

## **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 6 March 2013**

#### **Members**

Keith Williams	Chair
Steve Wright	Vice Chair
Richard Barnes	Member
Charles Belcher	Member
Brian Cooke	Member
Baroness Grey-Thompson	Member

#### **Present**

Steve Allen	Managing Director, Finance
Sarah Bradley	Head of Group Financial Accounting
Howard Carter	General Counsel
Paul Cowperthwaite	Head of Contracted Services - Congestion Charging and Traffic Enforcement (for minute 13)
Nick Fairholme	Director of Congestion Charging and Traffic Enforcement (for minute 13)
David Goldstone	Chief Finance Officer
Tracey McOgg	Principal Analyst - Financial Analysis (for minute 11)
Clive Walker	Director of Internal Audit

#### **In Attendance**

Rebecca Pett	Senior Manager, Public Sector Audit, KPMG
Wayne Southwood	Audit Partner, KPMG

David Burgh	Secretariat Officer
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#### **01/03/13 Apologies for Absence**

There were no apologies for absence.

#### **02/03/13 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; Baroness Grey-Thompson as a Member of the London Legacy Development Corporation; and Steve Wright on matters relating to private hire vehicles.

#### **03/03/13 Minutes of the Meeting Held on 7 December 2012**

The minutes of the meeting held on 7 December 2012 were approved as a correct record and signed by the Chair.

## **04/03/13 Matters Arising and Actions List**

The Committee noted that the Chief Finance Officer had written to the GLA, regarding the possibility that TfL might incur additional costs. These would arise if further KPMG fees were sought from TfL, following Ernst & Young, the GLA's auditor, proposing changes to audit materiality. This was addressed in minute 5 below.

The Committee also noted that actions arising from the Internal Audit Quarter 1 report had now all been dealt with, except for track familiarisation, where work was needed to make changes to SAP, the business management software. This would be followed up later in the year.

**The Committee noted the Actions List.**

## **05/03/13 Revised Audit Materiality**

Wayne Southwood of KPMG presented a proposed change to 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 2013.

KPMG reported that there had been a change in the level of audit materiality, required by Ernst & Young, due to TfL's inclusion in GLA Group accounts.

**The Committee noted the paper.**

## **06/03/13 Management Actions Report**

Clive Walker introduced this report, to inform the Committee of those recommendations to management which 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.**

## **07/03/13 Internal Audit Quarter 3 Report 2012/13**

Clive Walker introduced this report, informing the Committee of the Internal Audit work completed in the third quarter of 2012/13, the work in progress and work planned for Quarter 4 of 2012/13.

The transfer of London Underground Health, Safety and Environment staff into Internal Audit had taken place on 1 January 2013, with co-location of the teams to be implemented later in the year.

The Committee noted that an audit of the London Taxicard Scheme had been completed. While the controls had been reviewed and improved, the Committee requested the opportunity to consider the funding and management of the scheme, and relationships with the boroughs. A report to Surface Transport Panel on the matter was requested.

**[Action: Secretariat]**

The Committee requested further details of the audit of the Taleo Enterprise recruitment system, which would be subject to a follow up review in April 2013. An oral update would be given to the June meeting of the Committee. **[Action: Clive Walker]**

**The Committee noted the report.**

### **08/03/13 Effectiveness Review of Internal Audit - Action Plan**

Clive Walker introduced this paper, to inform the Committee of the proposed actions arising out of KPMG's review of Internal Audit effectiveness.

The report had found that Internal Audit's methodologies and day to day processes were generally effective and commented positively on TfL's progress on the integrated assurance agenda. All of the report's recommendations had been agreed and were being implemented.

**The Committee noted the paper.**

### **09/03/13 Integrated Assurance – Progress Report**

Clive Walker introduced this report, to inform the Committee of progress made in introducing an integrated approach to assurance activities within TfL, and presenting plans for its further development.

**The Committee noted the report.**

### **10/03/13 Integrated Assurance Plan 2013/14**

Clive Walker introduced this paper, presenting the 2013/14 Integrated Assurance Plan to the Committee.

The Committee welcomed the use of real time delivery of audit services. This was valued in the procurement process, where there was scope to ensure good practice was followed in tendering major contracts, making a significant impact on risk reduction.

The Committee considered other risks. The planned audits in respect of the security risk were noted. Business continuity plans had been audited recently, and there was regular testing of recovery plans by the business. The lessons learned from the London bombings had been addressed, and all actions had been completed and reported to the Board.

Audit work had been undertaken recently on Employment Tribunal issues, and the findings would be reported to the next meeting of the Committee.

Members questioned why there was no audit work planned on the industrial relations risk. It was noted that audits under other risk headings would encompass assurance over this area. However, it was agreed that further consideration would be given to including some specific work on industrial relations in the 2014/15 plan. **[Action: Clive Walker]**

**The Committee noted the paper.**

### **11/03/13 Update: Strategic Risk Management Q3**

David Goldstone introduced this paper, to update the Committee on the status of TfL's Non Project Strategic Risks and proposed mitigations at Q3, as well as setting out amendments to the Operational Risk Policy and the Risk Management Work Instruction.

The Committee noted that the risk relating to resourcing a strategic, balanced plan had increased, with the announcement, in the Autumn Statement, of reductions in funding from both the Department for Transport and the Department for Communities and Local Government. While the reductions in the current year should be manageable, there would need to be a review of the longer term impact of the revised funding level. As TfL's funding agreement ends in 2014/15, there would be a need to make a case for future years' expenditure, with TfL forecasts currently based on assumptions about government support.

**The Committee noted the paper.**

### **12/03/13 Review of TfL's Independent Reporting Line for Year Ended 31 December 2012**

Howard Carter introduced this update on reports to the independent staff reporting line during 2012.

The contract for the independent reporting line would be retendered later in 2013. The Committee noted that the number of reports was very low in relation to the size of TfL, and Members were assured that the scheme was well publicised and relaunched on a regular basis.

**The Committee noted the paper.**

### **13/03/13 Local Government Ombudsman report on the London Low Emission Zone**

Howard Carter introduced this report, which informed the Committee of the outcome of the Local Government Ombudsman's (LGO's) report, following the receipt of complaints from vehicle operators regarding the implementation of new emission standards for the London Low Emission Zone.

TfL had implemented all of the Ombudsman's requirements and had settled most of the claims. The Ombudsman had agreed the process to be followed for late claims. A paper setting out lessons learned had been produced, and the findings disseminated, with the key message being the need to ensure that complaints were reported to the relevant staff.

**The Committee considered the LGO's report and noted the contents of the paper, which would be submitted to the Board for consideration at its next meeting.**

### **14/03/13 Any Other Business the Chair Considered Urgent**

There was no business that the Chair considered urgent.

### **15/03/13 Date of Next Meeting**

The next meeting would be held on Wednesday 19 June 2013 at 10.00am.

### **16/03/13 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.

### **17/03/13 National Fraud Initiative**

David Goldstone introduced the paper, providing an update on the National Fraud Initiative, the Audit Commission's data matching exercise designed to detect fraud and erroneous payments.

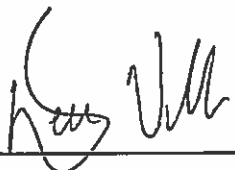
The Committee noted the paper.

### **18/03/13 Fees for non audit work**

David Goldstone introduced the paper, regarding proposals for non audit work.

As the matters discussed contained information relating to the financial affairs of TfL and KPMG they were exempt from publication to the public or press by virtue of paragraph 3 of Schedule 12A of the Local Government Act 1972.

Chair:

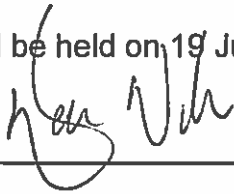
  
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The next meeting would be held on 19 June 2013 at 10.00am.

Chair:



Date: