

Board

**Transport
for London**



Date: 27 March 2013

Item 19: Report of the meeting of the Audit and Assurance Committee held on 6 March 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 6 March 2013.

2 Recommendation

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

3 Background

- 3.1 The main matters considered by the Committee were:
- (a) Revised audit materiality;
 - (b) Management Actions Report;
 - (c) Internal Audit Quarter 3 Report 2012/13;
 - (d) Review of Internal Audit Effectiveness – Action Plan;
 - (e) Integrated Assurance – Progress Report;
 - (f) Integrated Assurance Plan 2013/14;
 - (g) Update - Strategic Risk Management Q3;
 - (h) Review of TfL's Independent Reporting Line for Year Ended 31 December 2012;
 - (i) Local Government Ombudsman report on the London Low Emission Zone;
 - (j) National Fraud Initiative; and
 - (k) Fees for Non-Audit Work.

4 Issues Discussed

Revised audit materiality

- 4.1 The Committee noted 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.
- 4.2 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. KPMG had indicated that they would not seek additional fees for the current financial year arising from this change, which was a possibility reported at the December 2012 meeting. However, additional costs might arise in future years.

Management Actions Report

- 4.3 The Committee noted there were no recommendations to management that had not been actioned and were more than 60 days overdue.

Internal Audit Quarter 3 Report 2012/13

- 4.4 The Committee noted 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.
- 4.5 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.
- 4.6 The Committee noted that an audit of the London Taxicard Scheme had been completed. While the controls had been reviewed and improved, there was a need for further consideration of the funding and management of the scheme, and relationships with the boroughs. A report to Surface Transport Panel on the matter was requested.
- 4.7 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.

Review of Internal Audit Effectiveness – Action Plan

- 4.8 The Committee noted this paper, which informed it of the proposed actions arising out of KPMG's review of Internal Audit effectiveness.
- 4.9 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.

Integrated Assurance – Progress Report

- 4.10 The Committee noted the report, setting out progress made in introducing an integrated approach to assurance activities within TfL, and presenting plans for its further development. These initiatives included preparation of an annual Integrated Assurance Plan.

Integrated Assurance Plan 2013/14

- 4.11 The Committee noted this paper, presenting the 2013/14 Integrated Assurance Plan.
- 4.12 The use of real time delivery of audit services was welcomed, particularly 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.
- 4.13 The Committee considered other risks. Security was given a high priority, with recovery plans audited and regularly tested. The lessons learned from the London bombings had been addressed, and all actions had been completed and reported to the Board.

Update – Strategic Risk Management Q3

- 4.14 The Committee noted this update 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.
- 4.15 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, for which TfL forecasts were currently based on assumptions about government support.

Review of TfL's Independent Reporting Line for Year Ended 31 December 2012

- 4.16 The Committee noted the update on reports to the independent staff reporting line during 2012.
- 4.17 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.

Local Government Ombudsman report on the London Low Emission Zone

- 4.18 The Committee noted the report, which informed it of the outcome of the Local Government Ombudsman's report, following the receipt of five complaints from vehicle operators regarding the implementation of new emission standards for the London Low Emission Zone.
- 4.19 TfL had implemented all of the Ombudsman's requirements and had settled all but ten 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. A paper on the Local Government Ombudsman's report appears as a separate item elsewhere on the agenda.

National Fraud Initiative

- 4.20 The Committee noted the paper, providing an update providing an update on the National Fraud Initiative, the Audit Commission's data matching exercise designed to detect fraud and erroneous payments.
- 4.21 A further report setting out steps that could be taken to reduce fraud relating to Blue Badge Parking Permits was requested.

Fees for Non-Audit Work

- 4.22 A summary of the discussion of this item is provided in the related paper on Part 2 of the agenda. The summary of the discussion is considered to be exempt and therefore not for publication to the public or press by virtue of paragraph 3 of Schedule 12A of the Local Government Act 1972 in that it contains information relating to the financial or business affairs of a person or authority.

List of appendices to this report:

None

List of Background Papers:

Papers for the meeting of the Audit and Assurance Committee held on 6 March 2013.

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