

Board



Date: 4 November 2015

Item: Report of the meeting of the Audit and Assurance Committee held on 8 October 2015

This paper will be considered in public

1 Summary

- 1.1 To report to the Board on the meeting of the Audit and Assurance Committee held on 8 October 2015

2 Recommendation

- 2.1 **That the Board notes the report.**

3 Background

- 3.1 The main matters considered by the Committee were:

- (a) Annual Audit Letter;
- (b) External Audit Plan TfL, TTL and Subsidiaries – Year Ending 31 March 2016;
- (c) KPMG Report on Non-Audit Fees for Period between 1 April – 10 July 2015;
- (d) Review of Internal Audit Charter;
- (e) Management Actions Report;
- (f) Internal Audit Quarter 1 Report 2015/16;
- (g) Crossrail Audit Committee;
- (h) External Audit Services Policy;
- (i) Effectiveness Review of the External Auditors;
- (j) National Fraud Initiative 2014; and
- (k) Strategic Risk Management Update – Quarter 1 2015.

4 Issues Discussed

Annual Audit Letter

- 4.1 The Committee noted the Annual Audit Letter prepared by KPMG summarising their conclusions on the Annual Statement of Accounts and Value for Money. It also recorded its thanks to KPMG for their support and advice to TfL in their role as external auditors and welcomed the newly appointed Ernst & Young.

External Audit Plan TfL, TTL and Subsidiaries – Year Ending 31 March 2016

- 4.2 The Committee noted 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.
- 4.3 Members discussed the accuracy of TfL's fixed asset management, classification and valuation process, considering the quantity and size of TfL's assets.

KPMG Report on Non-Audit Fees for Period between 1 April – 10 July 2015

- 4.4 The Committee noted the 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.

Review of Internal Audit Charter

- 4.5 The Committee approved the proposed changes to the Internal Audit Charter.

Management Actions Report

- 4.6 The Committee noted the report which informed the Committee of recommendations to management that had not been actioned and were more than 60 days overdue. There were no actions more than 60 days overdue.

Internal Audit Quarter 1 Report 2015/16

- 4.7 The Committee noted the report, which informed the Committee of the audit work completed in the first quarter of 2015/16, work in progress and work planned for Quarter 2.
- 4.8 Members were updated on a significant fraud case which was being investigated.
- 4.9 The Committee highlighted that there had been more reports issued so far this year with "Requires Improvement" findings, compared to the same period last year.

Crossrail Audit Committee

- 4.10 The Committee noted the paper on matters discussed at the Crossrail Audit Committee meetings held on 10 June and 21 September 2015.

External Audit Services Policy

- 4.11 The Committee approved the revised Policy on External and Non Audit Services.

Effectiveness Review of the External Auditors

- 4.12 The Committee noted the paper and the supplemental information on Part 2 of the agenda on the effectiveness review of the External Auditors.

National Fraud Initiative

- 4.13 The Committee noted the update on the National Fraud Initiative exercise for 2014.

Strategic Risk Management Update – Quarter 1 2015

- 4.14 The Committee noted the update on the status of TfL's Non Project Strategic Risks and proposed mitigations at the end of Quarter 1 and the supplemental information on Part 2 of the agenda.
- 4.15 Members requested that the financial quantification of the Technology Risk be reviewed and that a report on major/catastrophic incident insurance be submitted to the next meeting and become an annual report in the future.

List of appendices to this report:

None.

List of Background Papers:

Papers for the meeting of the Audit and Assurance Committee held on 8 October 2015.

Contact Officer: Howard Carter, General Counsel
Number: 020 3054 7832
Email: HowardCarter@tfl.gov.uk