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10 November 2005

Dear Stephen

### **Audit of the 2005/06 BVPP and the 2004/05 Outturn BVPIs**

This letter is intended to provide you with feedback on the findings of our work in respect of the above and recommendations for the future. The contents of the letter have been agreed with Gareth Powell, and will be summarised in our Annual Audit and Inspection Letter. Under the agreed protocol we are providing the letter to you for distribution to the parties that you consider relevant, for any further comment.

This letter constitutes our statutory report on the BVPP as required under the Audit Commission Act 1998. The statutory report on the BVPP has been included as an appendix to this letter (see Appendix 1). We are due to report back to the Audit Commission with our opinion on the 2004/05 Outturn BVPIs by 10 October 2005.

This letter does not reflect on our review of TfL's performance management processes, which is being conducted and will be reported with our Annual Audit and Inspection Letter.

#### **1. Audit of the 2005/06 BVPP**

For the 2005/06 BVPP, the statutory content remains the same as for 2004. The Government will accept an annual business plan as meeting the statutory requirements to prepare a Performance Plan, providing that it is identified as such and contains the following information which can simply be annexed to the annual business plan and published by 30 June 2005:

- A brief summary of the organisation's strategic objectives and priorities for improvement which should be drawn from its corporate/business planning processes and overall vision;
- Arrangements for processing the organisation's improvement priorities, including any opportunities and weaknesses identified in best value reviews and inspections, and the outcomes that are expected to be achieved as a result;

- Details of performance:
  - outturn performance over the past year on BVPIs that apply;
  - targets for the current year for the above BVPIs; and
- A brief statement on contracts. The organisation should state and certify that all individual contracts awarded during the past year which involve a transfer of staff comply, where applicable, with the requirements in the Code of Practice in Workforce Matters in Local Authority Service Contracts.

The BVPP was approved at the meeting of the Board on 18 May 2005. The finalised BVPP was published by the requisite date of 30 June 2005 and was made available on the TfL website.

### ***BVPP Compliance Review***

We have conducted a compliance review of the published TfL 2005/06 BVPP in accordance with the Audit Commission's guidance. We are pleased to report that overall on the basis of this work conducted we have been able to issue an **unqualified** opinion on the BVPP.

## **2. Audit of the 2004/05 Outturn BVPIs**

We reviewed the reported Best Value Performance Indicators for 2004/05 which were input onto the Audit Commission's electronic data collection ('EDC') system which were available on 30 June 2005.

As part of this work we are required to assess the:

- Completeness of BVPIs;
- Completeness of targets;
- Overall arrangements for the compilation of the BVPIs; and
- Robustness of the systems for the compilation of indicators which have been selected for testing.

The following key issues arose on the audit:

### ***Completeness of BVPIs***

We identified that BVPI 178 was missing from the EDC that was submitted by TfL to the Audit Commission. ODPM guidance requires a return for this BVPI to be submitted, but the Audit Commission has confirmed that no return was required from TfL for this indicator.

For BVPI 15, the ODPM guidance states that TfL should report data for operational and non-operational staff separately. The EDC system used by the Audit Commission does not allow these figures to be shown as separate BVPIs, however the data has been reported separately in the BVPP.

### ***Completeness of targets***

We identified that figures had been included for all relevant targets in the BVPI outturn document that was submitted by TfL to the Audit Commission.

### ***Overall Arrangements***

Overall we are able to conclude to the Audit Commission that TfL has adequate systems in place to produce the required BVPIs such as corporate guidelines for the measuring and monitoring of BVPIs which are updated to ensure that they reflect the latest guidance issued by the ODPM. However, we have noted issues with compilation of specific indicators, see below.

### ***Robustness of systems***

#### ***Reservations***

We have not identified any issues with the compilation of the performance indicators. Errors have been noted on BVPI 14 and 15 where the indicator has not been compiled in accordance with the guidance, however, these errors were discussed with TfL and the outturn values are to be amended via EDC to the correct value. No further action is therefore necessary.

#### ***Amendments to 2004/05 outturn data***

We identified the following amendments to be made to the 2004/05 figures in the BVPI return that was submitted by TfL to the Audit Commission:

BVPI	Description	Original	Revised	Reason
<b>Corporate Health</b>				
14	% of employees retiring early (excluding ill-health) as a % of the total workforce	0.78%	0.34%	Amended to restrict early retirements to just local government leavers within the occupational pension scheme and exclude anyone meeting the 85 year rule.  This was also amended in 2003/04 due to additional early retirements identified within LUL as part of data verification by TfL staff.
15	% of employees retiring early on grounds of ill-health as a % of the total workforce for all staff, operational and non-operational staff.	All 0.52%	All 0.60%	Amended to restrict those staff who were not in the occupational pension scheme.  This was also amended in 2003/04 due to 22 non-operational staff which were incorrectly double-counted within operational staff.
		Operational 0.51%	Operational 0.64%	
		Non-Op 0.52%	Non-Op 0.53%	

We have assessed these amendments against Audit Commission guidance, and have concluded that only BV14 has been significantly misstated (amendments greater than 15%). As such this will have no impact on our opinion on the BVPP where Audit Commission guidance suggests that auditors may want to consider qualifying the BVPP if more than ten per cent of BVPIs are significantly misstated.

I trust that you find the above satisfactory, and I thank you and your staff for the kind assistance afforded to us in the course of the audit.

Yours sincerely

Greg McIntosh  
 Director, KPMG LLP

## **Auditor's Report to Transport for London on its Best Value Performance Plan for the Financial Year 2005/06**

### **Certificate**

We certify that we have audited Transport for London's ('TfL's') best value performance plan in accordance with section 7 of the Local Government Act 1999 ('the Act') and the Audit Commission's Code of Audit Practice ('the Code').

This report is made solely to TfL in accordance with Section 7 of the Act. A copy of this report will be sent to the Audit Commission under section 7(5)(b) of the Act in relation to our recommendation to the Audit Commission under section 7(4)(e). A copy of this report is sent to the Secretary of State under section 7(5)(c) of the Act where we include a recommendation under section 7(4)(f) that the Secretary of State should give a direction under section 15 of the Act.

Our audit work has been undertaken so that we might state to TfL, to the Audit Commission and (where necessary) to the Secretary of State those matters we are required to state to them in such an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than (i) TfL, for our audit work, for this report, or for the opinions we have formed, (ii) the Audit Commission, for any recommendation under section 7(4)(e) and (iii) the Secretary of State, for any recommendation (if positive) under section 7(4)(f) of the Act.

### **Respective Responsibilities of the Council and the Auditor**

Under the Local Government Act 1999 (the Act) TfL is required to prepare and publish a best value performance plan summarising TfL's assessments of its performance and position in relation to its statutory duty to make arrangements to secure continuous improvement to the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

TfL is responsible for the preparation of the plan and for the information and assessments set out within it. TfL is also responsible for establishing appropriate performance management and internal control systems from which the information and assessments in its plan are derived. The form and content of the best value performance plan are prescribed in section 6 of the Act and in statutory guidance.

As TfL's auditor, we are required under section 7 of the Act to carry out an audit of the best value performance plan, to certify that we have done so, and:

- to report whether we believe that the plan has been prepared and published in accordance with statutory requirements set out in section 6 of the Act and statutory guidance and, where appropriate, recommending how the plan should be amended so as to accord with statutory requirements;

- to recommend:
  - where appropriate, procedures to be followed in relation to the plan;
  - whether the Audit Commission should carry out a best value inspection of TfL under section 10 of the Local Government Act 1999;
  - whether the Secretary of State should give a direction under section 15 of the Local Government Act 1999.

### **Basis of this opinion**

For the purpose of forming our opinion whether the plan was prepared and published in accordance with the legislation and with regard to statutory guidance, we conducted our audit in accordance with the Code. In carrying out our audit work, we also had regard to supplementary guidance issued by the Audit Commission.

We planned and performed our work so as to obtain all the information and explanations, which we considered necessary in order to provide an opinion on whether the plan has been prepared and published in accordance with statutory requirements.

In giving our opinion we are not required to form a view on the completeness or accuracy of the information or the realism and achievability of the assessments published by TfL. Our work therefore comprised a review and assessment of the plan and, where appropriate, examination on a test basis of relevant evidence, sufficient to satisfy ourselves that the plan includes those matters prescribed in legislation and statutory guidance and that the arrangements for publishing the plan complied with the requirements of the legislation and statutory guidance.

Where we have qualified our audit opinion on the plan we are required to recommend how the plan should be amended so as to comply in all significant respects with the legislation and statutory guidance.

### **Opinion**

In our opinion, TfL has prepared and published its best value performance plan in all significant respects in accordance with section 6 of the Local Government Act 1999 and statutory guidance.

### **Recommendations on referral to the Audit Commission / Secretary of State**

We are required each year to recommend whether, on the basis of our audit work, the Audit Commission should carry out a best value inspection of TfL or whether the Secretary of State should give a direction.



On the basis of our work:

- We do not recommend that the Audit Commission should carry out a best value inspection of TfL under section 10 of the Local Government Act 1999;
- We do not recommend that the Secretary of State should give a direction under section 15 of the Local Government Act 1999.

**KPMG LLP**  
Chartered Accountants  
London

10 November 2005