

Board



Date: 3 July 2013

Item 14: Report of the meeting of the Audit and Assurance Committee held on 19 June 2013

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 19 June 2013.

2 Recommendation

- 2.1 That the Board note the report.

3 Background

- 3.1 The main matters considered by the Committee were:
- (a) KPMG Report to Those Charged with Governance;
 - (b) KPMG Letter on Independence and Objectivity;
 - (c) KPMG Report on Non-Audit Fees for Six Months Ended 31 March 2013;
 - (d) Management Actions Report;
 - (e) Internal Audit Quarter 4 Report 2012/13;
 - (f) Internal Audit Annual Report 2012/13;
 - (g) Review of Internal Audit Charter;
 - (h) Crossrail Audit Committee;
 - (i) Review of Governance and the Annual Governance Statement for Year Ended 31 March 2013;
 - (j) TfL Statement of Accounts for the Year Ended 31 March 2013;
 - (k) TfL's Annual Report 2012/13; and
 - (l) Update: Strategic Risk Management Q4 2012/13;

3.2 On part 2 of the agenda the following items were considered:

(m) Legal Compliance Report (October 2012 – March 2013)

(n) Half Yearly Fraud Report 2012/13;

(o) National Fraud Initiative 2012/13; and

4 Issues Discussed

KPMG Report to Those Charged with Governance

4.1 The Committee noted the report identifying key issues that arose during the course of the audit of the Statement of Accounts for the year ended 31 March 2013. The External Auditors confirmed that there were no material issues outstanding on the Accounts (other than the absence of the Remuneration pages) and that all of the control issues identified were being addressed by management.

4.2 The External Auditors thanked TfL staff for their valuable input in facilitating the work of the External Auditors in auditing a complex set of Group Accounts.

KPMG Letter on Independence and Objectivity

4.3 The Committee noted the paper on the independence and objectivity of the External Auditors, taking into account guidance based on the Audit Commission's Code of Audit Practice and Standing Guidance for Auditors.

KPMG Report on Non-Audit Fees for Six Months Ended 31 March 2013

4.4 The Committee noted the report on non-audit fees for six months ended 31 March 2013.

4.5 Members queried the cost of the fees for external auditing of the London Transport Museum. It was expected that this fee could be reduced in the future, if planned improvements to accounting processes at the Museum were delivered.

Management Actions Report

4.6 The Committee noted that there were no management actions more than 60 days overdue.

Internal Audit Q4 Report 2012/13

4.7 The Committee noted the report, informing the Committee of the audit work completed in the fourth quarter of 2012/13 and the work in progress and planned for Q1 2013/14.

- 4.8 It was agreed that the relevant extracts from the audit reports would be used to supplement the submissions to the Safety and Sustainability Panel to ensure greater visibility of health and safety issues.

Internal Audit Annual Report 2012/13

- 4.9 The Committee noted the report summarising Internal Audit activity for the year ended 31 March 2013.
- 4.10 It was agreed that officers would aim to raise the profile of the Internal Audit Customer Feedback Form to encourage an improved return rate.

Review of Internal Audit Charter

- 4.11 The Committee approved the changes to the Internal Audit Charter.

Crossrail Audit Committee

- 4.12 The Committee noted the update on the meeting of the Crossrail Audit Committee held on 18 March 2013.
- 4.13 The annual informal meeting with Members of the Crossrail Audit Committee was currently being arranged. Members of the TfL Audit and Assurance Committee would be provided with a copy of the Internal Audit Annual Report for Crossrail, which had been presented to the most recent meeting of the Crossrail Audit Committee, held since the dispatch of the Committee papers.

Review of Governance and the Annual Governance Statement for Year Ended 31 March 2013

- 4.14 The Committee approved the Annual Governance Statement for the Year Ended 31 March 2013, which is included in the Statement of Accounts, elsewhere on the agenda.

TfL Statement of Accounts for the Year Ended 31 March 2013

- 4.15 The Committee noted the draft Statement of Accounts for the Year Ended 31 March 2013, and noted that the Chief Finance Officer would make any adjustments arising from the ongoing audit work prior to submission to this meeting. Any material adjustments would be reported to the next meeting of the Committee.
- 4.16 The remuneration pages of the Annual Report had not been ready in time for inclusion in the draft to the Committee, but were circulated to the Members for comment prior to submission to the Board. A copy had also been sent to the External Auditors at the same time.
- 4.17 Members highlighted the importance of clear presentation of the issues around TfL's reserves and surpluses. It was reported that officers were generally reviewing the way that TfL presented its financial information to the public, within

the constraints of the regulatory framework, to make the information more accessible.

- 4.18 The Committee congratulated officers on the Accounts.
- 4.19 TfL's Annual Report and Statement of Accounts appears as a separate item elsewhere on the agenda.

TfL's Annual Report 2012/13

- 4.20 The Committee noted the Annual Report and made a number of suggested comments on presentation. It delegated any changes on the report's content to the Managing Director, Customer Experience, Marketing and Communications the task of making any adjustments prior to submission to the Board.
- 4.21 The Committee congratulated officers on the excellent report.
- 4.22 TfL's Annual Report and Statement of Accounts appears as a separate item elsewhere on the agenda.

Update: Strategic Risk Management Q4 2012/13

- 4.23 The Committee noted the papers on Parts 1 and 2 of the agenda, updating the Committee on the status of TfL's Non Project Strategic Risks and Non Project Quantified Strategic Risk Schedule and proposed mitigations at Q4 2012/13.

Legal Compliance Report (October 2012 – March 2013)

- 4.24 The Committee noted the Legal Compliance Report for the period 1 October 2012 to 31 March 2013.

Half Yearly Fraud Report 2012/13

- 4.25 The Committee noted the Half Yearly Fraud Report 2012/13 providing a summary of work undertaken by the Fraud Team for the second half of 2012/13 (periods 7 to 13).

National Fraud Initiative Update 2012/13

- 4.26 The Committee noted the update on the National Fraud Initiative exercise for 2012/13.

List of appendices to this report:

None

List of Background Papers:

Papers for the meeting of the Audit and Assurance Committee held on 19 June 2013.

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