

TRANSPORT FOR LONDON

BOARD

**SUBJECT: REPORT FROM THE MEETING OF THE AUDIT COMMITTEE -  
10 JUNE 2009**

**DATE: 24 JUNE 2009**

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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 10 June 2009.

**2 BACKGROUND**

- 2.1 The main matters considered were the annual report on Strategic Risk Management, the KPMG Letter on Independence and Objectivity, Review of Governance and the Annual Governance Statement, and the Internal Audit Annual Report for 2008/09. Papers were also considered on KPMG Non-Audit Fees, Management Actions Report, Final Internal Audit Reports (Q4 2008/09), and Q4 Productivity and Resources Report, the Review of Internal Audit: Action Plan, the Icelandic Banking Collapse, Review of Committees and Panels and the Implementation of the Review of Committees and Panels.

**3 ISSUES DISCUSSED**

**Strategic Risk Management Annual Report 2009/09**

- 3.1 The Committee noted the summary of TfL's Risk Management activity for the year ended 31 March 2009.

**KPMG Letter on Independence and Objectivity**

- 3.2 The Committee noted the paper on independence and objectivity of KPMG who is required to report annually on its independence and objectivity, taking into account guidance including the Audit Commission's Code of Audit Practice and Standing Guidance for Auditors.

**KPMG Report on Non-Audit Fees for the Year Ended 31 March 2009**

- 3.3 The Committee received a report on fees billed by KPMG for non-audit services. Under TfL's policy on external audit services KPMG is required to report to the Audit Committee on fees billed for non-audit services for the period 1 April 2008 to 31 March 2009. The Committee requested a report to a future meeting on how the external auditor fees could be reduced as part of overall cost efficiencies.

### **Management Actions Report**

- 3.4 The paper reported on those recommendations to management which had not been actioned and were more than 60 days overdue. There were no actions more than 60 days overdue.

### **Final Internal Audit Reports – Q4 2008/09**

- 3.5 This report set out the final audit reports issued in the fourth quarter of 2008/09. There were 35 final reports issued in the quarter including four interim reports that were concluded 'well controlled' and immediately closed as there were no management actions to complete.

### **Q4 Productivity and Resources Report**

- 3.6 The Committee noted the report which set out the outputs of and use of resources by the Internal Audit team in the final quarter of 2008/09.

### **Internal Audit Annual Report 2008/09**

- 3.7 The purpose of this paper was to summarise the Internal Audit activity for the year ended 31 March 2009, to account for the use of resources and provide an opinion on the internal controls as required by the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice for Internal Audit in Local Government in the United Kingdom. It concluded that TfL's control environment was adequate for its business needs and operates in an effective manner. It also concluded that TfL's Code of Governance, including internal control, was adequate and effective.
- 3.8 Members congratulated Internal Audit on its recent award for its Contract Audit Toolkit received from CIPFA for innovation in audit practice.

### **Review of Internal Audit: Action Plan**

- 3.9 The Committee was updated on actions taken as a result of the effectiveness review of Internal Audit carried out by KPMG in 2008.

### **Review of Governance and the Annual Governance Statement for the Year Ended 31 March 2009**

- 3.10 This report provided the Committee with a review of compliance with the TfL Code of Governance in 2008/09 and sought approval of the Annual Governance Statement to be signed by the Chair of TfL and the Commissioner for inclusion in the 2008/09 accounts.
- 3.11 The Audit Committee has the delegated responsibility to monitor TfL's ongoing compliance with the Code of Governance. Following a recommendation from the Audit Committee, the Board previously approved a revised Code of Governance, based on the updated CIPFA/SOLACE Governance Framework, at its March 2008 meeting and this review was based on the updated Code of Governance.

- 3.12 The Committee requested that they be sent a briefing note on how TfL implemented its communication strategy with the wider community and stakeholders, while avoiding duplication of work with the rest of the GLA family.

### **Icelandic Banking Collapse: Review of Audit Commission's and Treasury Select Committee's Recommendations**

- 3.13 This report informed the Committee of the recommendations of the Audit Commission and House of Commons Treasury Select Committee in reports published into the impact of the failure of the Icelandic banks.
- 3.14 TfL placed £40 million on deposit with Kaupthing, Singer & Friedlander (KSF) on 9 June 2008 for maturity on 5 June 2009. On 7 October 2008, KSF was placed into administration with its retail deposits transferred to ING Bank with the support of HM Treasury. All other creditors (including TfL) were being dealt with through the administration process.
- 3.15 While TfL was not mentioned explicitly in the report, the report did include reference to the Gross Revenue Expenditure (GRE) table in the Audit Commission report. The Treasury Select Committee report noted that there were 30 local authorities that had exposure greater than five per cent GRE, which included TfL by inference, although TfL's exposure was in fact 0.80 per cent.
- 3.16 The Committee requested that officers continue to seek a correction from the Audit Commission and report on the outcome to a future meeting.

### **Review of Committees and Panels**

- 3.17 The purpose of this paper was to update the Committee on the Review of Committees and Panels undertaken by Daniel Moylan, Deputy Chairman.
- 3.18 Members welcomed the report and endorsed the proposals for approval at the TfL Board meeting on 24 June 2009.

### **Implementation of the Review of Committees and Panels**

- 3.19 This paper set out proposed changes to Standing Orders and other practices in order to implement the Review of the Committees and Panels including changes to the governance structure, changes to Standing Orders, and meeting practices and training. This item is considered elsewhere on the agenda.
- 3.20 The next regular meeting of the Audit Committee is scheduled for 29 September 2009.

## **4 RECOMMENDATION**

- 4.1 The Board is asked to NOTE the report.

## **5 CONTACT**

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