

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 14 June 2016

Members

Keith Williams	Chair
Steve Wright	Vice Chair
Richard Barnes	Member
Charles Belcher	Member
Brian Cooke	Member

Present

Sarah Bradley	Group Financial Controller
Rob Brooker	Fraud Investigations Manager (Minute Reference 36/06/16)
Andrea Cutinha	Group Strategic Risk Manager (Minute References 33/06/16 and 34/06/16)
Howard Carter	General Counsel
Vernon Everitt	Managing Director, Customers, Communication and Technology (Minute Reference 20/06/16)
Michele Hanson	Chief Information Security Officer (Minute Reference 37/06/16)
Ian Nunn	Chief Finance Officer
Steve Townsend	Chief Information Officer (Minute Reference 37/06/16)
Clive Walker	Director of Internal Audit

In Attendance

Karl Havers	Audit Partner, Ernst & Young (EY)
Graeme Baguley	Senior Manager, EY
Sue Riley	Secretariat Officer

16/06/16 Apologies for Absence

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

17/06/16 Declarations of Interest

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.

18/06/16 Minutes of the Meeting Held on 8 March 2016

The minutes of the meeting held on 8 March 2016 were approved as a correct record and signed by the Chair.

19/06/16 Matters Arising and Actions List

The Chair reported that the EY review on the internal audit process in relation to the Garden Bridge was almost complete. Karl Havers advised that the findings had no significant impact on their Value for Money assessment and were generally in agreement with the findings of internal audit.

Once the Garden Bridge report was complete the Committee would be advised of the date of publication. **[Action: Howard Carter]**

20/06/16 TfL Annual Report 2015/16

Vernon Everitt presented the Annual Report 2015/16.

The Committee suggested that a more balanced report would include TfL's less successful stories. Officers would review whether a different approach should be taken to the presentation of both the Annual Report and the Accounts in the future, in terms of tone and length.

A number of minor amendments were also proposed.

It was agreed that the section on Big Data should be included in a future cyber security update report. **[Action: Steve Townsend]**

In terms of efficiency savings, the previous 10 year programme had now been replaced by the Business and Finance Review, which made year on year comparisons more difficult in the report. Progress on the efficiencies programme would be reported regularly to the Finance and Policy Committee.

The Committee noted the Annual Report and delegated to the Managing Director, Customers, Communication and Technology, the task of making any adjustments prior to submission to the Board.

21/06/16 TfL Statement of Accounts for the Year Ended 31 March 2016

Ian Nunn and Sarah Bradley presented the draft TfL Group Statement of Accounts for the year ended 31 March 2016.

The ongoing pension deficit was being addressed.

The detailed disclosures on remuneration in the Accounts only included employees, in line with the Regulations, but other publication options for providing information on non-permanent labour were being considered.

The Committee noted the draft Statement of Accounts and that the Chief Finance Officer would make any adjustments arising from the ongoing audit work prior to consideration of the Statement of Accounts by the Board. Any material adjustments arising would be reported to the next meeting of the Committee.

22/06/16 EY Report to Those Charged with Governance

Ian Nunn and Karl Havers presented the report identifying any key issues during the course of the audit of the Statement of Accounts. There were no substantive areas of concern highlighted.

Karl Havers thanked Sarah Bradley, Brian Davey and their teams for all their hard work.

One minor unadjusted audit difference had been identified in the accounting treatment of an interest free loan from Crossrail to Network Rail, which had been fully supported by KPMG during their time as auditors of Crossrail. This was a technical difference only and less than £3m.

EY were satisfied with the control environment within TfL overall, but due to the complexity of the organisation, there were opportunities for streamlining and reduction of internal processes. Brian Davey advised Members that, as an example, invoicing payment arrangements could be better integrated as part of the overall procurement and contract management process.

It was agreed that the Chief Finance Officer's Letter of Representation to EY be forwarded to the Chair of the Committee outside of the meeting. **[Action: Ian Nunn]**

The Committee noted the paper.

23/06/16 EY Letter on Independence and Objectivity

Ian Nunn and Karl Havers presented the letter setting out EY's independence and objectivity.

The Committee noted the report.

24/06/16 EY Report on Non-Audit Fees for Six Months Ended 31 March 2016

Ian Nunn and Karl Havers presented the report on fees billed by EY for non-audit services.

The Committee noted the paper.

25/06/16 Annual Audit Fee 2016/17

Ian Nunn and Karl Havers presented the paper on the Annual Audit Fee proposed by EY for the year ending 31 March 2017, which was unchanged from the previous year.

The Committee noted the paper.

26/06/16 Management Actions Report

Clive Walker presented the report covering recommendations to management that had not been actioned and were more than 60 days overdue. There were no actions more than 60 days overdue

The Committee noted the report.

27/06/16 Internal Audit Quarter 4 Report 2015/16

Clive Walker presented the internal audit reports for Q4 2015/16, work in progress, and work planned for Q1 2016/17.

Clive Walker would check and confirm that a Governance Board had been established in relation to the procurement of advertising on bus shelters. **[Action: Clive Walker]**

The Committee noted the paper.

28/06/16 Internal Audit Annual Report 2015/16

Clive Walker presented the Internal Audit Annual Report 2015/16.

The Audit Strategy would be reviewed as part of TfL's efficiency drive.

It was agreed that any relevant 'poorly controlled' reports would also be sent to the Chair of the Safety, Accessibility and Sustainability Panel in future. **[Action: Clive Walker]**

The Committee noted the report.

29/06/16 Review of Governance and the Annual Governance Statement for Year Ended 31 March 2016

Howard Carter introduced the Annual Governance Statement for the year ended 31 March 2016.

EY were satisfied with the Annual Governance Statement.

A number of minor amendments to the Annual Governance Statement were suggested by the Committee. Subject to those amendments, the Committee approved the Annual Governance Statement for signing by the Chair of TfL and the Commissioner, for inclusion in the 2015/16 Annual Report and Accounts, and delegated to General Counsel the task of making any adjustments prior to the consideration of the Annual Governance Statement by the Board.

30/06/16 Crossrail Audit Committee

Clive Walker presented the paper on matters discussed at the Crossrail Audit Committee meeting held on 7 March 2016. There were no significant issues to report.

The Committee noted the paper.

31/06/16 Crossrail Update

Ian Nunn presented the Crossrail update paper, as requested by Members at the previous meeting, and confirmed this would be a regular agenda item.

The Committee noted the paper.

32/06/16 Controls – Development and Implementation Programme

Ian Nunn and Brian Davey presented the paper providing an update on a programme of work to review core financial processes and the supporting controls.

The Committee noted the paper.

33/06/16 Strategic Risk Management and Assurance Annual Report 2015/16

Ian Nunn and Andrea Cutinha presented the paper summarising the key Strategic Risk Management activity in TfL up to March 2016.

Members were informed that a Strategic Risk Workshop, led by EY, would be held, following the meeting of the Audit and Assurance Committee on 11 October 2016.

34/06/16 Strategic Risk Management Update

Ian Nunn and Andrea Cutinha presented the paper on the Strategic Risk Management Update.

It was agreed that future reports would include the full descriptor as well as the summarised version. **[Action: Andrea Cutinha]**

The Committee noted the list of updated risks and the outline roadmap detailing how we will deliver Strategic Risk Management over the next two years.

35/06/16 Legal Compliance Report (1 October 2015 – 31 March 2016)

Howard Carter introduced the legal compliance report for the period 1 October 2015 – 31 March 2016.

Members were advised that immediate action had been taken by LU following the Office of Rail and Road Improvement Notice in relation to an embankment failure on the Metropolitan Line, which had been issued, although the deadline for completion of all actions was not due until December 2016.

The increase in inquests reported within the reporting period for Surface Transport had been due to a delay in reporting incidents internally and this was being reviewed.

Investigations were continuing in relation to the recent cyber attack on SERCO Cycle Hire, including a review by Internal Audit of the security of personal data as part of the contract management process.

The Committee noted the report.

36/06/16 Half Yearly Fraud Report 2015/16

Rob Brooker presented the Half Yearly Fraud Report for 2015/16.

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

37/06/16 Cyber Security Update

Steve Townsend and Michele Hanson introduced the cyber security update.

The key lessons learnt from the SERCO cyber security attack focused mainly around internal communication and clarity of roles and responsibilities.

The Committee noted the paper.

38/06/16 Date of Next Meeting

The next meeting would be held on Tuesday 11 October 2016 at 10.00am.

The meeting closed at 12.50am.

Members met with the External Auditors for the annual private meeting at the close of the meeting.

Chair: _____

Date: _____