AGENDA ITEM 6

TRANSPORT FOR LONDON

AUDIT COMMITTEE

SUBJECT: EXTERNAL AUDIT STRATEGY FOR TTL AND SUBSIDIARIES - YEAR ENDING 31 MARCH 2010

DATE: 16 DECEMBER 2009

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1 PURPOSE

1.1 To present to the Audit Committee KPMG's external audit strategy for the audit of the financial statements of TTL and its subsidiaries for the year ending 31 March 2010.

2 BACKGROUND

2.1 The Plan for TTL and subsidiaries sets out the audit strategy and approach for the audit of the financial statements of the TTL group.

2.2 The Chief Finance Officer, Director of Internal Audit, and modal Finance Directors have been consulted on the Plan.

3 RECOMMENDATION

3.1 The Audit Committee is asked to NOTE the strategy and to make any comments as appropriate.

4 CONTACT

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KPMG

INFRASTRUCURE GOVERNMENT & HEALTHCARE

Transport Trading Limited

Audit strategy – year ending 31 March 2010

Presentation to the Audit Committee on 16 December 2009

AUDIT

AUDIT ▪ TAX ▪ ADVISORY

Contents

The contacts at KPMG in connection with this report are:

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Our audit team structure is set out in Appendix 4

This document is provided on the basis that it is for the information of the TfL Audit Committee and that it will not be quoted or referred to, in whole or in part, without our prior written consent; and that we accept no responsibility to any third party in relation to it.

Executive summary

Auditing Standards require that the auditor communicates to an Audit Committee an outline of the nature & scope of work that the auditor proposes to undertake in delivery of its responsibility as statutory auditor.

This document is aimed at meeting our obligations and helping the Audit Committee discharge its own responsibilities for overseeing the audit process.

This document sets out our approach to the audit of Transport Trading Limited ("TTL") and its wholly owned subsidiaries. The audit strategy for TTL's parent TfL is presented in a separate document. A full list of the subsidiaries covered by this audit strategy is provided in Appendix 1

Our strategy is essentially unchanged from last year. Changes at a detailed level are explained in the following pages and summarised below.

Audit scope	Our audit scope for TTL addresses two objectives: • To contribute to the group audit of the consolidated financial statements of TfL; and • To express an audit opinion on the consolidated financial statements of TTL and the financial statements of each of its subsidiaries	Page 3 and Appendix 2
Materiality	• The planned materiality threshold for 31.3.2010 is £67 million which is based on the forecast results. We will report all audit differences over £4.5 million.	Page 3 and Appendix 3
Areas of key audit focus	• Provision for contract claims • Accounting for PFI and PPP contracts • Capital expenditure • Revenue collection • Pension assumptions • Accounting for fixed assets subject to PPP contracts • Property valuations In common with the prior year, issues caused by economic circumstances will continue to require increased focus during this year's audit, eg the continued funding of projects.	Pages 5 to 7
Communication & deliverable	• We are required to communicate certain matters to the Audit Committee. Our deliverables remain unchanged from last year.	Page 9
Our team and the use of specialists	• Our key team members are detailed in Appendix 4. • We will have a supporting team of specialists to assist the audit team.	Page 8 and Appendix 4
Internal audit	• We have met with internal audit to discuss the scope of work performed during the current year and review the reports they have issued in order to ensure maximum synergies in our respective work.	

Audit scope and materiality

Our audit work is undertaken in accordance with International Auditing Standards (UK and Ireland)

Materiality is determined by reference to the accounts of the individual entity concerned

Our responsibilities as auditor

- As auditor to TTL we are required to provide an audit opinion in accordance with the UK Companies Acts on the accounts of all group companies (excluding those which are dormant). Under UK company law, our responsibility is to the shareholders of TTL. In addition, we have professional responsibilities to report certain matters, if they come to our attention, to regulatory bodies.
- Our audit of TTL is conducted in accordance with International Standards on Auditing (ISA's) and our formal terms of reference are set out in our draft engagement letter.

Audit strategy and approach

Our audit strategy is based upon a clear understanding of and focus on the risks facing TTL, which is obtained from a thorough understanding of TTL's strategy, goals and the business environment in which it operates.

Our audit approach entails (in overview):

- Documenting our understanding of the key financial processes by which transactions are recorded through to the financial statements, the related controls, including assessing TTL's internal control environment
- Testing that controls which are relied upon, have operated effectively throughout the year; and
- Following our assessment of processes and controls, we determine the focus and extent of substantive testing required to form our audit opinion

We provide further details on the split of controls work and substantive testing in Appendix 2.

Materiality and reporting of audit differences

- International Auditing Standards in UK and Ireland ("ISAs") require that we plan our audit to determine with reasonable confidence whether or not the financial statements being reported on are free from material misstatement. An omission or misstatement is regarded as material if it would reasonably influence the user of financial statements; this therefore involves an assessment of the *qualitative* and *quantitative* nature of omissions and misstatements. Generally, we would not regard differences in opinion in respect of areas of judgement to represent 'misstatements' unless the application of that judgement results in a financial amount falling outside of a range which we consider to be acceptable.
- Whilst our audit procedures are designed to identify misstatements, which are material to our opinion on the financial statements as a whole, we nevertheless report to the Audit Committee misstatements of lesser amounts to the extent these are identified by our audit work. Under ISA 260, we are obliged to report omissions or misstatements other than those which are 'clearly trivial' to those charged with governance, and to request that adjustments are made to correct such matters.
- If management have corrected material misstatements identified, we will consider whether those corrections should be communicated to the Audit Committee to assist the Committee to fulfil your governance responsibilities, including reviewing the effectiveness of the system of internal control.
- It should be noted that the level of materiality is dependent on the size of the respective entity's balance sheet and profit and loss account. Accordingly, there is a different materiality set for each subsidiary. In appendix 3 we set out the materiality used for the TTL consolidated accounts.

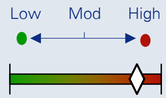
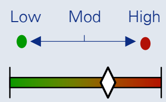
Timeline and deliverables

We will report issues from our audit fieldwork in June on conclusion of our audit

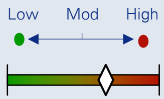
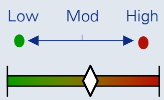
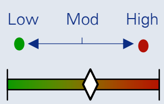
Audit process – Key stages

	Stage	Activity	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN
1	Planning	Perform risk assessment procedures and identify risks	○	○							
		Determine audit strategy & present to Audit Committee	○	○	○						
		Determine planned audit approach		○	○						
2	Control Evaluation	Understand accounting and reporting activities		○							
		Evaluate design and implementation of selected controls		○					○		
		Test operating effectiveness of selected controls		○					○		
		Assess control risk and risk of significant misstatement		○					○		
3	Substantive procedures	Plan substantive procedures			○						
		Perform substantive procedures			○				○	○	
		Consider if audit evidence is sufficient and appropriate			○				○	○	
4	Finalisation	Perform completion procedures							○	○	
		Perform overall evaluation								○	
		Form an audit opinion									○
		Audit Committee reporting			○			○			○

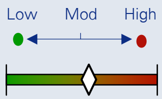
Areas of key audit focus

Financial statement risk areas.	Initial inherent risk assessment	Factors impacting risk assessment	**Work to be performed**
Accounting for claims and litigation		• TfL is subject to significant claims from contractors in respect of capital works. The most significant are within LUL, including on the PPP contract with Tube Lines and the PFI contracts. Due to the nature of these contracts, additional claims may arise in the future which may be substantial. • By their nature the assessment of the amount to provide for a claim in the accounts is a very judgemental matter. • The TTL group accounts include provisions for management's best estimate of the likely outcome of these claims.	• We will discuss the position on outstanding claims with management including the group legal teams. • We will review any available evidence in making an assessment of the amount to be provided in the accounts, including correspondence between management and the claimant. • In certain cases, we may circulate legal confirmations to external lawyers involved in advising on a claim.
Accounting for PFI and PPP contracts		• Accounting for the PPP and PFI contracts is a complex area. The accounting is driven from financial models, which calculate the profit and loss account impact. • The charge for the year for the PPP contracts is also impacted by the level of abatements. These are adjustments made to the infrastructure service charge. • Incorrect application of the models could lead to incorrect charges in the accounts. • Inaccurate collection of abatement data and inaccurate processing could lead to an incorrect charge for the PPP. • Additionally for the 31 March 2010 year end, TfL will be required to apply IFRIC 12 in its group accounts for the first time. This necessitates a reassessment of all PFI and PPP contracts to determine under the standard which party to the contract recognises the asset and consequently, how TfL should account for the contracts.	• We will review any changes made to the financial models during the year and discuss those changes made with management. • We will review the output from the PPP and PFI models to ensure that the charge for the year is appropriate. • We will review the management of the CUPID system which controls PPP abatements. We will discuss major issues arising during the year end their financial impact with management. • We have already reviewed the accounting papers supporting TfL's proposed treatment of the respective PFI projects under IFRIC 12. We will review the accounting models supporting the IFRIC 12 adjustments and the required accounting entries.

2. Areas of key audit focus (continued)

Financial statement risk areas.	Initial inherent risk assessment	Factors impacting risk assessment	**Work to be performed**
Capital expenditure		• On the majority of projects undertaken within TTL a judgement needs to be made concerning the split of costs between capital and operating expenditure. In many cases, projects will involve a mixture of repairs and maintenance (operating expenditure) and replacement (capital expenditure). • Given the current economic environment there is an increased risk of projects being terminated or suspended, which increases the risk of potential write-offs of assets under construction. The treatment of costs associated with such projects will need to be carefully considered.	• We will review the allocation of expenditure on a project by project basis for a sample of projects and understand the rationale for the allocation. We will ensure that the treatment is in accordance with group policy. • We will review the controls for managing capex and monitoring expenditure during our interim audit. • We will review and discuss with management the details of terminated and/or suspended projects in the year and review the treatment of associated costs.
Revenue		• A significant portion of revenue is collected through tube stations. The majority of the balance is collected through newsagents and managed by the Prestige contractor, Transys. TfL rely on data supplied through this system for recording such revenue in the accounts. • Revenue is then allocated between the various modes based on survey data. • In the absence of robust reconciliations, there is a risk of manipulation of revenue; this is significantly mitigated by the work of Internal Audit's fraud team.	• We will perform sample control tests over reconciliations performed at tube stations. We will verify the trail between daily ticket sales and cash collections. • We will review the allocation and apportionment process of revenue between the modes. • Our IT specialists will review the revenue systems as part of their work.
Pensions		• The majority of the TTL employees are part of the Public Sector Section of the TfL Pension Fund. • Certain Crossrail employees are also part of the Railway Pension scheme. • Following the transfer of employment contracts of former Metronet employees, LUL took over the liability for the Nominee sections of the TfL Pension Scheme. • Given the current market conditions assumptions used may cause the pension deficit to change significantly. • Multi employer exemption under FRS 17 is taken for the Public Sector Section and the Crossrail scheme	• In conjunction with KPMG specialists consider the appropriateness of the valuation methodology and underlying assumptions used in the latest actuarial report. • Agree raw data used by the actuary in forming their opinion to our audit workpapers. • We will review relevant FRS 17 disclosures in the financial statements.

2. Areas of key audit focus (continued)

Financial statement risk areas.	Initial inherent risk assessment	Factors impacting risk assessment	**Work to be performed**
Accounting for fixed assets under the PPP	 Low Mod High	• Under the PPP contracts the related fixed assets remain on LUL's balance sheet, because the balance of the risks and rewards is deemed to lie with LUL. As a result, LUL is dependent on Tube Lines to provide sufficient information on the costs incurred on those fixed assets during the year to enable LUL to maintain its fixed asset register and prepare its accounts appropriately. • Following the acquisition of the Nominee businesses last year, this enabled LUL to reconcile all related balances with the Nominee companies.	• We will discuss the approach of collating this data with management during the interim audit and make any suggestions we deem necessary to improve the quality of the information • If necessary, we will discuss with management alternative work which can be undertaken to give us comfort over the fixed asset numbers in the accounts
Property valuations	 Low Mod High	• The group has a significant property portfolio and this represents a significant part of the balance sheet. • A number of properties received full external valuations, however a proportion of the portfolios is indexed by IPD (the property index) each year. • In the current market the valuation of properties has been made much more difficult by the lack of comparable sales data.	• We will involve KPMG property specialists to review the property valuations. • In addition, we will review the indexed properties for indications whether more formal valuations are required.
Crossrail – potential impairment	 Low Mod High	• Significant costs are capitalised on the balance sheet as assets under construction. These need to be recovered through the operation phase of the project. • Given the nascent phase of the project, we understand that there are no concrete plans in place to establish this at the moment.	• The operational plans for Crossrail are under development. We will continue to discuss with management progress on these plans. We will assess whether those plans will sufficiently allow for the recovery of Crossrail's investment.
IT Risks		• The group has a number of complex IT systems in place which impact on the preparation of the year end financial figures. • In addition, concerns have been noted over user access, where employees have access to elements of the system they should not. • The Nominee companies are scheduled to move onto the SAP system this year. Crossrail are also scheduled to move over, the date is likely to be in the next financial year.	• Our IT auditors will perform an IT General Controls Review of SAP and other systems. • We have regular meetings with internal audit to discuss the progress of the SAP access controls project. • We will perform additional procedures to verify data has migrated appropriately viz. reserves reconciliations.

5. Use of specialists

Defined benefit pension liability	**KPMG Pensions** ● As this is a material and judgmental area in the accounts we will use our pension specialists to review the latest actuarial valuation. The review will concentrate on: – The assumptions made in valuing the scheme. This will include a comparison of the assumptions used against other pension scheme valuations – The appropriateness of the disclosure in the notes ● We will co-ordinate closely with management to enable us to discuss the appropriateness of assumptions as early in the audit process as possible. ● In relation to TTL this is principally in respect of the LU BCV and LU SSL Sections of the TfL Pension Scheme. The work on the TfL Pension Scheme as a whole falls under the TfL audit plan, with respect to the Public Sector Section, a multi-employer exemption is taken in the TTL companies, so this becomes only a disclosure issue in those companies.
Information systems	**Information Risk Management ("IRM")** ● Our IRM specialists will be used to review the Group's general IT control environment. In addition, where possible, we will involve them on the audit to drive efficiencies through computer assisted audit techniques (CAATs) and specifically to support the fieldwork teams in obtaining download data. ● They will also work closely with the Internal Audit IT auditors regarding the effectiveness of Group IM arrangements and we will consider this when defining the scope of our follow up audit work on the SAP system. **Forensics** ● Our Forensic specialists will be used in planning and risk assessment considerations. They will also meet with the TfL fraud investigation team and review significant findings. ● Specific testing will be performed on manual journal entries posted. Our software allows journals to be tested using specific criteria, for example, those posted below certain thresholds, round sum journals and those posted out of normal working hours. ● Our Forensic team also assist in the audit of payroll.
Valuation specialists	**Property valuations** ● Our property valuation specialists will be used to consider the appropriateness of valuation methodology and underlying assumptions used in determining the carrying value of property assets.

Mandated communications with the Audit Committee

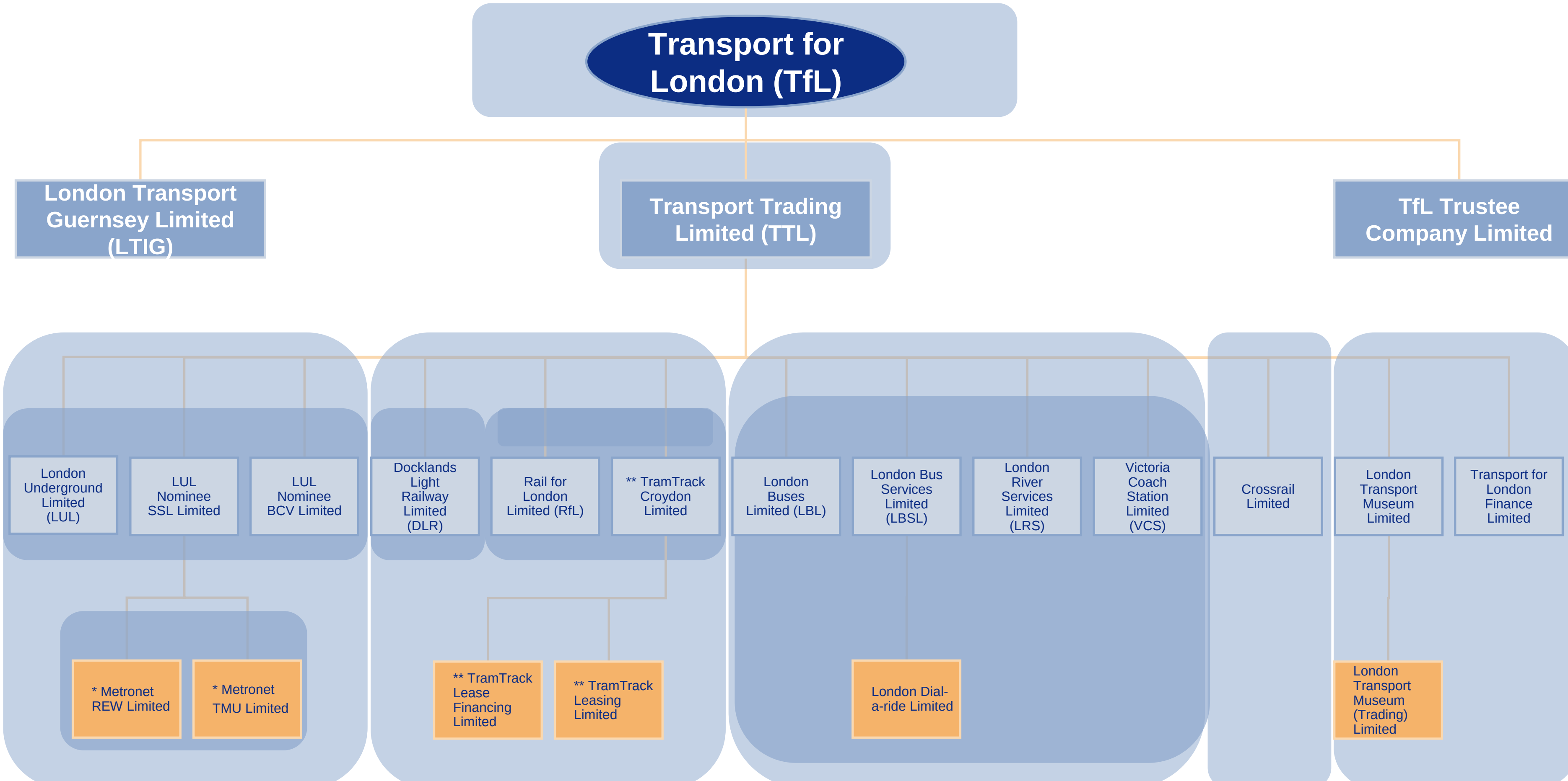
Auditing standards mandate certain communications with those charged with governance

Matters to be communicated	Link to Audit Committee papers
• Relationships that may bear on the firm's Independence and the integrity and objectivity of the audit engagement partner and audit staff (ISA 260 and Combined Code)	• To be formally reported at year end in a separate letter to the Audit Committee
• The general approach and overall scope of the audit, including levels of materiality, fraud risks and audit responses and engagement letter (ISA 260)	• This paper • Our draft engagement letter for the 2010 audit is attached as an appendix
• Disagreement with management about matters that, individually or in aggregate, could be significant to the entity's financial statements or the auditor's report (ISA 260)	• June Audit Committee paper and Final audit report
• The potential effect on the financial statements of any material risks and exposures, such as pending litigation, that are required to be disclosed in the financial statements (ISA 260)	• June Audit Committee paper and Final audit report
• Audit adjustments, whether or not recorded by the entity that have, or could have, a material effect on the entity's financial statements (ISA 260)	• June Audit Committee paper and Final audit report
• The selection of, or changes in, significant accounting policies and practices that have, or could have, a material effect on the entity's financial statements (ISA 260, and Listing Rules)	• June Audit Committee paper and Final audit report
• Material uncertainties related to events and conditions that may cast significant doubt on the entity's ability to continue as a going concern (ISA 260)	• June Audit Committee paper and Final audit report
• Expected modifications to the auditor's report (ISA 260)	• June Audit Committee paper and Final audit report
• Other matters warranting attention by those charged with governance, such as material weaknesses in internal control, questions regarding management integrity, and fraud involving management (ISA 260 and ISA 240)	• June Audit Committee paper and Final audit report/management letter

Appendices

AUDIT ▪ TAX ▪ ADVISORY

TfL organisation structure



*	These entities became dormant on 31 March 2009
* *	It is intended that these entities will become dormant on 31 March 2010

Audit methodology

Determining the most effective balance of internal controls and substantive audit testing

Emphasis of testing

What we do	Accounts/transactions suited to this testing	For example KPMG's approach to TTL
Extensive controls testing Reduced substantive testing	Low value transactions High volume Homogenous transactions Little judgement	Ticket revenue Purchases and payables Payroll
Moderate controls testing Moderate substantive testing	Low/medium value High/medium volume Some areas requiring judgement	Capital expenditure Treasury management
Limited controls testing Extensive substantive testing	High value Low volume *or* Unusual non-recurring Accounting estimates Significant judgements	Provisions for contractual claims Valuation of investment properties Valuation of pension deficits

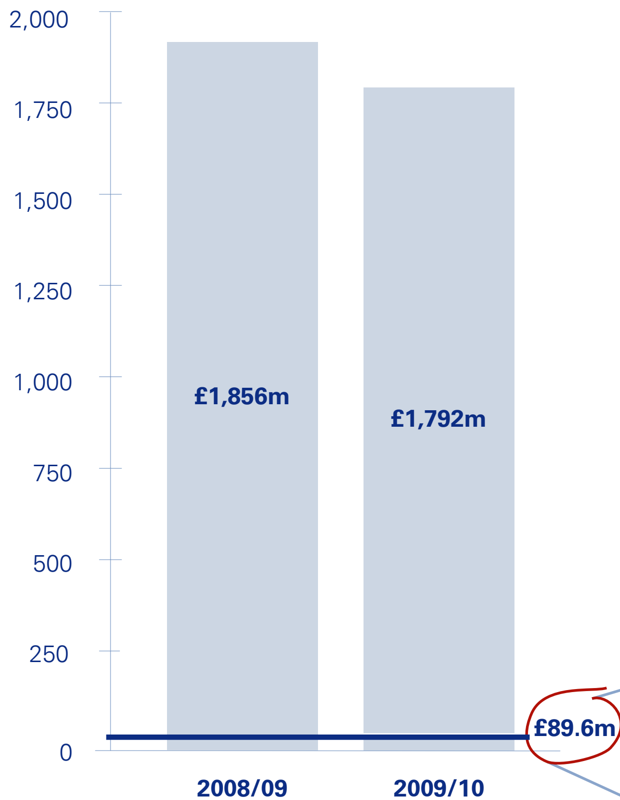
Note: Assuming controls are found to operate as designed

Audit materiality

Our audit work is planned to detect errors that are material to the accounts as a whole

This slide sets out the materiality for the TTL Group accounts. However, a smaller materiality will be used on each subsidiary which is proportionate to its size

Loss before grants



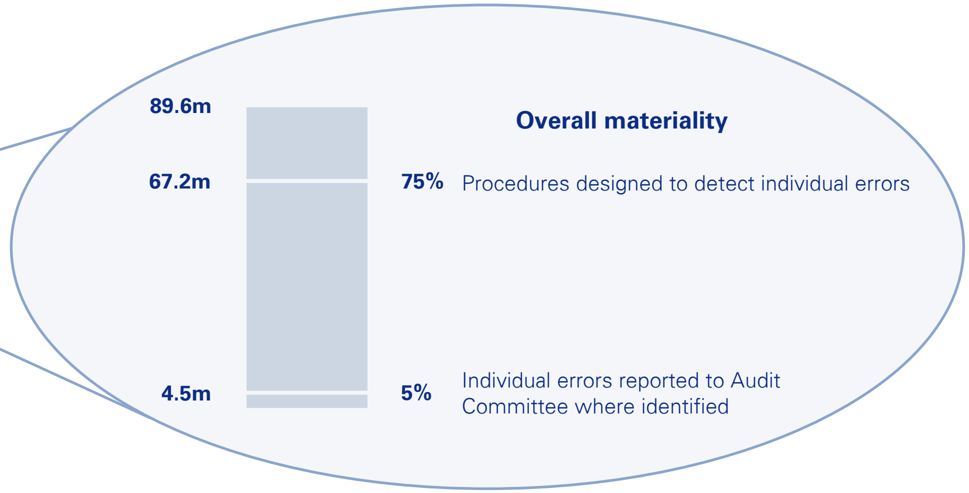
Note: Materiality will be lower for standalone subsidiary audits
Source: Period 7 forecast/

Determining materiality

- We consider quantitative and qualitative factors in setting materiality and in designing our audit procedures
- Materiality has been set at £89.6 million which is 5% of loss before grants
- We design our procedures to detect errors at a lower level of precision, i.e. £67.2 million, we have some flexibility to adjust this level downwards
- We will report identified errors greater than £4.5 million to the Audit Committee

Reporting to Audit Committee

- To comply with auditing standards, the following three types of audit differences will be presented to the Audit Committee:
  - summary of adjusted audit differences
  - summary of unadjusted audit differences
  - summary of disclosure differences (adjusted and unadjusted)



KPMG engagement team

Transport for London

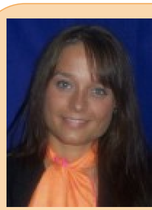

June Awty


Ross Tudor

TTL Group


Andrew Marshall


Vishal Divadkar


Trine Vestengen

- Surface transport
- DLR
- RfL
- TCL


Vishal Divadkar

- LUL
- Crossrail

- Nominee companie s


Giovanni Deriu

Independence

Actual and perceived independence is of critical importance to KPMG

A number of policies and procedures are implemented by the firm in order to monitor and maintain our independence

We are satisfied that KPMG is independent of TTL and the objectivity of the Audit Partner and audit staff is not impaired

Commitment to independence

KPMG is committed to being and being seen to be independent.

As part of our ethics and independence policies, all KPMG Audit Directors, Partners and staff annually confirm their compliance with our ethics and independence manual, including in particular that they have no prohibited shareholdings. Our ethics and independence manual is fully consistent with the professional practice rules of the APB Ethical Standards by whom we are regulated for audit purposes.

Safeguards

In addition, we have underlying safeguards in place to maintain independence through:

- Instilling professional values
- Communications
- Internal accountability
- Risk management
- Independent reviews.

Further safeguards include regular review of the composition of the audit team including rotation in accordance with the relevant regulations. Any new engagement undertaken for TTL is subject to acceptance procedures, requiring consultation with June Awty and Stephen Critchley. We comply with the TfL Audit Committee's rules regarding non-audit work.

We also consider the fees paid to us by the company and its related entities for professional services provided by us. We report semi-annually on our fees, the next report being for the six months ending 31 March 2010, at the June 2010 Audit Committee meeting.

Confirmation of independence

Having considered the above and other relevant factors, in our professional judgement we are satisfied that KPMG is independent within the meaning of regulatory and professional requirements and the objectivity of the Audit Partner and audit staff is not impaired.

Rotation of audit partners

We note that the 31 March 2010 year end will be Andrew Marshall's 7th year as the audit engagement partner for the TTL Group. Following both the Auditing Practices Board rules and those of the TfL Audit Committee, this is accordingly his last year. We will shortly introduce his proposed successor to Stephen Critchley and Sarah Bradley

Responsibility in relation to fraud detection

Auditing standards require the auditor to undertake specific discussions with certain Senior Management within the group, including the Audit Committee.

On this page we summarise specific responsibilities in relation the fraud detection

The current economic environment has seen an increased risk of fraud as a result of increased pressure for companies to meet the expectations of stakeholders. Outlined below is a summary of the responsibilities of both KPMG and management with respect to fraud in the context of a year end audit.

Responsibilities

The primary responsibility for the prevention and detection of fraud and error rests with both management and those charged with the governance of an entity.

It is important that they place a strong emphasis on fraud prevention, which may reduce the opportunities for fraud to take place, and fraud deterrence, which could persuade individuals not to commit fraud because of the likelihood of detection and punishment.

This involves creating and maintaining a culture of honesty and ethical behaviour and establishing appropriate controls to prevent, deter and detect fraud. When management and those charged with governance fulfil these responsibilities, the opportunities to commit fraud can be reduced significantly.

Responsibilities of management

It is the responsibility of management to establish a control environment and maintain policies and procedures to assist in achieving the objective of ensuring, as far as possible, the orderly and efficient conduct of the entity's business.

This includes responsibility for implementing and ensuring the continued operation of accounting and internal control systems which are designed to prevent and detect fraud and error. Such systems reduce, but do not eliminate, the risk of misstatements, whether caused by fraud or error.

Responsibilities of those charged with governance

It is the responsibility of those charged with governance to ensure, through oversight of management, the integrity of an entity's accounting and financial reporting systems and that appropriate controls are in place, including those for monitoring risk, financial control and compliance with the law.

Responsibilities of the auditor

The objective of an audit of financial statements is to enable the auditor to express an opinion whether the financial statements are prepared, in all material respects, in accordance with an identified financial reporting framework.

An audit conducted under ISA (UK&I) is designed to provide reasonable assurance that the financial statements, taken as a whole, are free from material misstatement, whether caused by fraud or error.

The fact that an audit is carried out may act as a deterrent, but the auditor is not and cannot be held responsible for the prevention of fraud and error under the Auditing Standards.

Fraud versus error

The term 'error' refers to an unintentional misstatement in the reporting of an entity.

The term 'fraud' refers to an intentional act by one or more individuals among management, those charged with governance, employees, or third parties, involving the use of deception or misconduct to obtain an unjust or illegal advantage.

There are two types of misstatements relevant to an auditor's consideration of fraud:

Misstatements resulting from fraudulent financial reporting, which involves intentional misstatements or omissions of amounts or disclosures in financial reporting to ultimately deceive financial statement users, and

Misstatements resulting from misappropriation of assets, which typically involve theft of an entity's assets and is often accompanied by false or misleading records or documents in order to conceal the fact that the assets are missing.

Impact on the audit

We will undertake the following procedures again this year in respect of fraud:

- Make enquiries of management in connection with fraud
- Evaluate broad programmes and controls to prevent, deter and detect fraud
- Perform additional procedures to identify fraud risks including audit team discussions
- Specific procedures are required to assess the risk of fraudulent revenue recognition and the risk of management override of controls through reviews of: journal entries; biased estimates; and significant unusual transactions
- Communicate our findings to management and those charged with governance

Quality

KPMG is committed to maintaining the highest professional standards in everything we do

We operate a Quality Management System to monitor our performance

In addition, we have established a number of quality assurance procedures which aim to ensure that KPMG maintains a high overall standard of audit service

Commitment to quality

KPMG, as one of the UK's leading audit and advisory firms, has a reputation and profile in the market for delivering a consistently high standard of service to our extensive and varied client base. We operate a Quality Management System to monitor our performance which is closely based on the ISO 9000 standard but modified to meet the exact requirements of our business.

KPMG's Mission statement

Our mission statement summarises our commitment to providing high quality services to each and every client::

"KPMG will be the leading firm of business and financial advisors. We will achieve this by providing the highest quality of professional opinion and client service through the development of our staff to their full potential".

Quality assurance procedures

All listed and significant private audit engagements are subject to oversight by the Audit Inspection Unit ('AIU'), the external agency which is charged by the Department of Trade and Industry ('DTI') with the regulation of external audits. The AIU focuses on the overall risk and quality management procedures within audit firms as well as the review of major audits. In 2008 they conducted a review of the London Underground Limited audit.

Further quality control procedures implemented by KPMG include:

- Design of the firm's audit and advisory procedures to provide relevant and reliable evidence in support of the opinions given
- Training of all professional staff within the firm in both KPMG standards and the achievement of the professional qualifications. This includes mandatory quarterly technical updates for all audit staff. In addition all members of the ICAEW must conform with the requirements of the CPD regulations in relation to ongoing training and development
- Progress reporting throughout the engagement cycle
- Regular reviews of our work by senior members of staff
- Submission of an annual written confirmation of our independence to the Board
- Completion of an annual Ethics and Independence Declaration by all Audit Directors and staff
- Review of all IFRS engagements by a separate IFRS Reviewing Partner who is independent of the engagement team
- Review under the KPMG professional practice review programme. This involves a large proportion of client work carried out by one office being reviewed by another to ensure standards are maintained, to consider areas where efficiencies may be possible and to share best practice. At least one engagement is reviewed for each Audit Director within the firm every two years
- Management of potential conflicts via our unique Sentinel system. This allows us to review, approve and verify all KPMG's service relationships with every client
- Regular communication to monitor service satisfaction
- A formal client service programme that includes regular client service reviews by independent reviewers
- KPMG's remuneration policies which do not recognise or reward Audit Directors or staff for selling non-audit services to our clients.

All these measures demonstrate KPMG's commitment to maintaining the highest professional standards in everything we do.