

Board



Date: 9 November 2017

Item: Report of the meeting of the Audit and Assurance Committee held on 11 October 2017

1 Summary

1.1 To report to the Board on the meeting of the Audit and Assurance Committee held on 11 October 2017.

2 Recommendation

2.1 **The Board is asked to note the report.**

3 Committee Agenda and Summary

3.1 The papers for the meeting of the Committee held on 11 October were published on 3 October 2017 and are available on the TfL website: <https://tfl.gov.uk/corporate/publications-and-reports/audit-and-assurance-committee>

3.2 The main matters considered by the Committee were:

- (a) Internal Audit Quarter 1 Report 2017/18;
- (b) Effectiveness Review of the External Auditor;
- (c) Appointment of External Auditors;
- (d) Independent Investment Programme Advisory Group (IIPAG) – Review Implementation;
- (e) Register of Gifts and Hospitality for Members and Staff;
- (f) External Audit Plan TfL, TTL and Subsidiaries – Year Ending 31 March 2018;
- (g) Ernst & Young (EY) Report on Non-Audit Fees for the Six Months Ended 30 September 2017; and
- (h) Annual Audit Letter.

- 3.3 A summary of the discussions and decisions from the items on the agenda is provided below. The more detailed minutes of the meeting held on 11 October will be published ahead of the December 2017 meeting of the Committee.

4 Issues Discussed

Internal Audit Quarter 1 Report 2017/18

- 4.1 The Committee noted the report and approved the revised Integrated Assurance Plan for the remainder of 2017/18.
- 4.2 The Chief Technology Officer and Director of Customer Experience was in attendance to answer questions relating to seven management actions that were more than 60 days overdue, within his Directorate, six of which related to the audit of Software Licensing.
- 4.3 Internal Audit would meet with officers of the Chief Technology Officer's team to review the outstanding actions and discuss how best to close them off and to agree a plan to address the issues highlighted, and report back to the next meeting.

Effectiveness Review of the External Auditors

- 4.4 The Committee noted the Review. Overall there had been a significant improvement in the performance of EY compared to the previous year, and Committee Members had also been consulted for the first time as part of the review process.
- 4.5 EY's use of data analytics would be presented in an informal briefing to the Committee after its next meeting.

Appointment of External Auditors

- 4.6 The Committee noted the proposal from Public Sector Audit Appointments Limited to appoint EY LLP as auditor of TfL for a period of five years, commencing with the audit of the 2018/19 financial year, and noted the recommendation to appoint EY LLP as auditor of Transport Trading Limited (TTL) and certain subsidiaries for the same period.
- 4.7 The bidding process had secured a further reduction in the fee for the TTL audit on top of reductions in earlier years.

Independent Investment Programme Advisory Group – Review Implementation

- 4.8 The Committee noted and approved the action plan. It was agreed that a further update would be submitted to the next meeting on the recruitment strategy, including diversity issues, and an update on the implementation of the Action Plan would be a standing item. This report was also considered by the Programmes and Investment Committee at its meeting on 13 October 2017.

Register of Gifts and Hospitality for Members and Staff

- 4.9 The Committee noted the standing item. Further clarification would be sought on some of the entries, and the outcome would be confirmed with Members of the Committee.
- 4.10 It was agreed that further details as to the reason for attending events would be included in future reports.

External Audit Plan TfL, TTL and Subsidiaries – Year Ending 31 March 2018

- 4.11 The Committee noted EY's Plan for the audit of the financial statements of TfL, TTL and its subsidiaries for the year ending 31 March 2018.

EY Report on Non-Audit Fees for the Six Months Ended 30 September 2017

- 4.12 The Committee noted there had been no fees billed by EY for non-audit services during the period 1 April to 30 September 2017.

Annual Audit Letter

- 4.13 Members noted the letter prepared by EY, summarising their conclusions on the Annual Statement of Accounts and Value for Money.
- 4.14 EY had issued unqualified opinions on the TfL financial statements, including the value for money conclusion, and on the Whole of Government Accounts return, certified on 22 September 2017 and these had been submitted to HM Treasury.

List of appendices to this report:

None

List of Background Papers:

Papers submitted to the Audit and Assurance Committee on 11 October 2017.

Contact Officer: Howard Carter, General Counsel
Number: 020 3054 7832
Email: HowardCarter@tfl.gov.uk