



Date: 6 November 2013

Item 13: Report of the meeting of the Audit and Assurance Committee held on 1 October 2013

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 1 October 2013.
- 1.2 The paper included on Part 2 of the agenda contains exempt supplemental information. The information is exempt by virtue of paragraph 5 and 7 of Schedule 12A of the Local Government Act 1972 in that it contains information relating to ongoing fraud and criminal investigations and the disclosure of this information is likely to prejudice the prevention or detection of crime and the apprehension or prosecution of offenders.

2 Recommendation

- 2.1 That the Board note the report.

3 Background

- 3.1 The main matters considered by the Committee were:
 - (a) Annual Audit Letter 2012/13;
 - (b) Annual Audit Fee for TfL Group – Year Ending 31 March 2014;
 - (c) Policy on External Audit and Non Audit Services to Safeguard the Independence of the External Auditors;
 - (d) Management Actions Report;
 - (e) Internal Audit Quarter 1 Report 2013/14;
 - (f) Crossrail Audit Committee;
 - (g) Update: Strategic Risk Management Quarter 1 2013/14;
 - (h) Anti Fraud and Corruption Strategy and Policy;
 - (i) National Fraud Initiative 2012/13 Update;
 - (j) Effectiveness Review of the External Auditors; and

(k) Fraud Update.

4 Issues Discussed

Annual Audit Letter 2012/13

- 4.1 The Committee noted the Annual Audit Letter prepared by KPMG summarising their conclusions on the Annual Statement of Accounts and Value for Money.
- 4.2 KPMG identified no unadjusted audit differences and issued unqualified opinions on the TfL financial statements and the Whole of Government Accounts return. It was also reported that management actions were either completed or in progress for each of the points raised by KPMG throughout the year.

Annual Audit Fee for TfL Group – Year Ending 31 March 2014

- 4.3 The Committee noted the Annual Audit Fee proposed by KPMG for the audit of the Corporation and Group Financial statements for the year ending 31 March 2014.

Policy on External Audit and Non Audit Services to Safeguard the Independence of External Auditors

- 4.4 The Committee approved the draft revised Policy on External Audit and Non Audit Services, which had also been considered by the Audit Committee of the London Transport Museum Limited and would be presented to the Audit Committee of Crossrail Limited.
- 4.5 Members welcomed the further clarity provided by the policy, which had been endorsed by KPMG.

Management Actions Report

- 4.6 The Committee noted that there were no management actions more than 60 days overdue.

Internal Audit Quarter 1 Report 2013/14

- 4.7 The Committee noted the report, informing the Committee of the audit work completed in the fourth quarter of 2012/13 and the work in progress and planned for Q1 2013/14.

Crossrail Audit Committee

- 4.8 The Committee noted the update on the Crossrail Audit Committee meetings held on 10 June 2013 and 9 September 2013.

Update: Strategic Risk Management Quarter 1 2013/14

- 4.9 The Committee noted the update on the status of TfL's Non Project Strategic Risks and proposed mitigations at Q1.
- 4.10 Members were advised that in the future, an annual report on assurance and risk would be submitted to the Board, and that this report would be submitted to the

next meeting for consideration.

- 4.11 The next steps included the development and implementation of a pan TfL framework for the management of risks in respect of all strategic, tactical and operational activities, which would go live from 1 April 2014/15.

Anti Fraud and Corruption Strategy and Policy

- 4.12 The Committee approved the TfL Anti Fraud and Corruption Strategy, proposed amendments to the Anti Fraud and Corruption Policy and recommended the changes to the Board.
- 4.13 It was agreed that progress with the implementation of the strategy would be reported regularly to the Committee as part of the Half Yearly Fraud Report. The Policy is a separate item on this agenda.

National Fraud Initiative 2012/13 Update

- 4.14 The Committee noted the update on the National Fraud Initiative exercise for 2012/13.
- 4.15 Officers agreed to provide more detailed information on the number of taxi and private hire cases still being identified as not eligible to work in the UK, despite new controls being introduced.

Effectiveness Review of the External Auditors

- 4.16 The Committee considered a report on the effectiveness of the external auditors.
- 4.17 Members welcomed the positive feedback from finance staff across the organisation in relation to the performance of the external auditors and the improvements made as a result of last year's comments and feedback was provided to the external auditors.

Fraud Update

- 4.18 The Committee was updated on recent fraud activity. Further information is provided on the related paper on Part 2 of this agenda.
- 4.19 An update on progress and mitigating action being taken against potential future fraud would be included in the Half Yearly Fraud Report, submitted to the next meeting of the Committee on 18 December 2013.

List of appendices to this report:

None

List of Background Papers:

Papers for the meeting of the Audit and Assurance Committee held on 1 October 2013.

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