

Board



Date: 29 March 2017

Item: Report of the meeting of the Audit and Assurance Committee held on 14 March 2017

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 14 March 2017.

2 Recommendation

- 2.1 **The Board is asked to note the report and to approve the proposal to opt in to the national scheme for the appointment of auditors to Transport for London for a period of five years commencing with the audit of the 2018/19 financial year.**

3 Background

- 3.1 The main matters considered by the Committee are listed below.
- (a) EY Report on Non-Audit Fees for Five Months ended 28 February 2017;
 - (b) Internal Audit Quarter 2 and 3 Reports 2016/17;
 - (c) Management Actions Report;
 - (d) Crossrail Audit Committee;
 - (e) Integrated Assurance Plan 2017/18;
 - (f) Local Audit and Accountability Act – Appointment of External Auditors;
 - (g) Strategic Risk Management Update;
 - (h) National Fraud Initiative Update;
 - (i) Half Yearly Fraud Report 2016/17;
 - (j) Review of TfL's Independent Reporting Lines for the Year Ended 31 December 2016;
 - (k) Personal Data Disclosure to the Police and Other Law Enforcement Agencies;

- (l) Cyber Security Update;
- (m) Legal Compliance Report (1 April – 30 September 2016); and
- (n) Register of Gifts and Hospitality for Members and Senior Staff.

4 Issues Discussed

EY Reports on Non-Audit Fees for Five Months ended 28 February 2017

- 4.1 The Committee noted the report and the proposed fees for the non-audit work relating to risk management.
- 4.2 Additional fees relating to EY's additional work on strategic risk 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 have been invited.

Internal Audit Reports Quarter 2 and 3 Reports 2016/17

- 4.3 The Committee 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.
- 4.4 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. A list of Internal Audit reports issued would also be published on TfL's website.
- 4.5 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.

Management Actions Report

- 4.6 The Committee noted the management actions report. There were no management actions more than 60 days overdue. It was agreed that in future, the management actions would be incorporated into the internal audit quarterly reports rather than being a separate paper.

Crossrail Audit Committee

- 4.7 The Committee noted the report on matters discussed at the Crossrail Audit Committee meeting held on 31 October 2016.
- 4.8 Arrangements were in progress for an informal meeting between Members of Crossrail's Audit Committee and TfL's Audit and Assurance Committee.

Integrated Assurance Plan 2017/18

- 4.9 The Committee approved the 2017/18 Integrated Assurance Plan, describing the overall regime within TfL for the efficient provision of assurance over all its activities.
- 4.10 The Plan would need to be revised once the Transformation work had been completed and would be re-submitted to the Committee.
- 4.11 The Committee requested that the Plan more clearly differentiate between strategic and compliance audits in the revised version.
- 4.12 The timescale for the publication and consideration of the Independent Investment Programme Advisory Group review would also be confirmed.

Local Audit and Accountability Act – Appointment of External Auditors

- 4.13 The Committee approved the proposal to opt into the national scheme for the appointment of auditors, operated by the Public Sector Audit Appointments Limited, for a period of five years commencing with the audit of the 2018/19 financial year. Members were asked to confirm their approval for TfL to become an opted-in authority.
- 4.14 Separately, 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 involved in the selection of an auditor for the TTL Group.

Strategic Risk Management Update

- 4.15 The Committee noted the status of TfL's Strategic Risks and any changes since October 2016.
- 4.16 Members suggested issues to be discussed at the Risk Appetite Workshop of 4 April 2017, including stress testing and arrangements for disseminating risk ownership across TfL's governance structures.
- 4.17 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.

National Fraud Initiative Update

- 4.18 The Committee noted the update on the conclusion of the National Fraud Initiative exercise.
- 4.19 Members proposed that future reports be annual, and subject to exceptional reporting only.

Half Yearly Fraud Report 2016/17

- 4.20 The Committee noted the summary of the work undertaken by the Fraud Team during the first half of 2016/17.
- 4.21 Members requested further information on numbers of staff undertaking the on-line fraud awareness training across the organisation including a target for take up of the training and an analysis of take up by department.

Review of TfL's Independent Reporting Lines for the Year Ended 31 December 2016

- 4.22 The Committee noted the update on reports to the independent reporting systems CIRAS (Confidential Incident and Reporting and Analysis System) and SafeLine during 2016.

Personal Data Disclosure to the Police and Other Law Enforcement Agencies

- 4.23 The Committee noted the update on the operation of TfL's Policy on the disclosure of personal data to the police and other law enforcement agencies.
- 4.24 The Committee welcomed the successful co-operative working between TfL and other law enforcement agencies in improving the quality of data and information requested.

Cyber Security Update

- 4.25 The Committee noted the status update to TfL's cyber security programme.
- 4.26 It was agreed that the Chief Finance Officer would review the residual and target risk ratings of cyber security in the strategic risk register.

Legal Compliance Report (1 April – 30 September 2016)

- 4.27 The Committee noted the summary of information provided by each TfL Directorate for the Legal Compliance Report for the period of 1 April – 30 September 2016.
- 4.28 Members were updated on the outcome of the recent judicial review in relation to Private Hire Regulations.
- 4.29 Based on feedback from the Chair and Deputy Chair, the statistical presentation in the reports would be reviewed for future reporting.

Register of Gifts and Hospitality for Members and Senior Staff

- 4.30 The Committee noted the details of the gifts and hospitality received and declared by the Board and senior staff. This was the first of what would be a regular report to the Committee.

4.31 The Chair requested that future reports include figures on the recorded number of offers and gifts declined, as well as those accepted.

List of appendices to this report:

None

List of Background Papers:

Papers submitted to the Audit and Assurance Committee on 14 March 2017.

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