

## Transport for London

### Minutes of the Audit and Assurance Committee

Meeting Rooms 1 and 2, Ground Floor, Palestra,  
197 Blackfriars Road, London, SE1 8NJ  
10.00am, Wednesday 19 June 2013

#### Members

Keith Williams	Chair
Steve Wright	Vice Chair
Richard Barnes	Member
Charles Belcher	Member
Brian Cooke	Member

#### Present

Sarah Bradley	Head of Group Financial Accounting
Howard Carter	General Counsel
David Goldstone	Chief Finance Officer
Clive Walker	Director of Internal Audit

#### In Attendance

Robert Brent	Audit Partner, KPMG
Vernon Everitt	Managing Director, Customer Experience, Marketing and Communications (for Item 15)
Ian Griffiths	Audit Partner, KPMG
Rebecca Pett	Senior Manager, Public Sector Audit, KPMG
Wayne Southwood	Audit Partner, KPMG
Sue Riley	Secretariat Officer

The Committee was advised that this would be Wayne Southwood's last meeting. The Chair thanked him on behalf of the Committee for his help and support to the Committee, and welcomed Ian Griffiths to his first meeting.

#### 19/06/13 Apologies for Absence

Apologies for absence had been received from Steve Allen and Baroness Tanni-Grey Thompson.

#### 20/06/13 Declarations of Interest

The following interests were declared: Richard Barnes as a councillor for the London Borough of Hillingdon; Charles Belcher as a member of Atos Origin Advisory Council on Transport; Brian Cooke as a Director of BriMar Enterprises Limited; and Steve Wright on matters relating to private hire vehicles.

## **21/06/13 Minutes of the Meeting of the Audit and Assurance Committee Held on 6 March 2013**

The minutes of the meeting held on 6 March 2013 were approved as a correct record and signed by the Chair.

## **22/06/13 Matters Arising and Actions List**

Clive Walker provided an update on the report relating to the Taleo Enterprise recruitment system. All the actions had been addressed and the report was now closed. This would be reflected in the Q1 report to the Committee at the next meeting.

**The Committee noted the Actions List.**

## **23/06/13 KPMG Report to Those Charged with Governance**

Wayne Southwood and Robert Brent presented the paper identifying key issues that arose during the course of the audit of the Statement of Accounts for the year ended 31 March 2013.

Wayne Southwood thanked David Goldstone and his staff for their valuable input in facilitating the work of the External Auditors in auditing a complex set of Group Accounts.

**The Committee noted the report.**

## **24/06/13 KPMG Letter on Independence and Objectivity**

Wayne Southwood of KPMG introduced the paper on their independence and objectivity, taking into account guidance based on the Audit Commission's Code of Audit Practice and Standing Guidance for Auditors.

**The Committee noted the report.**

## **25/06/13 KPMG Report on Non-Audit Fees for Six Months Ended 31 March 2013**

Wayne Southwood presented the report on non-audit fees for the six months ended 31 March 2013.

The Committee were advised that the External Audit contracts would be re-tendered with effect from 2015/16, which was two years sooner than had been anticipated. With the demise of the Audit Commission the future arrangements were still unclear. It was hoped that it would be possible for the Committee to fulfil the role of Independent Auditor Appointment Panel, although this was in doubt.

Members queried the cost of the fees for external auditing of the London Transport Museum and were advised that it was hoped that this fee could be reduced in the future if planned improvements to accounting processes at the Museum were delivered.

**The Committee noted the report.**

## **26/06/13 Management Actions Report**

Clive Walker introduced the report which sets out recommendations to management which have not been actioned and are more than 60 days overdue. There were no recommendations more than 60 days overdue.

**The Committee noted the report.**

## **27/06/13 Internal Audit Quarter 4 Report 2012/13**

Clive Walker introduced this 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.

It was confirmed that follow up reviews would be carried out in relation to the poorly controlled items.

Clive Walker was reviewing the consistency of processes and terminology used in respect of Health, Safety and Environment and Technical audits. It was agreed that the relevant extracts from the audit reports would be used for submission to the Safety and Sustainability Panel to ensure greater visibility. **[Action: Clive Walker]**

**The Committee noted the report.**

## **28/06/13 Internal Audit Annual Report 2012/13**

Clive Walker introduced the report summarising Internal Audit activity for the year ended 31 March 2013.

Clarification was sought as to the type of audit activity which remained embedded within parts of Surface Transport and Rail and Underground, and Members were advised that these areas of day to day audit type activity were being reviewed by Internal Audit to assess quality and content.

It was agreed that officers would aim to raise the profile of the Internal Audit Customer Feedback Form to encourage an improved return rate. **[Action: Clive Walker]**

**The Committee noted the report.**

## **29/06/13 Review of Internal Audit Charter**

Clive Walker introduced the report seeking approval to the proposed changes to the Internal Audit Charter.

**The Committee approved the changes.**

## **30/06/13 Crossrail Audit Committee**

Clive Walker introduced the paper on the meeting of the Crossrail Audit Committee held on 18 March 2013.

The annual informal meeting with Members of the TfL Crossrail Audit Committee was currently being arranged for the autumn.

Members would also be provided with a copy of the Internal Audit Annual Report for Crossrail, which had been presented to the most recent meeting of the Crossrail Audit Committee, held since the dispatch of the papers. **[Action: Clive Walker]**

**The Committee noted the report.**

## **31/06/13 Review of Governance and the Annual Governance Statement for the Year Ended 31 March 2013**

Howard Carter introduced the paper which provides an overview of compliance with the TfL Code of Governance in 2012/13.

**The Committee approved the Annual Governance Statement.**

## **32/06/13 TfL Statement of Accounts for the Year Ended 31 March 2013**

David Goldstone and Sarah Bradley introduced the draft Statement of Accounts.

Members were informed that the public inspection period would commence on 26 June 2013. It was anticipated that the net income from the Lane Rental Scheme would be lower than currently set out in the accounts, due to costs to be offset, when the final report was submitted to the Board.

The Chair advised Members that the remuneration pages of the Annual Report had not been ready in time for inclusion in the draft to the Committee, but would be circulated to the Members before submission to the Board on 3 July 2013. A copy would be sent to the External Auditors at the same time. If Members had any comments a special meeting of the Audit and Assurance Committee could be convened if necessary.

Members highlighted the importance of ensuring that the presentation of TfL's reserves and surpluses makes it clear that these are allocated against future budgeted spend and not available to fund other activities.

Vernon Everitt reported that officers were generally reviewing the way that TfL presented its financial information to the public to make the information more accessible.

KPMG confirmed that there were no material issues outstanding on the Accounts and that all of the control issues identified were being addressed by management.

The Committee thanked officers for their hard work in preparing the accounts.

**The Committee noted the draft Statement of Accounts for the Year Ended 31 March 2013, and noted that the Chief Finance Officer will make any adjustments arising from the on going audit work prior to submission to the Board. Any material adjustments would be reported to the next meeting of the Committee.**

### **33/06/13 TfL's Annual Report 2012/13**

Vernon Everitt introduced TfL's Annual Report 2012/13.

A number of comments were made by Members which would be incorporated in to the final report.

The Committee congratulated officers on the excellent report.

**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.**

### **34/06/13 Update: Strategic Risk Management Q4 2012/13**

David Goldstone presented the paper updating the Committee on the status of TfL's Non Project Strategic Risks and proposed mitigations at Q4 2012/13.

**The Committee noted the paper.**

### **35/06/13 Any Other Business the Chair Considered Urgent**

There was no business that the Chair considered urgent.

### **36/06/13 Date of Next Meeting**

The next meeting would be held on Wednesday 1 October at 10.00am.

### **37/06/13 Exclusion of Press and Public**

The Committee agreed to exclude the press and public from the meeting, in accordance with paragraphs 3, 5 and 7 of Schedule 12A to the Local Government Act 1972 (as amended), in order to consider the following items of business, which contained information relating to the financial or business affairs of a person or authority and contained issues where a claim to legal professional privilege could be made.

### **38/06/13 Minutes of the Meeting of the Audit and Assurance Committee Held on 6 March 2013**

The minutes of the meeting held on 6 March 2013 were approved as a correct record and signed by the Chair.

### **39/06/13 Matters Arising and Actions List**

The Committee noted the Actions List.

### **40/06/13 Legal Compliance Report (October 2012 – March 2013)**

Howard Carter presented the report comprising the Legal Compliance Report for the period 1 October 2012 to 31 March 2013.

The Committee noted the report.

### **41/06/13 Half Yearly Fraud Report 2012/13**

Alan Day introduced the Half Yearly Fraud Report 2012/13 providing a summary of work undertaken by the Fraud Team for the second half of 2012/13 (periods 7 to 13).

The Committee noted the report.

### **42/06/13 National Fraud Initiative Update 2012/13**

Simon Bicknell presented the paper providing an update on the National Fraud Initiative exercise for 2012/13.

The Committee noted the paper.

## **43/06/13 Update: Strategic Risk Management Q4 2012/13**

David Goldstone presented the paper which contained supplementary information to the Risk Management Update paper being considered on Part 1 of the agenda, updating the Committee on the status of TfL's Non Project Quantified Strategic Risk Schedule and proposed mitigations at Q4 2012/13

**The Committee noted the paper.**

Chair: \_\_\_\_\_

Date: \_\_\_\_\_