

## Board



**Date:** 3 July 2014

## **Item 14: Report of the meeting of the Audit and Assurance Committee held on 18 June 2014**

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**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 18 June 2014.

### **2 Recommendation**

- 2.1 **That the Board note the report.**

### **3 Background**

- 3.1 The main matters considered by the Committee were:
- (a) KPMG Report to Those Charged with Governance;
  - (b) KPMG Letter on Independence and Objectivity;
  - (c) KPMG Report on Non-Audit Fees for Six Months Ended 31 March 2014;
  - (d) Annual Audit Fee 2014/15;
  - (e) Management Actions Report;
  - (f) Internal Audit Quarter 4 Report 2013/14;
  - (g) Internal Audit Annual Report 2013/14;
  - (h) Crossrail Audit Committee;
  - (i) Review of Annual Governance and the Annual Governance Statement for the Year Ended 31 March 2014;
  - (j) TfL Statement of Accounts for the Year Ended 31 March 2014;
  - (k) Annual Report 2013/14;
  - (l) Strategic Risk Management Update – Quarter 4 2013/14;
  - (m) Strategic Risk Management and Assurance Annual Report 2013/14;

- (n) Legal Compliance Report (1 October 2013 – 31 March 2014); and
- (o) Half Yearly Fraud Report 2013/14.

## **4 Issues Discussed**

### **KPMG Report to Those Charged with Governance**

- 4.1 The Committee noted the key issues identified by KPMG during the course of its audit of the Statement of Accounts for the Transport for London Group for the year ended 31 March 2014.
- 4.2 It was noted that there were no adjusted or unadjusted audit differences, or any outstanding actions from the previous report. The Committee commended the Chief Finance Officer and his staff on their robust oversight and leadership in providing an improved and rigorous control environment.

### **KPMG Letter on Independence and Objectivity**

- 4.3 The Committee noted the report on the independence and objectivity of KPMG.

### **KPMG Report on Non-Audit Fees for Six Months Ended 31 March 2014**

- 4.4 The Committee noted the report on fees billed by KPMG for non-audit services.

### **Annual Audit Fee 2014/15**

- 4.5 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 2015, which showed a reduction on the previous year, partly due to the efficient working relationship between TfL and the External Auditors.

### **Management Actions Report**

- 4.6 The Committee noted that there were no management actions more than 60 days overdue and welcomed the continued good practice in this area.

### **Internal Audit Quarter 4 Report 2013/14**

- 4.7 The Committee received an update on the audit work completed in the fourth quarter of 2013/14, the work in progress and work planned for Q1 of 2014/15.

### **Internal Audit Annual Report 2013/14**

- 4.8 The Committee noted a report on Internal Audit activity for the year ended 31 March 2014, the use of resources and providing an opinion on the internal controls as required by the Public Sector Internal Audit Standards.

- 4.9 The report concluded that TfL's control environment was adequate for its business needs and operated in an effective manner, with no matters arising identified by Internal Audit.

#### **Crossrail Audit Committee**

- 4.10 The Committee noted the update on matters discussed at the Crossrail Audit Committee meeting held on 17 March 2014. KPMG welcomed the substantial improvements within Crossrail in terms of controls and processes.

#### **Review of Annual Governance and the Annual Governance Statement for the Year Ended 31 March 2014**

- 4.11 The Committee noted the review of compliance with the TfL Code of Governance in 2013/14 and approved the Annual Governance Statement set out in the Appendix, to be signed by the Chairman of TfL and the Commissioner for inclusion in the 2013/14 Annual Report and Accounts.
- 4.12 It was agreed that future reports would include an update on any incomplete actions from the previous year.

#### **TfL Statement of Accounts for the Year Ended 31 March 2014**

- 4.13 The Committee noted the draft Statement of Accounts and that the Chief Finance Officer would make any adjustments arising from the ongoing audit work prior to submission to the Board. Any material adjustments arising therefrom will be reported to the next meeting of the Committee.
- 4.14 It was agreed that officers would review how operational expenditure across the business was represented within the Annual Report to provide further clarity on the differences between contractual arrangements within London Rail and Surface Transport.
- 4.15 Members requested that a review of TfL's property asset data be added to the Audit Plan for 2014/15.

#### **Annual Report 2013/14**

- 4.16 The Committee noted the Annual Report and delegated to the Managing Director, Customer Experience, Marketing and Communications the task of making any adjustments prior to submission to the Board. Members welcomed the clear and engaging presentation of the Report.

#### **Strategic Risk Management Update – Quarter 4 2013/14**

- 4.17 The Committee noted the update on TfL's strategic risks and proposed mitigations as at Q4 2013/14.
- 4.18 It was noted that a detailed report on cyber security was scheduled to be submitted to the next meeting, which would include data protection issues, allocation and tracking of IT equipment and virus definition updates.

## **Strategic Risk Management and Assurance Annual Report 2013/14**

- 4.19 The Committee noted the summary of the key strategic risk management activity undertaken within TfL up to March 2014 which is provided as a separate paper on this agenda.

### **Legal Compliance Report (1 October 2013 – 31 March 2014)**

- 4.20 The Committee noted the information provided by each TfL Directorate concerning known legal compliance issues.
- 4.21 The continued good performance on the handling of Employment Tribunal claims was noted.

### **Half Yearly Fraud Report 2013/14**

- 4.22 The Committee noted the summary of the work undertaken by the Fraud Team for the second half of 2013/14 (Periods 7 to 13).

#### **List of appendices to this report:**

None.

#### **List of Background Papers:**

Papers for the meeting of the Audit and Assurance Committee held on 18 June 2014

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