

Board



Date: 19 July 2016

Item: Report of the meeting of the Audit and Assurance Committee held on 14 June 2016

This paper will be considered in public

1 Summary

- 1.1 To report to the Board on matters discussed at the meeting of the Audit and Assurance Committee held on 14 June 2016.
- 1.2 The Chair will provide a further oral update at the meeting of any significant issues raised.

2 Recommendation

- 2.1 **That the Board notes the report.**

3 Background

- 3.1 The main matters considered by the Committee were:
 - (a) TfL Annual Report 2015/16;
 - (b) TfL Statement of Accounts for the Year Ended 31 March 2016;
 - (c) EY Report to Those Charged with Governance;
 - (d) EY Letter on Independence and Objectivity;
 - (e) EY Report on Non-Audit Fees for Six Months Ended 31 March 2016;
 - (f) Annual Audit Fee 2016/17;
 - (g) Management Actions Report;
 - (h) Internal Audit Quarter 4 Report 2015/16;
 - (i) Internal Audit Annual Report 2015/16;
 - (j) Review of Governance and the Annual Governance Statement for Year Ended 31 March 2016;
 - (k) Crossrail Audit Committee;
 - (l) Crossrail Update;

- (m) Controls – Development and Implementation Programme;
- (n) Strategic Risk Management and Assurance Annual Report 2015/16;
- (o) Strategic Risk Management Update;
- (p) Legal Compliance Report (1 October 2015 – 31 March 2016);
- (q) Half Yearly Fraud Report 2015/16; and
- (r) Cyber Security – Update.

4 Issues Discussed

TfL Annual Report 2015/16

- 4.1 The Committee suggested a number of minor amendments to the Annual Report, and delegated to the Managing Director, Customers, Communication and Technology the task of making any adjustments prior to the consideration of the Annual Report by the Board at this meeting.

TfL Statement of Accounts

- 4.2 A number of minor adjustments were suggested by the Committee to the Statement of Accounts, for inclusion with the Annual Report. The Committee delegated to the Chief Finance Officer the task of making any adjustments prior to the consideration of the Statement of Accounts by the Board at this meeting.

EY Report to Those Charged with Governance

- 4.3 The Committee noted the report by EY, outlining the respective responsibilities of the auditor and TfL, and the overview of the status of the audit, as well as comments on judgemental areas within the accounts. There were no substantive areas of concern highlighted.

EY Letter on Independence and Objectivity

- 4.4 The Committee noted the annual report from EY on their independence and objectivity, taking into account relevant guidance, including the National Audit Office's Code of Audit Practice.

EY Report on Non-Audit Fees for Six Months Ended 31 March 2016

- 4.5 The Committee noted the report on fees billed by EY for non-audit services.

Annual Audit Fee 2016/17

- 4.6 The Committee noted the report which set out the fees from EY for the Corporation audit for the year ending March 2017, which were unchanged from the previous year.

Management Actions Report

- 4.7 The Committee noted 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.

Internal Audit Quarter 4 Report 2015/16

- 4.8 The Committee noted the internal audit reports for Q4 2015/16, work in progress, and work planned for Q1 2016/17. There had been an increase in the proportion of reports concluded as 'requires improvement' or 'poorly controlled' but with no identifiable trend and the Committee would continue to monitor any further increases.

Internal Audit Annual Report 2015/16

- 4.9 The Committee noted the summary of internal audit activity for the year ended 31 March 2016. There were no matters arising from any work completed that needed to be brought to the attention of the Committee, and the Director of Internal Audit concluded that TfL's control environment was adequate for its business needs and operated in an effective manner.
- 4.10 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.

Review of Governance and the Annual Governance Statement for Year Ended 31 March 2016

- 4.11 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, and for inclusion in the 2015/16 Annual Report and Accounts. The Committee delegated to General Counsel the task of making any adjustments prior to the consideration of the Annual Governance Statement by the Board at this meeting.

Crossrail Audit Committee

- 4.12 The Committee noted the paper on matters discussed at the Crossrail Audit Committee meeting held on 7 March 2016. There were no significant issues to report.

Crossrail Update

- 4.13 The Committee noted the paper which provided an update on the delivery of the Crossrail Project, as requested by Members at the previous meeting. This would be a regular item on the agenda. The project itself was nearing 75 per cent complete and remained on budget and on time.

Controls – Development and Implementation Programme

- 4.14 The Committee noted the paper, which provided an update on a programme of work to review core financial processes and the supporting controls.

Strategic Risk Management and Assurance Annual Report 2015/16

- 4.15 The Committee noted the paper, which summarised the key Strategic Risk Management activity in TfL up to March 2016. The report appears elsewhere on the agenda for this meeting.
- 4.16 Members were advised that a Strategic Risk Workshop, led by EY, would be held, following the meeting of the Audit and Assurance Committee on 11 October 2016.

Strategic Risk Management Update

- 4.17 The Committee noted the list of updated strategic risks and the outline roadmap detailing how Strategic Risk Management would be delivered over the next two years.

Legal Compliance Report (1 October 2015 – 31 March 2016)

- 4.18 The Committee noted the report compiled from information supplied through questionnaires completed by each TfL Directorate and follow up discussions concerning known legal compliance issues.
- 4.19 Members were advised that immediate action had been taken by LU following the Office of Rail and Road Improvement Notice which had been issued in relation to an embankment failure on the Metropolitan Line, although the deadline for completion of all actions was not due until December 2016.

Half Yearly Fraud Report 2015/16

- 4.20 The Committee noted the half-yearly fraud report and the supplementary information in Part 2 of the agenda, which provided a summary of the work undertaken by the Fraud Team for the second half of 2015/16. Details of new and on-going fraud investigations were included in a paper on Part 2 of the agenda.

Cyber Security Update

- 4.21 The Committee noted the update on work on cyber security since the previous meeting.
- 4.22 Lessons learnt from the recent cyber attack on the Santander Cycle Hire Scheme had been shared across the organisation.

List of appendices to this report:

None.

List of Background Papers:

Papers for the meeting of the Audit and Assurance Committee held on 14 June 2016

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