

Board



Date: 19 July 2017

Item: Report of the meeting of the Audit and Assurance Committee held on 13 July 2017

As provided for under section 100B(4)(b) of the Local Government Act 1972, the Chair is asked to agree that this item should be considered as a matter of urgency. The papers for this meeting were published on 11 July 2017, prior to the meeting of the Committee held on 13 July 2017. This paper summarises the issues considered and raised by the Committee and replaces the summary published with the agenda.

This paper will be considered in public

1 Summary

1.1 To report to the Board on the meeting of the Audit and Assurance Committee held on 13 July 2017.

2 Recommendations

2.1 The Board is asked to note the report and is recommended to:

(a) 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.**
- (b) **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.**

3 Background

- 3.1 The main matters considered by the Committee are listed below.
- (a) Annual Report 2016/17;
 - (b) TfL Statement of Accounts for the Year Ended 31 March 2017;
 - (c) Review of Annual Governance and the Annual Governance Statement for Year Ended 31 March 2017;
 - (d) EY Non-Audit Fees for Six Months for 31 March 2017;
 - (e) Annual Audit Fee 2017/18;
 - (f) EY Letter on Independence and Objectivity;
 - (g) EY Report to Those Charged with Governance;
 - (h) Internal Audit Quarter 4 Report 2016/17;
 - (i) External Quality Assessment of Internal Audit;
 - (j) Internal Audit Annual Report;
 - (k) Crossrail Audit Committee;
 - (l) Half Yearly Fraud Report 2016/17;
 - (m) Register of Gifts and Hospitality for Members and Senior Officers;
 - (n) Legal Compliance Report (1 October 2016 – 31 March 2017);
 - (o) Independent Investment Programme Advisory Group Annual Report;
 - (p) Garden Bridge – TfL Response to the Hodge Review;
 - (q) Strategic Risk Management Annual Report 2016/17;
 - (r) Strategic Risk Management Update; and
 - (s) Cyber Security Update.

4 Issues Discussed

Annual Report 2016/17

- 4.1 The Committee noted the Annual Report and delegated to the Managing Director, Customers, Communication and Technology, the task of any adjustments prior to submission to the Board.
- 4.2 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 emphasis on the Mayor's focus on the Healthy Streets Approach be added to the report.

TfL Statement of Accounts for the Year Ended 31 March 2017

- 4.3 The Committee noted the draft Statement of Accounts and delegated authority to the Chair to make any further amendments based on the end of year adjustments.. Following public consultation, the Statement of Accounts will be submitted to the Board for approval at the meeting on 19 September 2017.
- 4.4 Members requested that officers continue to lobby Government on the withdrawal of grant funding for road maintenance as inappropriate.
- 4.5 The Committee recommended that the Board confirms 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 previously provided with a guarantee and to extend that guarantee to two other subsidiaries. While the accounts of Transport Trading Limited are audited, those subsidiaries given a guarantee are exempt from the need to have their accounts audited, which results in savings in audit fees.

Review of Annual Governance and the Annual Governance Statement for Year Ended 31 March 2017

- 4.6 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. The Committee reviewed the progress against the Governance Improvement Plan 2016/17 and agreed the Improvement Plan for 2017/18, subject to the addition of an item on the governance programme for Crossrail transition.

EY Non-Audit Fees for Six Months for 31 March 2017

- 4.7 The Committee noted the report on EY non-audit fees for six months ended 31 March 2017.

Annual Audit Fee 2017/18

- 4.8 The Committee noted the annual audit fee proposed by EY for the audit of the Corporation and Group Financial statements for the year ending 31 March 2018. The proposed indicative fee was unchanged from last year.

EY Letter on Independence and Objectivity

- 4.9 The Committee noted the letter on EY's independence and objectivity.

EY Report to Those Charged with Governance

- 4.10 The Committee noted 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 issues identified.
- 4.11 The Committee agreed to receive a future presentation on data analytics as an effective tool for audit and assurance work. Other issues in the EY report which Members flagged for future discussion included 'firefighter' user access, oversight of efficiencies, and a further report on internal controls and actions.

Internal Audit Quarter 4 Report 2016/17

- 4.12 The Committee noted 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 of 2017/18.

External Quality Assessment of Internal Audit

- 4.13 The Committee noted the External Quality Assessment of Internal Audit prepared by the Chartered Institute of Internal Auditors. The only area of concern highlighted was linked to recent organisational changes, which had yet to be fully embedded.
- 4.14 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 Transformation was complete.

Internal Audit Annual Report

- 4.15 The Committee noted 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.

Crossrail Audit Committee

- 4.16 The Committee noted the update on matters discussed at the Crossrail Audit Committee held on 13 March and 16 June 2017. The Chair of the TfL Audit and Assurance Committee attended meetings of the Crossrail Audit Committee.

Half Yearly Fraud Report 2016/17

- 4.17 The Committee noted the half-yearly fraud report providing a summary of the work undertaken by the Fraud Team for the second half of 2016/17 (Periods 7 to 13) and the supplementary information on Part 2 of the agenda.
- 4.18 Members welcomed the pro-active work carried out by internal audit in delivering anti fraud training across the organisation.

Register of Gifts and Hospitality for Members and Senior Officers

- 4.19 The Committee noted the details of the gifts and hospitality received and declared by the Board and senior staff for the period 1 January 2017 to 31 May 2017.

Legal Compliance Report (1 October 2016 – 31 March 2017)

- 4.20 The Committee noted the summary of the information provided by each TfL Directorate for the Legal Compliance Report for the period 1 October 2016 to 31 March 2017.

Independent Investment Programme Advisory Group – Annual Report 2016/17

- 4.21 The Committee noted the Independent Investment Programme Advisory Group's Annual Report for 2016/17 and endorsed TfL's management response, for approval by the Mayor, which had also been circulated to Members of the Programmes and Investment Committee.
- 4.22 The Committee supported the proposals in the report, which offered further flexibility in calling on individual expertise as required, and an implementation plan would be submitted to the next meeting.

Garden Bridge – TfL Response to the Hodge Review

- 4.23 The Committee noted the Hodge Review of the Garden Bridge Project, which had also been considered by the Programmes and Investment Committee.
- 4.24 The Committee stressed the importance of ensuring an appropriate escalation process existed for significant changes to Mayoral Directions such as a substantial increase in costs.
- 4.25 A paper on the Garden Bridge – TfL Response to the Hodge Review appears elsewhere on the agenda for this meeting.

Strategic Risk Management and Assurance Annual Report 2016/17

- 4.26 The Committee noted the key Strategic Risk Management activity in TfL up to June 2017. 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.

- 4.27 A paper on Strategic Risk Management and Assurance Annual Report 2016/17 appears elsewhere on the agenda for this meeting.

Strategic Risk Management Update

- 4.28 The Committee noted the strategic risk management update. It was agreed that Crossrail Transition be considered for inclusion as a standalone risk on the Strategic Risk Register.

Cyber Security Update

- 4.29 The Committee noted the regular update on cyber security and the supplemental information on Part 2 of the agenda.

List of appendices to this report:

None

List of Background Papers:

Papers submitted to the Audit and Assurance Committee on 14 March 2017.

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