

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 March 2017

Members

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

Present

Ian Nunn	Chief Finance Officer
Sarah Bradley	Head of Group Financial Accounting
Michael Bridgeland	Head of TfL Project Assurance
Robert Brooker	Fraud Investigations Manager (for Minute Reference 13/03/17)
Steve Burton	Director of Enforcement and On-Street Operations (for Minute Reference 15/03/17)
Howard Carter	General Counsel
Andrea Cutinha	Group Strategic Risk Manager (for Minute Reference 11/03/17)
Tanya Coff	Finance Director, London Underground
Brian Davey	Head of Financial Services (for Minute Reference 12/03/07)
Patrick Doig	Finance Director, Surface Transport
Shashi Verma	Chief Technology Officer and Director of Customer Experience (for Minute Reference 16/03/17)
Clive Walker	Director of Internal Audit

In Attendance

Andrew Brittain	Audit Executive Director, Ernst & Young (EY)
Sue Riley	Secretariat Officer

01/03/17 Apologies for Absence

There were no apologies for absence.

02/03/17 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.

03/03/17 Minutes of the Meeting Held on 11 October 2016

The minutes of the meeting held on 11 October 2016 were approved as a correct record and signed by the Chair, subject to a minor typing amendment.

04/03/17 Matters Arising and Actions List

The Chair thanked officers for organising the induction and briefing sessions for Members since the last meeting.

The Committee noted the Actions List.

05/03/17 EY Report on Non- Audit Fees for Five Months ended 28 February 2017

Andrew Brittain presented the report on EY non-audit fees for the five months ended 20 February 2017.

The additional fees related to EY's additional work on risk management, and would normally have been agreed by the Chair in advance, but due to an oversight, this had not happened. This fee included support to be provided at a strategic risk workshop being held on 4 April 2017, to which all Board Members had been invited.

There was a further item of audit related services where the fee was not yet agreed, relating to the issuance of a comfort letter by EY as TfL's auditors in respect of TfL's £5bn Euro Medium Term Loan Note Programme. This work would be completed shortly, but would not breach the threshold for approval by the Chief Finance Officer.

The Committee noted the report and the proposed fees for the non-audit work relating to risk management.

06/03/17 Internal Audit Reports Quarter 2 and 3 2016/17

Clive Walker reviewed the internal audit reports for Quarter 2 and 3 2016/17, which were submitted in a revised format, as previously requested by Members.

Future reports would also include a summary of the number of priority 1, 2 and 3 internal audit recommendations for each audit. **[Action: Clive Walker]**

Members welcomed the revised style of reporting and it was confirmed that overdue actions would continue to be reported to the Committee, and that the covering paper would include a summary of findings from poorly controlled reports, and any other reports of interest. Actions would continue to be tracked and reported through the Management Actions report. A list of final reports issued would also be published on TfL's website in future.

Officers confirmed that the issues identified in the audit relating to Victoria Coach Station would be highlighted in the appropriate report to the next meeting of the Safety, Sustainability and Human Resources Panel. **[Action: Clive Walker]**

The Chair thanked Clive Walker for his work in revising the reports presented to the Committee.

The Committee noted the paper.

07/03/17 Management Actions Report

Clive Walker presented those recommendations to management which have not been actioned and were more than 60 days overdue, of which there were none.

It was agreed that in future, the management actions would be incorporated into the internal audit quarterly reports rather than being a separate paper.

[Action: Clive Walker]

The Committee noted the report.

08/03/17 Crossrail Audit Committee

Clive Walker introduced the paper on matters discussed at the Crossrail Audit Committee meeting held on 31 October 2016.

Arrangements were in progress for an informal meeting between Members of Crossrail's Audit Committee and TfL's Audit Committee.

The Committee noted the paper.

09/03/17 Integrated Assurance Plan 2017/18

Clive Walker presented the 2017/18 Integrated Assurance Plan, describing the overall regime within TfL for the efficient provision of assurance over all its activities.

The Plan would need to be revised once the Transformation work had been completed and would be re-submitted to the Committee.

The Committee requested that the Plan more clearly differentiate between strategic and compliance audits in the revised version. **[Action: Clive Walker]**

The timescale for the publication and consideration of the Independent Investment Programme Advisory Group review would also be confirmed. **[Action: Ian Nunn]**

The Committee approved the Plan.

10/03/17 Local Audit and Accountability Act – Appointment of External Auditors

Sarah Bradley updated the Committee on changes to the arrangements for appointing external auditors for TfL and its subsidiaries and the proposed arrangements for an auditor appointment.

A tender for the external audit of Transport Trading Limited and its subsidiaries (known collectively as TTL Group), would be undertaken and Members of the Committee would be involved in the selection of an auditor for the TTL Group.

The proposed option was considered the most efficient and value for money approach.

The Committee approved the proposal to opt in to the national scheme for the appointment of auditors for a period of five years commencing with the audit of the 2018/19 financial year.

11/03/17 Strategic Risk Management Update

Ian Nunn and Andrea Cutinha provided an update on the status of TfL's Strategic Risks and changes since October 2016.

All strategic risks were reviewed quarterly with risk owners. Risk owners had been tasked with improving their strategic risk information with particular emphasis on improving controls and actions. Controls should be the activity which reduces risk from Inherent to Residual Risk assessments, and actions should reduce the risk from Residual to Target risk assessments.

It was agreed that the Committee should review strategic risks on an annual basis, and that the next review should take place at a workshop following the Committee meeting scheduled for 11 October 2017.

[Action: Ian Nunn]

The Committee noted the status of TfL's Strategic Risks.

12/03/17 National Fraud Initiative Update

Brian Davey presented the update on the conclusion of the National Fraud Initiative (NFI) exercise.

The Amberhill scheme was a database of identity fraud information maintained by the Metropolitan Police, against which matches with the TfL data were generated as part of the NFI work. Investigation had proved a staff intensive exercise. All other categories in the NFI matching exercise had been investigated and for the large part resolved.

The conclusions from the last two NFI cycles had shown through extensive testing that the TfL control environment was essentially robust in the areas being examined, with only a handful of exceptions being reported.

Members proposed that future reports be annual, and subject to exceptional reporting only.

[Action: Brian Davey]

The Panel noted the paper.

13/03/17 Half Yearly Fraud Report 2016/17

Robert Brooker presented the summary of the work undertaken by the Fraud Team during the first half of 2016/17.

Members requested further information on numbers of staff undertaking the on-line fraud awareness training across the organisation.

[Action: Rob Brooker]

The Committee was updated on an on-going, complex fraud case. It was agreed that the Committee would be kept informed of progress. In addition, findings from an audit to

ensure that control issues associated with the case had been properly remediated would be submitted to a future meeting. **[Action: Ian Nunn]**

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

14/03/17 Review of TfL's Independent Reporting Lines for the Year Ended 31 December 2016

Howard Carter introduced the update on reports to the independent reporting systems CIRAS (Confidential Incident and Reporting and Analysis System) and SafeLine during 2016. This was the first time that CIRAS had been included in this report to the Committee.

The Committee noted the update.

15/03/17 Personal Data Disclosure to the Police and Other Law Enforcement Agencies

Steve Burton presented the update on the operation of TfL's Policy on the disclosure of personal data to the police and other law enforcement agencies.

Improved training of law enforcement agencies had led to a reduction in inappropriate requests. The increased reporting of sexual offences was encouraging.

The Chair welcomed the excellent co-operative working between TfL and other law enforcement agencies in improving the quality of data and information requested.

The Committee noted the paper.

16/03/17 Cyber Security Update

Shashi Verma presented an update on TfL's cyber security programme.

TfL had a responsibility to protect personal data, which included a large number of young people, as well as to protect itself against financial loss.

There was a need to be proportionate in the response to cyber risk. It was agreed that the residual rating and target rating of cyber security in the risk register be reviewed.

[Action: Ian Nunn]

It was agreed that TfL's position on insurance in relation to cyber security be confirmed.

[Action: Shashi Verma]

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

17/03/17 Legal Compliance Report (1 April – 30 September 2016)

Howard Carter introduced the information provided by each TfL Directorate for the Legal Compliance Report for the period 1 April 2016 to 30 September 2016.

Members were updated on the outcome of the recent judicial review in relation to the changes to Private Hire Vehicle Regulations.

Based on feedback from the Committee, the statistical presentation in the reports would be reviewed for future reporting. **[Action: Howard Carter]**

The Committee noted the report.

18/03/17 Register of Gifts and Hospitality for Members and Senior Staff

Howard Carter introduced the first of what would be a regular paper to the Committee that set out details of the gifts and hospitality received and declared by the Board and senior staff for the period 1 October 2016 to 31 December 2016. Details for Members and the most senior staff were already routinely published on our website.

It was agreed that future reports include figures on the recorded number of offers and gifts refused, as well as those accepted. **[Action: Howard Carter]**

19/03/17 Date of Next Meeting

The next meeting would be held on Wednesday 14 June 2017 at 10.00am.

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 12.25pm.

Chair: _____

Date: _____