

TRANSPORT FOR LONDON

BOARD

**SUBJECT: REPORT FROM THE MEETING OF THE AUDIT COMMITTEE –
7 MARCH 2012**

DATE: 15 MARCH 2012

1 PURPOSE AND DECISION REQUIRED

1.1 To report to the Board on the meeting of the Audit Committee held on 7 March 2012.

2 BACKGROUND

2.1 The main matters considered by the Committee were:

- (a) Transport Trading Limited Group – Annual Audit Fee 2011/12;
- (b) Audit Commission Update: Oral;
- (c) Management Actions Report;
- (d) Final Internal Audit Reports – Quarter 3 2011/12;
- (e) Integrated Assurance Plan 2012/13;
- (f) Budgetary Control;
- (g) Revision to Standing Orders;
- (h) Data Transparency;
- (i) TfL's Compliance with the FRC's UK Corporate Governance Code;
- (j) Independent Reporting Lines;
- (k) Competition Law – New Guidance; and
- (l) Conduct of Meetings.

3 ISSUES DISCUSSED

Transport Trading Limited Group – Annual Audit Fee 2011/12

3.1 The Committee noted the fees proposed by KPMG for the audit of the financial statements of Transport Trading Limited and its subsidiary companies for the year ending 31 March 2012. The fees for the TfL Group had already been approved by the Committee.

- 3.2 Members welcomed the continuing efficiency savings reported by KPMG and the assurance that there were sufficient resources allocated to cover all areas of work, including Crossrail.

Audit Commission Update: Oral

- 3.3 The Chief Finance Officer gave an oral update on the Audit Commission. The Audit Commission will be making an interim auditor appointment for 2012/13, before 1 April 2012. A final appointment of auditors for 2012/13 and the following four years would then be announced in July 2012.
- 3.4 The position from 2017/18 onwards was less clear, but it was expected that local authorities would be able to appoint their own auditors, subject to certain constraints. Primary legislation would be required to enable this to happen, and it was currently anticipated that a draft bill would be available in May 2012.

Management Actions Report

- 3.5 The Committee noted the recommendations to management which had not been actioned and were more than 60 days overdue. There was only one action in this category, which was being monitored by Internal Audit. If the action was not fully resolved by the date of the next meeting, senior managers would attend the meeting with an explanation.

Final Internal Audit Reports – Quarter 3 2011/12

- 3.6 The Committee noted the final audit reports issued in the third quarter of 2011/12.

Integrated Assurance Plan 2012/13

- 3.7 The Committee approved the Integrated Assurance Plan 2012/13, which was also considered by the Safety, Health and Environment Assurance Committee at its meeting on 6 March 2012.

Budgetary Control

- 3.8 The Committee noted the annual report setting out the budgetary control arrangements within TfL, reflecting recent organisational changes.

Revision to Standing Orders

- 3.9 The Committee recommended, for approval by the Board, proposed changes to TfL's Standing Orders. This item is being considered elsewhere on this agenda.

Data Transparency

- 3.10 The Committee received a paper on proposals as to how TfL would meet the requirements of the Data Transparency Code and noted the actions proposed.

TfL's Compliance with the FRC's UK Corporate Governance Code

- 3.13 The Committee considered a paper on the findings of a review by Internal Audit to benchmark TfL against relevant sections of the Financial Reporting Council's UK Corporate Governance Code. This work formed part of the Board Effectiveness Review, which was agreed by the Board at its meeting of 2 February 2012. No significant issues were identified and all recommendations had been accepted.

Independent Reporting Lines

- 3.14 The Committee noted the update on reports to the staff reporting lines in 2011. It was agreed that Confidential Incident Reporting Analysis System figures also be considered for inclusion in future reports.

Competition Law – New Guidance

- 3.15 The Committee noted a paper on TfL's response to the Office of Fair Trading's guidance "Company Directors and Competition Law" and the actions proposed. There were no significant issues identified for TfL which were not currently in place.

Conduct of Meetings

- 3.16 The Committee considered a report which had been approved by the Board at its meeting of 2 February 2012, informing Members of the changes required to the conduct of TfL's Board and Committee meetings from May 2012.

4 RECOMMENDATION

- 4.1 The Board is asked to NOTE the report.

5 CONTACT

- 5.1 Contact: Clive Walker, Director of Internal Audit
Number: 020 7126 3022
Email: CliveWalker@tfl.gov.uk