member  
(Minute Reference 25/06/19)

## **18/06/19 Apologies for Absence and Chair's Announcements**

An apology for absence was received from Kay Carberry CBE.

The Chair welcomed Joanne White, Member of the Independent Investment Programme Advisory Group to her first meeting of the Committee.

She also thanked Sarah Bradley, on behalf of the Committee, for all her support and hard work, as this was her last meeting before leaving TfL.

Safety was paramount to TfL and accordingly, at the start of all meetings attended by Board Members, they were asked to raise any safety issues relating to items on the agenda or in general. Members confirmed there were no safety matters they wished to raise other than those to be discussed in relation to items on the agenda.

## **19/06/19 Declarations of Interest**

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

## **20/06/19 Minutes of the Meeting Held on 14 March 2019**

The minutes of the meeting held on 14 March 2019 were approved as a correct record and signed by the Chair.

## **21/06/19 Actions List, Matters Arising and Chair's Action**

The Committee noted the Actions List and the Chair's Action.

## **22/06/19 Annual Report 2018/19**

Vernon Everitt presented the Annual Report for 2018/19.

The Committee welcomed the report as balanced, accessible and easy to read. The Secretariat would check and confirm the Chair's attendance figures for Finance Committee.

**[Action: Secretariat]**

Other suggestions for improvement included an explanatory footnote to be added on the reduction in net cost of operations and like for like savings under Cutting our Costs, and also a footnote on value for money and re-occurring savings under the Severance Payments section. Vernon Everitt would consider the suggestions for improvement prior to submitting the Annual Report to the Board.

**[Action: Vernon Everitt]**

The Committee noted the Annual Report, commented on its contents, and agreed to delegate to the Managing Director, Customers, Communication and Technology the task of making any adjustments prior to submission to the Board.

## **23/06/19 TfL Statement of Accounts for the Year Ended 31 March 2019**

Sarah Bradley introduced the Statement of Accounts for the year ended 31 March 2019.

The introduction of two substantial new financial reporting standards had not impacted significantly on the numbers reported by TfL. It was noted that the accounting requirements for calculating the defined benefit pension deficit as included on the Balance Sheet differed from those used in the Actuarial Funding Valuation; this resulted in a significant degree of volatility in the level of deficit recorded in the financial statements. This was widely understood by the market and did not impact on TfL's usable reserves or credit rating.

Brexit risks have been reported to the Finance and the Programmes and Investment Committees as part of TfL's overall management of strategic risks.

Members were advised that there was no certainty of capital funding beyond 2020/21, and the Treasury had only agreed a one year roll over budget as of November 2019, which posed challenges for long term planning and investments.

TfL would continue to seek recompense for the lost revenue grant from central Government.

### **The Committee:**

- 1 noted the draft Statement of Accounts and the delegation to the Statutory Chief Finance Officer to make any adjustments arising from the ongoing audit work prior to submission to the Board. Any material adjustments arising would be reported to the next meeting of the Committee;**
- 2 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:**
  - (a) Woolwich Arsenal Rail Enterprises Limited;**
  - (b) City Airport Rail Enterprises Limited;**
  - (c) London Underground Limited;**
  - (d) LUL Nominee BCV Limited;**
  - (e) LUL Nominee SSL Limited;**
  - (f) Docklands Light Railway Limited;**
  - (g) Tube Lines Limited;**
  - (h) Rail for London Limited;**
  - (i) Rail for London (Infrastructure) Limited;**
  - (j) Tramtrack Croydon Limited;**
  - (k) London Buses Limited;**
  - (l) London Bus Services Limited;**
  - (m) London River Services Limited;**
  - (n) Transport for London Finance Limited;**
  - (o) TTL Properties Limited;**
  - (p) TTL Earls Court Properties Limited;**

- (q) Victoria Coach Station Limited;
  - (r) TTL Blackhorse Road Properties Limited;
  - (s) TTL Landmark Court Properties Limited;
  - (t) TTL Kidbrooke Properties Limited; and
  - (u) TTL Southwark Road Properties Limited.
- 3 recommended that the Board confirm its approval in respect of the provision of a guarantee from Transport Trading Limited to the following subsidiary company with effect from the financial period ended 31 March 2019:
- (a) TTL South Kensington Properties Limited.
- 4 noted that, as a result of the application of IFRS 9 Financial Instruments, our auditors, Ernst & Young LLP, have requested that letters of financial support previously provided by Transport for London in respect of the liabilities of its subsidiaries be re-signed annually by TfL's Chief Finance Officer. TfL Board approval for the issue of such letters was granted when the subsidiaries were first established or acquired. The template for the letter to be signed was included in Appendix 2 to the report.

## **24/06/19 Review of Governance and the Annual Governance Statement for the Year Ended 31 March 2019**

Howard Carter presented the review of governance and the Annual Governance Statement for the year ended 31 March 2019.

A number of changes would be made to the Statement including references to benchmarking, security and further detail regarding the internal audit opinion on TfL's governance and control framework.

Board Member training would be considered as part of the Board Effectiveness Review.  
**[Action: Howard Carter]**

### **The Committee:**

- 1 supported the Annual Governance Statement, as set out in Appendix 1 to the paper, subject to the amendments raised at the meeting;
- 2 agreed to delegate to the Chair approval of the revised Statement, for signing by the Chair of TfL and the Commissioner, for inclusion in the 2018/19 Annual Report and Accounts; and
- 3 noted the progress against the 2018/19 Improvement Plan, as set out in Appendix 2 of the paper and the proposed Plan for 2019/20, as set out in Appendix 3 of the paper.

## **25/06/19 Independent Investment Programme Advisory Group Quarterly Report and Workplan**

Joanne White introduced the Independent Investment Programme Advisory Group (IIPAG) quarterly report and workplan.

The workplan for 2019/20 had been developed from a risk based approach and was therefore subject to change. IIPAG members had worked closely with Internal Audit when drafting the plan to avoid duplication. Additional external expertise, in specialist areas such as digital, would be utilised when and as required.

Members requested a draft timetable of the workplan to be submitted to the next meeting.  
**[Action: IIPAG/Lorraine Humphrey]**

The Committee welcomed the approach and content of the workplan.

**The Committee noted the report and approved the IIPAG workplan for 2019/20.**

## **26/06/19 EY Report to Those Charged with Governance**

Karl Havers introduced the report from EY to those charged with governance, including the supplemental information on Part 2 of the agenda.

The qualified statement in respect of value for money was consistent with TfL's Annual Governance Statement and the Internal Audit opinion included in the Risk and Assurance Annual Report.

Improvements around commercial procurement processes were being addressed as part of the Transformation programme with better controls and end to end processes. An update on procurement controls would be submitted to a future meeting.

**[Action: Simon Kilonback]**

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

## **27/06/19 EY Letter on Independence and Objectivity**

Karl Havers presented the EY letter on independence and objectivity.

**The Committee noted the paper.**

## **28/06/19 EY Report on Non-Audit Fees for Six Months Ended 31 March 2019**

Karl Havers introduced the report setting out EY non-audit fees for the year ended 31 March 2019.

**The Committee noted the report.**

## **29/06/19 Annual Audit Fee 2019/20**

Simon Kilonback and Sarah Bradley presented the report setting out the annual audit fee for 2019/20.

**The Committee noted the paper.**

## **30/06/19 Risk and Assurance Quarter 4 Report 2018/19**

Clive Walker introduced the risk and assurance Quarter 4 report 2018/19.

An amended Appendix 1 had been circulated prior to the meeting.

TfL's Head of Enterprise Risk had been sharing best practice with the senior leadership team at the London Transport Museum and the Mayor's Office for Policing and Crime, and would also be working closely with the recently appointed Head of Risk for Crossrail.

All strategic risks would have been reviewed by the relevant Committee or Panel by the end of the year.

Internal Audit was working closely with the Chief Finance Officer to ensure that the actions agreed in response to recent audits on procurement were delivered. Despite the vacancies within the Integrated Risk and Assurance team during the year, 95 per cent of the work planned had been completed.

No critical issues had been identified in the project assurance quarterly report. The Executive Committee had requested a review of engineering resources and a management action plan was being implemented.

The Fraud team was now fully staffed and would be progressing with fraud prevention work. There had been an increase in the number of whistleblowing reports.

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

## **31/06/19 Risk and Assurance Annual Report 2018/19**

Clive Walker and Dili Origbo presented the first annual report of Risk and Assurance, which incorporated the Head of Internal Audit's overall opinion on TfL's governance and control framework.

A reference to the impact of the delay of the opening of the Elizabeth line would be added to the internal audit opinion.  
**[Action: Dili Origbo]**

It was noted that the external training budget for all staff had been temporarily removed, except for safety critical roles. The Committee requested that an item on TfL's training and development strategy be discussed at a future meeting of the Safety, Sustainability and Human Resources Panel.  
**[Action: Secretariat]**

The Committee congratulated staff on the positive stakeholder feedback.

**The Committee noted the report.**

### **32/06/19 Crossrail KPMG Review Update**

David Hughes and Simon Adams introduced the close out report on the KPMG Governance Review.

The Chair would raise the issue of sponsor representation on the Crossrail Audit and Assurance Committee. **[Action: Chair]**

Any concerns would be reported to a future meeting of the Committee, and include an outline of any recommendations which had not been implemented with a clear reasoning why. **[Action: David Hughes/Simon Adams]**

**The Committee noted the report.**

### **33/06/19 Cyber Security Update**

Shashi Verma and Jazz Garcha presented the update on TfL's cyber security programme.

The Committee welcomed the report and requested an update report to the meeting of 3 December 2019, to include details of the levels of maturity in terms of security and capability across the different parts of the organisation.

**[Action: Shashi Verma/Jazz Garcha]**

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

### **34/06/19 Register of Gifts and Hospitality for Members and Senior Staff**

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

**The Committee noted the paper.**

### **35/06/19 Legal Compliance Report (1 October 2018 – 31 March 2019)**

Howard Carter presented the summary of information provided by each TfL Directorate for the Legal Compliance Report for the period 1 October 2018 – 31 March 2019.

The Committee requested that where possible, additional trend data be included in future reports. **[Action: Howard Carter]**

**The Committee noted the report.**

**36/06/19 Strategic Risk Update: Governance and Controls  
Suitability SR03**

Howard Carter introduced the information on Strategic Risk 3 and mitigation and monitoring controls.

Members noted the risk status and the mitigation and monitoring controls and requested that the corrective controls include additional detail in future reports.

**[Action: Howard Carter]**

The Committee noted the paper.

**37/06/19 Member Suggestions for Future Discussion Items**

Howard Carter presented the standing item on the current forward programme.

The Committee noted the paper.

**38/06/19 Any Other Business the Chair Considers Urgent**

There was no urgent business.

**39/06/19 Date of Next Meeting**

The next scheduled meeting was due to be held on Thursday 26 September 2019 at 10.00am.

**40/06/19 Exclusion of Press and Public**

The Committee agreed to exclude the press and public from the meeting, in accordance with paragraphs 3 & 5 of Schedule 12A to the Local Government Act 1972 (as amended), in order to consider the following items of business: EY Report to Those Charged with Governance; Risk and Assurance Quarter 4 Report 2018/19; Cyber Security Update; and Strategic Risk Update: Governance and Controls Suitability SR03.

The meeting closed at 1.15pm.

Chair:

Aimee McMeel

Date:

26 September 2019