

**Board**

**Date: 5 November 2014**



**Item 13: Report of the meeting of the Audit and Assurance Committee held on 8 October 2014**

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**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 2014.

## **2 Recommendation**

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

## **3 Background**

- 3.1 The main matters considered by the Committee were:
- (a) Annual Audit Letter 2013/14;
  - (b) External Audit Plan TfL, TTL and Subsidiaries – Year Ending 31 March 2015;
  - (c) KPMG Report on Non-Audit Fees for Six Months Ended 30 September 2014;
  - (d) Update on the Procurement of External Audit Services;
  - (e) Effectiveness Review of the External Auditors;
  - (f) Management Actions Report;
  - (g) Internal Audit Q1 Report 2014/15;
  - (h) Crossrail Audit Committee;
  - (i) Cyber Security;
  - (j) Freedom of Information and Transparency;
  - (k) Strategic Risk Management Update – Quarter 1;
  - (l) Make a Difference Recognition Scheme;
  - (m) Savings and Efficiencies Update; and
  - (n) National Fraud Initiative 2012/13 Update.

## **4 Issues Discussed**

### **Annual Audit Letter 2013/14**

- 4.1 The Committee noted the Annual Audit Letter 2013/14 prepared by KPMG, summarising their conclusions on the Annual Statement of Accounts and Value for Money.

### **External Audit Plan TfL, TTL and Subsidiaries – Year Ending 31 March 2015**

- 4.2 The Committee noted the plan presented by KPMG for the audit of the financial statements of TfL, TTL and its subsidiaries for the year ending 31 March 2015.
- 4.3 Contactless payments had been identified by KPMG as one of the new audit areas of focus and Members requested that the Director of Customer Experience attend the next meeting to discuss issues of security and data compliance. Benchmarking information on the National Fraud Initiative was also requested for inclusion in future reports.

### **KPMG Report on Non-Audit Fees for Six Months Ended 30 September 2014**

- 4.4 The Committee noted the report on fees billed by KPMG for non-audit services.

### **Update on the Procurement of External Audit Services**

- 4.5 The Committee received an update on the process for selecting and appointing external auditors for TfL and TTL Limited and its subsidiaries for the two years ending 31 March 2017.

### **Effectiveness Review of the External Auditors**

- 4.6 The Committee noted a report on the effectiveness review of the external auditors. Feedback from staff had been positive overall. The introduction of Wi-Fi at the Windsor House building had helped improve the efficiency of the external auditors when working on site and the separation of the auditing of accounts of the London Transport Museum from the rest of the Group accounts had also helped improve the process and reduce delays.

### **Management Actions Report**

- 4.7 The Committee considered the report on those recommendations to management which had not been actioned and were more than 60 days overdue.
- 4.8 It was noted that the report included, for the first time, actions arising out of HSE and Technical audits.
- 4.9 It was agreed that Clive Walker would reiterate to officers the importance of all actions being completed within 60 days, and that any outstanding actions would require the attendance of the relevant Director at a meeting of the

Committee.

### **Internal Audit Q1 Report 2014/15**

- 4.10 The Committee noted the report advising Members of the audit work completed in the first quarter of 2014/15, work in progress and work planned for Q2.
- 4.11 Members discussed the issues around staff travel concessions for Bus Operating Companies highlighted in the report.
- 4.12 The Committee welcomed the inclusion of conclusions for HSE and Technical audit reports. Any poorly controlled HSE and Technical reports were sent to the Commissioner and the Chair of the Audit and Assurance Committee in the same way as other audit reports. HSE and Technical audit reports were also reported to the Safety, Accessibility and Sustainability Panel.

### **Crossrail Audit Committee**

- 4.13 The Committee noted the paper on matters discussed at the Crossrail Audit Committee meeting held on 9 June 2014.

### **Cyber Security**

- 4.14 The Committee considered a paper providing an update regarding data security and the allocation and tracking of IT equipment and virus definition.
- 4.15 A risk based analysis was being prepared with a view to reporting internally by December 2014. Resources had been allocated in the TfL Business Plan to ensure adequate provision to address any problems highlighted, although no immediate concerns had been identified.
- 4.16 A further report would be submitted to a future meeting of the Committee.

### **Freedom of Information and Transparency**

- 4.17 The Committee noted a report on the review of compliance with the Freedom of Information (FOI) Act and the Environmental Information Regulations (EIR) and an update on related transparency initiatives.
- 4.18 The proactive release of information and data by TfL meant that requests could be directed to the website, which it was hoped would reduce overall enquiry numbers in the long term. The Committee noted that TfL's FOI and EIR performance remained good. Officers had met with the Information Commissioner and requested that a proportional assessment was made by the Information Commissioner's Office in relation to the high volume of requests received by TfL.

### **Strategic Risk Management Update – Quarter 1**

- 4.19 The Committee noted the paper updating the Committee on TfL's Strategic Risk Register as at Q1 2014/15 and approved TfL's Risk Policy.

- 4.20 It was agreed that the weighting given to the high impact risks would be more clearly reflected in future reports.

#### **Make a Difference Recognition Scheme**

- 4.21 The Committee noted the paper on TfL's Make a Difference Recognition Scheme.

#### **Savings and Efficiencies Update**

- 4.22 The Committee noted the progress on TfL's Savings and Efficiencies Programme.

#### **National Fraud Initiative 2012/13 Update**

- 4.23 The Committee noted the update on the National Fraud Initiative exercise for 2012/13. Members requested further information on the figures for Blue Badge Congestion Charge exceptions.

#### **Any Other Business**

- 4.24 The Chair reported that he had been asked to authorise a request by KPMG to bid for work to carry out non-audit assignment work at TfL and the Committee agreed that there were no conflicts of interest.

#### **List of appendices to this report:**

None.

#### **List of Background Papers:**

Papers for the meeting of the Audit and Assurance Committee held on 18 October 2014

Contact Officer: Howard Carter, General Counsel  
Number: 020 3054 7831  
Email: HowardCarter@tfl.gov.uk