

# Transport for London

## Minutes of the Audit and Assurance Committee

Conference Rooms 1 and 2, Ground Floor, Palestra,  
197 Blackfriars Road, London, SE1 8NJ  
10.00am, Thursday 8 October 2015

### Members

Steve Wright	Chair for the meeting
Richard Barnes	Member
Charles Belcher	Member
Brian Cooke	Member

### Present

Ian Nunn	Chief Finance Officer and Interim Managing Director, Finance
Howard Carter	General Counsel
Brian Davey	Head of Financial Services (for Minute 66/10/15)
Rachel Shaw	Group Accounting Policy Manager
Clive Walker	Director of Internal Audit

### In Attendance

Robert Brent	Audit Partner, KPMG
Keith Barrow	Audit Partner, Ernst & Young (EY)
Karl Havers	Audit Partner, EY

Sue Riley	Secretariat Officer
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The Chair welcomed Ernst and Young to their first meeting of the Committee.

### 42/10/15 Apologies for Absence

Apologies for absence were received from Keith Williams (Chair), Baroness Grey-Thompson DBE. Sarah Bradley was also unable to attend. In the absence of the Chair, Steve Wright chaired the meeting.

### 43/10/15 Declarations of Interest

The following interests were declared: Charles Belcher as a member of Atos Origin Advisory Council on Transport; and Steve Wright on matters relating to private hire vehicles.

### 44/10/15 Minutes of the Meeting Held on 16 June 2015

The minutes of the meeting held on 16 June 2015 were approved as a correct record and signed by the Chair.

### 45/10/15 Matters Arising and Actions List

The Committee noted the Actions List.

## **46/10/15 Annual Audit Letter**

Robert Brent of KPMG presented the Annual Audit Letter prepared by KPMG to summarise their conclusions on the Annual Statement of Accounts and Value for Money.

The Chair and the Committee recorded their thanks to KPMG for their support and advice to TfL in their role as External Auditors and welcomed the newly appointed External Auditors Ernst & Young.

**The Committee noted the Letter.**

## **47/10/15 External Audit Plan TfL, TTL and Subsidiaries – Year Ending 31 March 2016**

Karl Havers of EY presented the plan for the audit of the financial statements for TfL, Transport Trading Limited (TTL) and its subsidiaries for the year ending 31 March 2016.

EY thanked KPMG for a smooth and efficient transition process.

The three main differences in EY's approach were highlighted. Members sought clarification as to the accuracy of TfL's fixed asset management, classification and valuation process, considering the quantity and size of TfL's assets spread across the company. The new standard, which required authorities to value their transport infrastructure, was challenging and complex. It was noted that TfL's asset register was relatively advanced and detailed compared to other bodies, and the register was audited yearly. The Committee was assured that EY had considerable in-house expertise in this area, although different audit firms took a slightly different approach on the basis of materiality. The complexity of TfL's interest in a range of developments across London also made assessment difficult and change of use of TfL assets could also lead to a change in the valuation.

Clive Walker informed Members that an audit of completeness of the property asset register had recently been concluded and would be included in the next quarterly report to the Committee.

**The Committee noted the paper.**

## **48/10/15 KPMG Report on Non-Audit Fees for Period between 1 April – 10 July 2015**

Robert Brent introduced this report on fees billed by KPMG for non-audit services in the period from 1 April to 10 July 2015.

The Committee was advised that the work carried out in relation to Crossrail 2 had been greater than expected, and had resulted in the value being above the maximum amount of non-audit fees allowable without prior agreement of the Chair. A letter had therefore been sent and agreed by the Chair retrospectively.

**The Committee noted the report.**

## **49/10/15 Review of Internal Audit Charter**

Clive Walker introduced the paper, which informed the Committee of proposed changes

to the Internal Audit Charter.

**The Committee approved the proposed changes to the Charter.**

### **50/10/15 Management Actions Report**

Clive Walker presented the report, which informed the Committee of those recommendations to management that had not been actioned and were more than 60 days overdue.

There were no actions more than 60 days overdue.

**The Committee noted the report.**

### **51/10/52 Internal Audit Quarter 1 Report 2015/16**

Clive Walker introduced the report, which informed the Committee of the audit work completed in the first quarter of 2015/16, the work in progress and work planned for Quarter 2.

In relation to the one poorly controlled Health, Safety, Environment and Technical report highlighted in the report, all the actions were being addressed.

Members were updated on a significant fraud which was being investigated.

Clive Walker confirmed that work was ongoing to develop relationships with embedded auditors across the business and create a 'community of auditors' with a common approach. Any significant issues arising from the work of the embedded auditors would be highlighted to the Committee as part of the quarterly reporting.

The Committee noted that there had been more reports issued so far this year with "Requires Improvement" findings, compared to the same period last year.

Clive Walker informed the Committee that an internal audit of the procurement process for the Garden Bridge had recently been completed and provided to the London Assembly. An early draft of the report on this issue had been leaked to the press and attracted some media attention, but the drafting process, including seeking views of those involved, was a normal part of the auditing procedure.

**The Committee noted the report.**

### **52/10/15 Crossrail Audit Committee**

Clive Walker reported on matters discussed at the Crossrail Audit Committee meetings held on 10 June and 21 September 2015.

**The Committee noted the paper.**

### **53/10/15 External Audit Services Policy**

Ian Nunn presented the draft revised Policy on External Audit and Non-Audit Services for consideration. The recent dissolution of the Audit Commission had led to a number of changes being required.

It was agreed that the word 'management' would be deleted from paragraph 4.1 of the document.

### **54/10/15 Effectiveness Review of the External Auditors**

Robert Brent left the room for the discussion of this item.

The Committee was advised that there had been less audit focus on congestion charging and traffic enforcement as there had been a number of detailed audits in previous years and therefore it was not felt necessary. Members requested that reasons for change of work focus be explained in future reports by the external auditors.

**The Committee noted the paper and the supplemental information on Part 2 of the agenda.**

### **55/10/15 Strategic Risk Management Update – Quarter 1 2015**

Ian Nunn presented the update on the status of TfL's Non Project Strategic Risks and proposed mitigations at the end of Quarter 1.

Arising from the discussion, Members requested that:

- (a) officers check the validity of the reduction in the risk of managing industrial relations in the context of an overall increase in people risk; **[Action: Ian Nunn]**
- (b) a report on major/catastrophic incident insurance be submitted to the next meeting and become an annual report; and **[Action: Ian Nunn]**
- (c) the financial qualitative assessment of the Technology Risk be reviewed. **[Action: Ian Nunn]**

**The Committee noted the paper and the supplemental information on Part 2 of the agenda.**

### **56/10/15 National Fraud Initiative**

Brian Davey introduced the update on the National Fraud Initiative exercise for 2014.

In future reports, references to taxi drivers would differentiate between drivers of taxis and private hire vehicles when appropriate. **[Action: Brian Davey]**

Improvements had been made in the submission of creditors' data by external stakeholders on previous years and the introduction of new processes. There were some doubts over the added value of the matching against the Amberhill database.

**The Committee noted the update report.**

### **57/10/15 Any Other Business the Chair Considers Urgent**

There was no urgent business.

## **58/10/15 Date of Next Meeting**

The next meeting would be held on Tuesday 8 December 2015 at 10.00am.

## **Exclusion of Press and Public**

**The Committee agreed to exclude the press and public from the meeting, in accordance with paragraph 3 of Schedule 12A to the Local Government Act 1972 (as amended), in order to consider the exempt information in relation to the items on: Effectiveness Review of the External Auditors and Strategic Risk Management Update – Quarter 1 2015.**

The meeting closed at 11.42am.

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

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