

TRANSPORT FOR LONDON

AUDIT COMMITTEE

**SUBJECT: BEST PRACTICE FOR AUDIT COMMITTEES IN GOVERNMENT CONFERENCE**

**DATE: 16 DECEMBER 2009**

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**1 PURPOSE AND DECISION REQUIRED**

- 1.1 This is a report of the Chair on a recently attended conference on The Best Practice for Audit Committees Annual Conference, which is a joint event between the National School of Government and HM Treasury held on 16 November. The theme was 'New challenges for the Audit Committee'.
- 1.2 The Committee is asked to note the report and consider whether the Committee should take any further action.

**2 BACKGROUND**

- 2.1 The conference provided an opportunity to:
  - (a) Explore the audit committee's role in risk management and assurance in the current climate;
  - (b) Hear latest thinking from leading experts and updates on central reviews and initiatives aimed at strengthening governance and assurance;
  - (c) Share insights and good practice from leading experienced audit committee practitioners; and
  - (d) Explore issues, challenges and good practice to help audit committees perform better.
- 2.2 There was a wide range of relevant speakers including David Bell, Permanent Secretary, Department for Children Schools and Families (who is Chair of the Stakeholder Group for the Internal Audit Review Project), Ken Beeton, Director of Government Finance Management and Reporting, Amyas Morse, Comptroller and Auditor General, National Audit Office; Paul Moore, Former Head of Group Regulatory Risk HBOS; and Dr Brian Woods-Scawen, Member of the Committee on Standards in Public Life.

**3 ISSUES FOR CONSIDERATION**

- 3.1 There was an opportunity to network and take part in table discussions. The procedures and arrangements that TfL have in place for audit and risk management compared favourably and met the good practice standards being outlined.

- 3.2 There are two areas that merit possible further attention. Firstly, a paper 'Some Key Ethical Considerations for your Audit Committee' (attached as Appendix 1) was circulated. It may be useful to receive a report outlining how and the extent, to which, TfL complies with the issues covered.
- 3.3 Secondly, the session on Standards in Public Life, which included some lessons on governance arising from the report into MPs' expenses, emphasised the need for all members of public bodies to comply fully with standards that apply to their organisation and to review existing standards and arrangements for compliance.
- 3.4 It may be timely for an audit review of our current governance arrangements in relation to Declarations of Interest and TfL guidance and Standing Orders. The Committee would then receive a report and take any necessary action. It would be useful to consider whether there are parts of the Code of Conduct that applies to local authorities and the Greater London Authority (GLA) that would strengthen our existing requirements (The Local Authorities (Model Code of Conduct) Order 2007).
- 3.5 The papers for the conference are available on request from General Counsel.

#### **4 RECOMMENDATION**

- 4.1 The Committee is asked to NOTE the report and make any comments as appropriate.

#### **5 CONTACT**

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**Some Key Ethical Considerations for your Audit Committee**

1. Does your organisation have whistle blowing policies and mechanisms that are established and well communicated?
2. Do you regularly see issues that have been raised?
3. Does your organisation welcome constructive challenge?  
How do you know, and what cultural review tools do you use to corroborate this?
4. Are audit recommendations positively received, acted upon and resolved?
5. Does your organisation monitor the ethical considerations of key policy and strategy decisions?
6. Have you implemented an ethical decision making framework in your organisations?
7. Are your people appropriately trained on dealing with ethical dilemmas?
8. Do they have decision-making tools to help them resolve dilemmas?
9. Has everyone been effectively trained?
10. How do you monitor/oversee whether the framework is being used effectively?
11. Are your risk managers and internal auditors appropriately qualified and competent?
12. Are your internal auditors sufficiently independent of managers to act competently and objectively?
13. Is your internal audit function regularly and independently reviewed?
14. Do you know what the leadership and competence requirements are for those who work in control functions, apart from technical knowledge?
15. Do you provide ample opportunity for their voice to be heard?
16. Do you meet with them outside of the formal meeting context?
17. Do you support them if their work causes tension with management?
18. Do your internal auditors have a direct reporting line to you - do you regularly see your risk managers?
19. Are all audit committee members competent and independent non-executives and free from conflicts of interest?
20. How do you corroborate attestations to avoid "self-serving statements" made to you by the executive in relation to material risks or issues?