

TRANSPORT FOR LONDON

AUDIT COMMITTEE

SUBJECT: AUDIT COMMISSION UPDATE

DATE: 25 NOVEMBER 2008

1 PURPOSE AND DECISION REQUIRED

1.1 The purpose of this paper is to inform the Committee of developments in respect of TfL's Audit and Inspection regime specified by the Audit Commission.

2 BACKGROUND

2.1 TfL, in common with other Local Government entities, is assessed by the Audit Commission. In recent years, this Audit and Inspection process (in addition to the statutory audit of the financial statements) has been composed of 3 principal items:

- a) Annual assessment the organisation's Use of Resources, focused on financial management arrangements (conducted by appointed auditors);
- b) Annual assessment of the arrangements in place to secure Data Quality (conducted by appointed auditors); and
- c) Comprehensive Performance Assessment (CPA) every 3 – 5 years, updated annually by a 'Direction of Travel' Assessment (conducted by the Audit Commission).

2.2 TfL, in common with the rest of the GLA group, was assessed using a variant of the CPA called 'Initial Performance Assessment' (IPA), in 2004. This was essentially the same as CPA but recognised that the GLA group was relatively new and therefore was unlikely to have the same track record of outcomes that might be expected of a typical local authority. TfL was scored 'Excellent', the highest score, and the only member of the GLA group to receive this rating. The subsequent annual 'Direction of Travel' assessments, while not scored, have demonstrated further organisational improvement since the 2004 IPA assessment and therefore are consistent with the maintenance of that rating. The latest 2008 Direction of Travel assessment of TfL is contained within the Annual Audit and Inspection letter from the Audit Commission which is presented to this meeting.

3 NEW APPROACH

- 3.1 The new assessments are called 'Comprehensive Area Assessments' (CAA). CAA is a new approach that will provide the first independent assessment of the prospects for local areas and the quality of life for people living there. It is designed to assess and report how well public money is spent and will ensure that local public bodies are accountable for their quality and impact.
- 3.2 CAA is being developed by seven partner inspectorates. They will work together to deliver joint judgements when CAA is introduced from April 2009. The partner inspectorates are the Audit Commission and inspectorates responsible for healthcare, social care, police, prisons, probation and schools.
- 3.3 Area assessments are based around Local Area Agreements (LAAs) which are statutory agreements between local delivery bodies in a given area. In London these areas are defined at a Borough level.
- 3.4 The Commission is not proposing to conduct any assessment at the London-wide level, and TfL (in common with the GLA and LDA) will therefore not be part of an area assessment, although transport may feature in the local Borough level area assessments, according to local priorities.
- 3.5 It is proposed however that TfL will remain subject to annual organisation assessment, in common with other Local Government entities. This assessment will be termed Use of Resources, but will be broader than the current assessment which is focused towards financial resources. In addition the Commission proposes to retain an annual 'Direction of Travel' assessment.
- 3.6 The Commission is to consult TfL on the detail of proposed arrangements over the next two months with the new approach being in place by April 2009.

4 RECOMMENDATION

- 4.1 The Audit Committee is asked to NOTE the developments in respect of TfL's Audit Commission inspection regime.

5 CONTACT

Contact: Stephen Critchley, Chief Finance Officer
Phone: 0207 126 4871