

Board



Date: 25 July 2018

Item: Report of the meeting of the Audit and Assurance Committee held on 7 June 2018

This paper will be considered in public

1 Summary

- 1.1 To report to the Board on the meeting of the Audit and Assurance Committee held on 7 June 2018.

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 7 June 2018 were published on 30 May 2018 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) Annual Report 2017/18;
 - (b) TfL's Statement of Accounts for the Year Ended 31 March 2018;
 - (c) Review of Governance and the Annual Governance Statement for Year Ended 31 March 2018;
 - (d) Ernst and Young LLP (EY) Report to Those Charged with Governance;
 - (e) EY Letter on Independence and Objectivity;
 - (f) EY Report on Non-Audit Fees for the Year Ended 31 March 2018;
 - (g) Annual Audit Fee 2018/19;
 - (h) Independent Investment Programme Advisory Group (IIPAG) – Review Implementation;
 - (i) Independent Investment Programme Advisory Group Quarterly Report;
 - (j) Strategic Risk Management Update;

- (k) Internal Audit Quarter 4 Report 2017/18;
- (l) Internal Audit Annual Report 2017/18;
- (m) Half Yearly Fraud Report 2017/18;
- (n) Crossrail Audit Committee;
- (o) Implementation of the General Data Protection Regulation;
- (p) Register of Gifts and Hospitality for Members and Senior Staff;
- (q) Legal Compliance Report (1 October 2017 - 31 March 2018);
- (r) Crossrail Transition Update; and
- (s) Transformation Programme Update.

3.3 A summary of the discussions and decisions at the meeting is provided below. The more detailed minutes of the meeting held on 7 June 2018 will be published ahead of the meeting of the Committee on 14 September 2018.

4 Issues Discussed

Annual Report 2017/18

- 4.1 The Committee welcomed the Annual Report as a readable and accessible document. It suggested that greater emphasis was given to the difficult challenges TfL was managing, including the loss of Government grant, and the vital role that Vision Zero has to play in delivering the Healthy Streets agenda. The Committee noted the delegation to the Managing Director, Customers, Communication and Technology to make any adjustments prior to submission to the Board.
- 4.2 The changes requested by the Committee have been reflected in the text. The Annual Report is elsewhere on the agenda for approval.

TfL's Statement of Accounts for the Year Ended 31 March 2018

- 4.3 The Committee noted the draft Statement of Accounts and the delegation to the Statutory Chief Finance Officer to make any adjustments arising from the ongoing audit work, prior to the submission to the Board.
- 4.4 The Statement of Accounts was certified by the Statutory Chief Finance Officer on 30 May 2018 and published on TfL's website together with the Annual Governance Statement on that day. The period for exercise of public rights consequently commenced on 31 May and concluded on 11 July 2018.
- 4.5 The Committee recommended that the Board confirm its overall approval of the provision of an ongoing guarantee by Transport Trading Limited of all the outstanding liabilities of those of its subsidiary companies previously provided with a guarantee and to extend that guarantee to four other subsidiaries.

While the accounts of Transport Trading Limited are audited, those subsidiaries given a guarantee are exempt from the need to have their accounts audited, which results in savings in audit fees.

- 4.6 The Statement of Accounts is elsewhere on the agenda for approval.

Review of Governance and the Annual Governance Statement for Year Ended 31 March 2018

- 4.7 The Committee approved the Annual Governance Statement for signing by the Chair of TfL and the Commissioner, for inclusion in the 2017/18 Annual Report and Accounts. The Committee reviewed the progress against the Governance Improvement Plan 2017/18 and agreed the Improvement Plan for 2018/19.
- 4.8 It was agreed that the Annual Governance Statement should include references to: the additional meetings of the Safety, Sustainability and Human Resources Panel, following the tram derailment at Sandilands, Croydon, and other safety related issues.
- 4.9 The Annual Governance Statement has been updated as requested by the Committee and forms part of the Annual Report and Statement of Accounts, which are on this agenda for approval.

EY Report to Those Charged with Governance

- 4.10 The Committee noted the key issues identified by EY during the course of the audit of the Statement of Accounts for the Transport for London Group for the year ended 31 March 2018.
- 4.11 The Committee congratulated staff on the production of the Statement of Accounts and their approval by EY, and asked that Members' thanks be passed to them.

EY Letter on Independence and Objectivity

- 4.12 The Committee noted the letter on EY's independence and objectivity.

EY Report on Non-Audit Fees for the Year Ended 31 March 2018

- 4.13 The Committee noted the report on EY non-audit fees for the year ended 31 March 2018.

Annual Audit Fee 2018/19

- 4.14 The Committee noted the proposed indicative fee for the audit of the Group and Corporation financial statements for the year ending 31 March 2019, which was a reduction of 23 per cent from the previous year.

Independent Investment Programme Advisory Group (IIPAG) – Review Implementation

- 4.15 The Committee noted the standing item on progress against the actions required to implement the IIPAG review recommendations. To facilitate an effective and wide ranging recruitment process, the advert for the IIPAG Chair had been extended and a specialist recruitment agency engaged, with success. Interviews were scheduled for June 2018.
- 4.16 The Chair requested that her thanks to the IIPAG Chair and members, on behalf of the Committee, for their work during this period of transition be recorded.

Independent Investment Programme Advisory Group Quarterly Report

- 4.17 The Committee considered the first of the IIPAG's quarterly reports, which was also submitted to the meeting of the Programmes and Investment Committee on 13 July 2018.
- 4.18 It was agreed that the Director of Risk and Assurance would review how project assurance actions might be incorporated into the quarterly reporting of overdue actions, as appropriate.

Strategic Risk Management Update

- 4.19 The Committee noted the standing item, updating on strategic risk.
- 4.20 An identifiable list of risks would be allocated to the appropriate Committees and Panels in time for the autumn cycle of meetings. Work was ongoing in mapping risks against the Mayor's Transport Strategy and an update would be included in the report at the next meeting.
- 4.21 The Committee thanked staff for all their hard work to date.

Internal Audit Q4 Report 4 Report 2017/18

- 4.22 The Committee noted the Internal Audit work completed in Quarter 4 of 2017/18, the work in progress at the end of Quarter 4, the work planned for Quarter 1 of 2018/19 and the status of agreed audit actions.

Internal Audit Annual Report 2017/18

- 4.23 The Committee noted the Internal Audit opinion on TfL's internal control environment, and a summary of the results of Internal Audit's work for the year ended 31 March 2018 and other activities of the team during the year.
- 4.24 The Risk and Assurance Directorate Strategy document would be considered at the next meeting.
- 4.25 The Committee congratulated staff on the continued positive stakeholder feedback, particularly in the context of Transformation.

Half Yearly Fraud Report 2017/18

- 4.26 Members noted the half yearly fraud report for 2017/18 and the supplementary information on Part 2 of the agenda.

Crossrail Audit Committee

- 4.27 The Committee considered matters discussed at the meeting of the Crossrail Audit Committee on 12 March 2018.
- 4.28 It was noted that Crossrail had proposed that its Audit Committee should be dissolved following its next meeting, to be held on 8 June 2018. The Chair stated that it would be important to ensure that risk and control matters related to the delivery of the Crossrail project should continue to be dealt with through the Crossrail governance framework.

Implementation of the General Data Protection Regulation

- 4.29 The Committee noted the update on implementation in TfL of the General Data Protection Regulation and related legislation.

Register of Gifts and Hospitality for Members and Senior Staff

- 4.30 The Committee noted the standing item setting out details of the gifts and hospitality declared by the Board and senior staff for the period 1 February to 30 April 2018.

Legal Compliance Report (1 October 2017 - 31 March 2018)

- 4.31 The Committee noted the information provided by each TfL Directorate for the Legal Compliance Report for the period 1 October 2017 to 31 March 2018.
- 4.32 An update report on Freedom of Information requests would be submitted to the next meeting.
- 4.33 Members congratulated employees on their good work attaining prompt response times to Freedom of Information requests.

Crossrail Transition Update

- 4.34 The Committee was given assurances that the back office transition arrangements were robust and timely, with clear lines of accountability.

Transformation Programme Update

- 4.35 Members received the regular update on the Transformation Programme, particularly in relation to assurance.
- 4.36 It was agreed that pride in public service and improving life for Londoners be included as part of the five themes for the new Operating Model.

List of appendices to this report:

None

List of Background Papers:

Papers submitted to the Audit and Assurance Committee on 7 June 2018.

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