

TRANSPORT FOR LONDON

BOARD

**SUBJECT: REPORT FROM THE AUDIT COMMITTEE MEETING HELD ON 11 JUNE 2008**

**DATE: 25 JUNE 2008**

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**1 PURPOSE AND DECISION REQUIRED**

- 1.1 To report to the Board on the meeting of the Audit Committee held on 11 June 2008.

**2 BACKGROUND**

- 2.1 There were a large number of items considered at this meeting because of the requirement for the Committee to approve end of year accounting and governance matters. The main matters considered were the Statement of Accounts, the Strategic Risk Management Annual Report 2007/08 and the Strategic Risk Plan 2008/09, the Internal Audit Annual Report 2007/08, the Review of Governance and the Annual Governance Statement for year ended 31 March 2008 and the Revised TfL Code of Conduct.
- 2.2 The Committee also received routine reports on management actions, final internal audit reports and the internal audit productivity and resources report for Quarter 4, as well as reports from KPMG on Non-Audit Fees for year ended 31 March 2008 and the Letter on Independence and Objectivity.
- 2.3 Committee Members held a scheduled private meeting with the external auditors prior to the start of the main meeting.

**3 ISSUES DISCUSSED**

**Strategic Risk Management Annual Report**

- 3.1 The Committee received the Strategic Risk Management Annual Report which summarised activity for the year ended 31 March 2008. It was reported that TfL is continuing to develop risk management and reporting arrangements across the business. The challenge for 2007/08 has been to reach a wider audience and therefore the focus of the work has been on frequency of review and training and awareness. Developments included more regular Chief Officer risk reviews, a 'top-down' approach to risk management training, including e-learning modules, and the broadening of the user base of the preferred risk management software (ARM). The Committee noted the report.

**Strategic Risk Plan 2008/09**

- 3.2 The paper updated Committee Members on the planned work and development activity for risk management in TfL during 2008/09. This was the third annual risk management plan that has been submitted to the Members for approval.

The main elements of the Plan included quality control, software roll-out and enhancement and training delivery. This reflects the overall change of emphasis from process development to assurance provision and co-ordination of risk management activity across the Group.

### **Internal Audit Annual Report 2007/08**

- 3.3 The purpose of this paper was to summarise the Internal Audit activity for the year ended 31 March 2008, to account for the use of resources and to provide an opinion on the internal controls as required by the CIPFA Code of Practice for Internal Audit in Local Government.
- 3.4 It was reported that TfL's control environment was adequate for its business needs and that the Code of Governance was adequate and effective. The Committee noted the improvements in Human Resources and progress in relation to IM.
- 3.5 The Committee noted the report.

### **Review of Statement of Accounts**

- 3.6 The Committee received the draft TfL Group Statement of Accounts for the year ended 31 March 2008, before consideration by the TfL Board on 25 June 2008. The Statement of Accounts was prepared in accordance with the provisions of the Audit Commission Act 1998 and the Accounts and Audit Regulations 2003. As well as prescribing the format, the Regulations require that the income and expenditure account and balance sheet are approved by the Board and signed off by the Chief Finance Officer. The Accounts would be available for public inspection between 13 June and 10 July.
- 3.7 The reported surplus for the TfL Group for the year end on the income and expenditure account is £15.5 million. The surplus for the Corporation for the same period was £77.9 million. The general fund balance at 31 March is £161.15 million after an appropriation to earmarked reserves of £143 million.
- 3.8 The Committee noted the Statement of Accounts, subject to final amendments to be made by the Chief Finance Officer.

### **Review of Governance and the Annual Governance Statement for Year Ended 31 March 2008**

- 3.9 The Committee considered a report providing a review of compliance with the TfL Code of Governance in 2007/08 and seeking approval for the Annual Governance Statement.
- 3.10 The annual review considers the degree of compliance with each undertaking in TfL's Code of Governance. The review concluded that TfL continues to achieve a steady improvement in corporate governance, with the assessments for the degree of compliance with the Code as consistently high. There were no significant governance issues identified. There are plans to make a number of improvements including the publication of the declarations of interest of TfL Board Members and senior staff.
- 3.11 The Annual Governance Statement was approved by the Committee.

## **Revised TfL Code of Conduct**

- 3.12 The Committee considered a report recommending the adoption of a revised TfL Code of Conduct. The Code had first been produced three years ago and had been well received and used across the organisation.
- 3.13 The Code sets the tone for how TfL does business and forms a key part of the compliance framework. The revisions were aimed at simplifying and updating the Code and clarifying its status.
- 3.14 The Committee agreed the revised Code of Conduct subject to the inclusion of a reference to data security issues.

## **4 RECOMMENDATION**

- 4.1 The Board is invited to NOTE the report.