

Board



Date: 8 November 2016

Item: Report of the meeting of the Audit and Assurance Committee held on 11 October 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 11 October 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) Annual Audit Letter;
 - (b) External Audit Plan TfL, TTL and Subsidiaries – Year Ending 31 March 2017;
 - (c) EY Report on Non-Audit Fees for Six Months Ended 30 September 2016;
 - (d) EY Review of Internal Audit of Garden Bridge Procurements;
 - (e) Management Actions Report;
 - (f) Internal Audit Quarter 1 Report 2016/17;
 - (g) Local Audit and Accountability Act 2014 – Appointment of External Auditors;
 - (h) Crossrail Audit Committee;
 - (i) Crossrail Update;
 - (j) Effectiveness Review of the External Auditors;
 - (k) Cyber Security Update; and

(l) Independent Investment Programme Advisory Group – Review.

4 Issues Discussed

Annual Audit Letter

- 4.1 The Committee noted the Annual Audit Letter prepared by EY, summarising the conclusions on the audit of the Statement of Accounts and the Value for Money judgement. EY had issued a clean opinion on TfL's Whole of Government Accounts return.
- 4.2 It was agreed that an induction session be held for Committee Members to provide Members an opportunity to familiarise themselves with key audit and assurance matters and a date has now been arranged.

External Audit Plan TfL, TTL and Subsidiaries – Year Ending 31 March 2017

- 4.3 The Committee noted the External Audit Plan for TfL and the rest of the Group, for the year ending 31 March 2017. The proposed total fee for the year was unchanged from the previous year.

EY Report on Non-Audit Fees for Six Months Ended 30 September 2016

- 4.4 The Committee noted the fees billed by EY for non-audit services. EY was considering a scale fee variation for its review of Internal Audit's work on the Garden Bridge procurement and further work on a value for money risk based analysis of other procurement contracts, across the organisation.

EY Review of Internal Audit of Garden Bridge Procurements

- 4.5 The Committee considered the report of EY on its review of Internal Audit's review of the procurements of design and development services in relation to the Garden Bridge.
- 4.6 TfL had accepted the findings and management actions of the EY report.

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.
- 4.8 The Director of Service Operations was present to answer questions on the two outstanding actions that were more than 90 days overdue, which related to performance of contractor competence checks in London River Services and Dial-a-Ride. The Committee was assured that work was now in hand to carry out these checks and would be completed shortly.

Internal Audit Quarter 1 Report 2016/17

- 4.9 The Committee noted the report setting out the audit work completed in Quarter 1 of 2016/17, the work in progress at the end of the quarter, and the work planned for Quarter 2 2016/17.
- 4.10 One report with a “poorly controlled” conclusion had been issued with regard to software licensing.
- 4.11 Members would discuss how best information on the Internal Audit quarterly reports could be presented at the induction session for Committee Members.
- 4.12 It was also agreed that future reports would include the reasons for audits cancelled and postponed.

Local Audit and Accountability Act 2014 – Appointment of External Auditors

- 4.13 The Committee approved the proposed arrangements for the establishment of a new, independent Audit Advisory Group, subject to a discussion with the rest of the GLA Group, with responsibility for the selection and appointment of the external auditor to TfL and its subsidiaries commencing with the audit of the 2018/19 accounts.

Crossrail Audit Committee

- 4.9 The Committee noted the update on matters discussed at the Crossrail Audit Committee meeting held on 13 June 2016.

Crossrail Update

- 4.10 The Committee noted the update on the Crossrail Project.

Effectiveness Review of the External Auditors

- 4.11 The Committee noted the report on external auditor effectiveness. It was agreed that in future, Audit and Assurance Committee Members also be included as part the process of the assessment of auditor performance.
- 4.12 A more detailed paper, containing exempt supplemental information was also included on Part 2 of the agenda.

Cyber Security Update

- 4.13 The Committee noted the update on TfL’s cyber security programme.
- 4.14 A more detailed paper, containing exempt supplemental information was also included on Part 2 of the agenda.

Independent Investment Programme Advisory Group – Review

- 4.15 The Committee noted the paper and endorsed the Terms of Reference for the review of the role of TfL's Independent Investment Programme Advisory Group.

List of appendices to this report:

None.

List of Background Papers:

Papers for the meeting of the Audit and Assurance Committee held on 11 October 2016.

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