

TRANSPORT FOR LONDON

BOARD

**SUBJECT: REPORT FROM THE MEETING OF THE AUDIT COMMITTEE -
29 SEPTEMBER 2009**

DATE: 21 OCTOBER 2009

1 PURPOSE AND DECISION REQUIRED

- 1.1 To report to the Board on the meeting of the Audit Committee held on 29 September 2009.

2 BACKGROUND

- 2.1 The main matters considered were the Annual Audit Fee 2009/10, Annual Audit Letter 2008/09, Use of Resources 2009, Internal Audit Statement of Strategic Direction, Annual Review of Audit Policies, DLA Piper Report on the London Development Agency, Annual Report of the Local Government Ombudsman and Protecting the Public Purse. Papers were also considered on the Management Actions Report, Final Internal Audit Reports (Q1 2009/10), Q1 Productivity and Resources Report and Strategic Risk Update.

3 ISSUES DISCUSSED

Strategic Risk Update

- 3.1 The Committee noted the update on the status of the TfL strategic risks and recent developments in the overall risk management arrangements.

Annual Audit Fee 2009/10

- 3.2 The Committee noted the fee proposals from KPMG for the 2009/10 financial year for the audit of the Corporation and Group financial statements, and the assessment and inspection element of the Comprehensive Area Assessment Fee from the Audit Commission. Proposed fees for the TTL Group of companies would be submitted to the meeting in December.
- 3.3 Members requested clarification at a future meeting as to whether TfL could be exempted from the assessment and inspection element of the Audit Commission's requirements, particularly in relation to the Use of Resources, because of the unique statutory nature of TfL.

Annual Audit Letter 2008/09

- 3.4 The Committee received a report informing it of the draft Annual Audit Letter as prepared by KPMG, which summarises the conclusions of KPMG on the Annual Statement of Accounts and Use of Resources. The Inspection Letter from the Audit Commission for 2009 would form part of the Comprehensive Area Assessment to be issued by the Audit Commission in early December.

Use of Resources 2009

- 3.5 The report informed the Committee of the work of KPMG in respect of TfL's Use of Resources, on behalf of the Audit Commission. Members were concerned that the Audit Commission was unable to give a detailed explanation as to how the scores had been allocated to TfL or how they could be improved. It was agreed that the Committee would express its concern in writing to the Audit Commission at the unsatisfactory nature of the management assessment/performance process.
- 3.6 Members also requested that they be provided with a briefing note as to the timetable and process for agreement on the final findings before publication on the Audit Commission's website.

Internal Audit Statement of Strategic Direction

- 3.7 The Committee approved the proposed Internal Audit Statement of Strategic Direction and noted progress with the Balanced Scorecard. The Statement, which covers the period from 2009/10 to 2013/14, set out Internal Audit's progress against its goals, and what further action was to be taken to improve.

Management Actions Report

- 3.8 The Committee noted the report on those recommendations to management which have not been actioned and are more than 60 days overdue. There was only one outstanding action which had since been closed.

Final Internal Audit Reports – Quarter 1 2009/10

- 3.9 The purpose of this paper was to inform the Committee of the final audit reports issued in the first quarter of 2009/10. Thirty final reports were issued in the quarter, including five interim reports that were concluded "well controlled" and immediately closed as there were no management actions to complete.

Quarter 1 Productivity and Resources Report

- 3.10 The Committee was informed of the outputs of, and the use of resources, by the Internal Audit team in Quarter 1 2009/10.

Annual Review of Audit Policies

- 3.11 Members approved the amendments proposed to the Internal Audit Charter, Anti-Fraud and Corruption Policy and Policy on External Audit Services, and recommended that the Board approves the Anti-Fraud and Corruption Policy which is on the agenda for this meeting of the Board.

DLA Piper Report on the London Development Agency

- 3.12 This report informed the Committee of the key findings from the DLA Piper report on the London Development Agency published in March 2009. There were no significant issues highlighted of direct relevance to TfL, and the report was noted.

Annual Report of the Local Government Ombudsman

- 3.13 The Committee reviewed the Annual Report of the Local Government Ombudsman, including TfL's response, and an update on the status of specific actions in Surface Transport arising from the last Ombudsman's report. A number of organisational changes had been made to improve the general complaints and recovery service going forward. The report was noted.

Protecting the Public Purse

- 3.14 The Committee noted a recent Audit Commission publication 'Protecting the Public Purse' published on 15 September 2009, which considers key fraud risks and pressures facing Councils and related bodies, and identifies good practice in fighting fraud. A self assessment checklist would be presented to the next meeting of the Audit Committee.
- 3.15 The next regular meeting of the Audit Committee is scheduled for 16 December 2009.

4 RECOMMENDATION

- 4.1 The Board is asked to NOTE the report.

5 CONTACT

- 5.1 Contact: Mary Hardy, Director of Internal Audit
Email: MaryHardy@tfl.gov.uk
Phone: 020 7126 3022