

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, Wednesday 18 December 2013**

Members

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

Present

Steve Allen	Managing Director, Finance
Simon Bicknell	Head of Financial Services Centre (for part)
Sarah Bradley	Head of Group Financial Accounting
Steve Burton	Director of Enforcement and On-Street Operations (for part)
Howard Carter	General Counsel
Alan Day	Senior Audit and Investigations Manager – Fraud & Security (for part)
David Goldstone	Chief Finance Officer
Clive Walker	Director of Internal Audit

In Attendance

Robert Brent	Audit Partner, KPMG
Ian Griffiths	Audit Partner, KPMG
Sarah Ward	Senior Manager, KPMG

Sue Riley	Secretariat Officer
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66/12/13 Apologies for Absence

An apology for absence had been received from Baroness Grey-Thompson.

67/12/13 Declarations of Interest

Charles Belcher declared an interest as a member of Atos Origin Advisory Council on Transport.

68/12/13 Minutes of the Meeting of the Audit and Assurance Committee Held on 1 October 2013

The minutes of the meeting held on 1 October 2013 were approved as a correct record and signed by the Chair.

69/12/13 Matters Arising and Actions List

The Committee noted the Actions List.

70/12/13 External Audit Plan TfL, TTL and Subsidiaries – Year Ending 31 March 2014

David Goldstone introduced KPMG's plan for the audit of the financial statements of Transport for London, Transport Trading Limited and its subsidiaries for the year ending 31 March 2014.

The Chair welcomed the report from KPMG and noted the strong linkages between the audit risks highlighted by KPMG and the TfL Risk Register. Due to recent changes in the Companies Act 2006, many of the TfL Group subsidiaries are able to claim exemption from separate audit of their financial statements, which will reduce audit fees. Where external audit work is being significantly reduced on individual subsidiaries, Internal Audit will monitor those subsidiaries to ensure that adequate overall scrutiny is maintained. KPMG confirmed that there were no control issues with any of the TfL Group subsidiaries.

The Committee noted that the External Auditors' fees had reduced by 12 per cent year on year.

The Committee noted the report.

71/12/13 KPMG Report on Non Audit Fees for Six Months Ended 30 September 2013

Robert Brent introduced the report informing the Committee of fees billed by KPMG for non audit services.

The Committee noted the paper.

72/12/13 Management Actions Report

Clive Walker introduced the report which set out recommendations to management which had not been actioned. There were no recommendations more than 60 days overdue.

Members welcomed the continued good practice in this area.

The Committee noted the report.

73/12/13 Internal Audit Quarter 2 Report 2013/14

Clive Walker introduced this report, informing the Committee of the audit work completed in the second quarter of 2013/14 and the work in progress and planned for Q3 2013/14.

Areas which had been highlighted as poorly controlled were being satisfactorily addressed through comprehensive management actions.

It was reported that the Senior Audit and Investigations Manager was retiring. His role was not being replaced and the functions were being transferred to different parts of the Internal Audit team. The Committee asked that its thanks to Alan Day be recorded.

Members welcomed the External Expert and Peer Reviews scheduled for 2013/14, while recognising that such reviews required resource and input from officers.

The Committee noted the report.

74/12/13 Internal Audit Strategy 2013

Clive Walker presented the Internal Audit Strategy 2013.

Progress with the delivery of the priorities outlined in the Strategy would be set out in the Annual Report presented to the meeting of 18 June 2014.

The Committee noted the Strategy.

75/12/13 Changes in Legislation and Accounting Standards Impacting on TfL

David Goldstone and Sarah Bradley introduced the paper updating Members on the Group's critical accounting policies to be applied in deriving the form and content of TfL's Statement of Accounts for the year ending 31 March 2014.

Changes in the accounting for pension plans would have the effect of increasing the net interest charge in TfL's financial statements, although there would be no impact on the defined benefit obligation recognised on the balance sheet. In addition, more extensive disclosures would be required.

There had been a change in accounting for borrowing costs where the construction of capital assets was funded by borrowing. TfL was now required to capitalise interest on all such projects, and not only those that commenced after 2009. This would reduce the net interest charge in TfL's financial statements and increase additions to property, plant and equipment.

It was noted that this would impact Crossrail, where financing costs would be capitalised for the first time. This was, however, an accounting change with no impact on cash flows and the total cost of the project would be unaffected.

Both these changes of accounting policy were treated as prior year adjustments with restatement of prior year comparatives.

The Committee noted the paper.

76/12/13 Update on the Procurement of External Audit Services

David Goldstone introduced the paper updating the Committee on the proposed tendering of external audit services for Transport Trading Limited and its subsidiaries.

The Committee was advised that the Audit Commission would not be extending its procurement process to allow the TTL Group the ability to call off against the Commission contract, and that it was therefore necessary to run a separate tender. The overall objective was to achieve value for money in the audit arrangements for the whole Group.

The Committee noted the paper.

77/12/13 Strategic Risk Management Quarter 2 2013/14

David Goldstone presented the update on the status of TfL's Non Project Strategic Risks and proposed mitigations at the end of Quarter 2, as reflected in the Strategic Risk Register. A further paper on Part 2 of the agenda set out TfL's Quantified Risk Schedule.

It was agreed that further clarity on the risks associated with the pensions deficit be included in future reports, including mitigation measures and timescales.

[Action: David Goldstone]

The Chair congratulated officers on the work completed in this area.

The Committee noted the paper.

78/12/13 National Fraud Initiative 2012/13 Update

Simon Bicknell presented the update on the National Fraud Initiative exercise for 2012/13. A detailed appendix to the report was considered on Part 2 of the agenda.

It was agreed that information on the controls in place for issuing taxi driver licences, with particular regard to checking eligibility to work in the UK, would be reported back to the next meeting.

[Action: Simon Bicknell]

The Committee noted the paper.

79/12/13 Half Yearly Fraud Report 2013/14

Alan Day introduced the half yearly fraud report providing a summary of the work undertaken by the Fraud Team for the first half of 2013/14 (periods 1 to 6). Details of fraud cases investigated during the half year were included in the Part 2 agenda.

The Committee noted the report.

80/12/13 Personal Data Disclosure to the Police and Other Law Enforcement Agencies

Steve Burton provided the Committee with an update on the operation of TfL's policy on disclosure of personal data to the police and other statutory law enforcement agencies.

The Committee was advised that the British Transport Police was being pro-active in its approach to fraud in relation to Oyster, Zip and Freedom Passes.

The Committee noted the report.

81/12/13 Legal Compliance Report (1 April – 30 September 2013)

Howard Carter presented the report summarising information for each TfL Directorate included in the Legal Compliance Report for the period 1 April 2013 to 30 September 2013.

The Committee noted the report.

82/12/13 Any Other Business the Chair Considered Urgent

There was no business that the Chair considered urgent.

83/12/13 Date of Next Meeting

The next meeting would be held on Wednesday 5 March 2014.

84/12/13 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.

85/12/13 Minutes of the Meeting of the Audit and Assurance Committee Held on 1 October 2013

The exempt minutes of the meeting held on 1 October 2013 were approved as a correct record and signed by the Chair.

86/12/13 Matters Arising and Actions List

There were no additional matters arising.

87/12/13 Strategic Risk Management Quarter 2 2013/14

David Goldstone presented the report updating the Committee on the status of TfL's Non Project Strategic Risks and proposed mitigations as set out in the Quantified Strategic Risk Schedule.

The Committee noted the paper.

88/12/13 National Fraud Initiative 2012/13 Update - Appendix

Simon Bicknell introduced the report containing detailed supplementary information to the paper already discussed on Part 1 of the agenda.

It was agreed that Internal Audit would carry out a review of the Blue Badge process and the outcome would be reported to the Surface Transport Panel, if appropriate.

[Action: Clive Walker]

The Committee noted the paper.

89/12/13 Half Yearly Fraud Report 2013/14

Alan Day presented the report providing details regarding fraud cases investigated by the Fraud Team for the first half of 2013/14.

Mandate Fraud continued to be monitored and controls in process appeared to be effective.

It was agreed that officers would investigate penalties for fraudulent Ticket Stop Agencies could include the removal of the right to operate Ticket machines in the future and for criminal records to be shared with other ticket shop suppliers such as the National Lottery.

[Action: Clive Walker]

Ticket machines were currently removed from shops which were found guilty of fraudulent practices and the details shared with local press.

The Committee noted the paper.

90/12/13 Personal Data Disclosure to the Police and Other Law Enforcement Agencies

Steve Burton introduced the report setting out further information on the operation of TfL's policy on the Disclosure of Personal Data to the Police and Other Law Enforcement Agencies.

The Committee noted the paper.

91/12/13 Legal Compliance Report (1 April 2013 – 30 September 2013)

Howard Carter presented the supplementary information to the paper on Part 1 of the agenda, which comprised the Legal Compliance Report for the period of 1 April – 30 September 2013.

Further information would be provided on one case in the Rail and Underground Employment Tribunal data.

[Action: Howard Carter]

The meeting closed at 11.45am.

Chair: _____



Date: _____

05/03/14