

Transport for London

Minutes of the Audit Committee

Boardroom, 14th Floor, Windsor House, London
10.15am, Wednesday 11 June 2008

Members

Judith Hunt	Chair, Board Member
Sir Mike Hodgkinson	Board Member
Paul Moore	Board Member
Patrick O’Keeffe	Board Member
Dabinderjit Singh Sidhu	Board Member

Present

Steve Allen	Managing Director, Finance (for part)
Sarah Bradley	Head of Group Financial Accounting (for part)
John Burton	Head of Risk Management
Howard Carter	General Counsel
Naomi Connell	Director of Finance and Support Offices, LU (for part)
Stephen Critchley	Chief Finance Officer
Mary Hardy	Director of Internal Audit
David Hendry	Director of Finance, Surface Transport
Jeff Pipe	Corporate Governance Adviser

In Attendance

June Awty	KPMG Auditor
Andrew Marshall	KPMG Auditor
Greg McIntosh	KPMG Auditor
Ross Tudor	KPMG Auditor
Sue Riley	Secretariat Officer

Members had held their annual private meeting with the external auditors prior to the start of the meeting.

25/06/08 Apologies and Declarations of Interest

Apologies for absence were received from Christopher Garnett and Murziline Parchment.

No interests were declared.

26/06/08 Minutes of the Meeting Held on 12 March 2008

Subject to the word ‘KPMG’ being replaced with ‘Audit Commission’ (minute 18/03/08), the minutes of the open meeting held on 12 March 2008 were approved as a correct record and signed by the Chair.

27/06/08 Matters Arising and Actions List

The actions were noted.

Stephen Critchley reported that since the previous meeting of the Committee the Audit Commission had agreed to reduce their audit and inspection fees in line with previous years. A note of the final agreement would be circulated to Members for information.

[ACTION: Stephen Critchley]

The Committee noted the actions list.

28/06/08 Review of Statement of Accounts

Stephen Critchley presented the report. It was agreed that a number of minor amendments be made to the report before submission to the Board on 25 June.

[ACTION: Stephen Critchley]

The Committee:

- 1 noted the draft Statement of Accounts; and**
- 2 noted that the Chief Finance Officer would make any adjustments arising from the ongoing audit work prior to submission to the Board, with any material adjustments arising therefrom to be reported to the Committee's next meeting.**

29/06/08 Review of Governance and the Annual Governance Statement for Year Ended 31 March 2008

Howard Carter presented the report, which included an unqualified opinion on the effectiveness of the internal control framework for 2007/08.

Members were advised that once the TfL Board membership had been finalised, officers would carry out a training and skills analysis of all Board Members. There was currently a review of GLA Group governance arrangements being carried out, the outcome of which would be reported to a future meeting of the Committee. The Committee noted that, at the Mayor's request, all Board Members' declarations of interest would be published on the TfL website going forward.

The annual review considered the degree of compliance with each undertaking in TfL's Code of Governance. The review concluded that TfL continued to achieve a steady improvement in corporate governance, with the assessments for the degree of compliance with the Code as consistently high. There were no significant governance issues identified. There were plans to make a number of improvements, including the publication of the declaration of interests of senior staff.

The Committee approved the Annual Governance Statement for signing by the Chair of TfL and the Commissioner for inclusion in the 2007/08 accounts.

30/06/08 Internal Audit Annual Report 2007/08

Mary Hardy presented the report. The purpose of this paper was to summarise the Internal Audit activity for the year ended 31 March 2008, to account for the use of resources and to provide an opinion on the internal controls as required by the CIPFA Code of Practice for Internal Audit in Local Government.

She explained that the National Fraud Initiative was a data matching exercise which highlights issues such as overpayments of pensions and the steps which TfL has taken in respect of the information, including the recovery of erroneous payments where appropriate.

It was reported that TfL's control environment was adequate for its business needs and that the Code of Governance was adequate and effective. The Committee noted the improvements in Human Resources and progress in relation to IM.

The Committee noted the report.

31/06/08 Strategic Risk Management Annual Report 2007/08

John Burton presented the report which summarised activity for the year ended 31 March 2008. TfL was continuing to develop risk management and reporting arrangements across the business. The challenge for 2007/08 had been to reach a wider audience and therefore the focus of the work had been on frequency of review and training and awareness. Developments included more regular Chief Officer risk reviews, a 'top-down' approach to risk management training, including e-learning modules, and the broadening of the user base of the preferred risk management software (ARM).

The Committee noted the report.

32/06/08 Strategic Risk Plan 2008/09

John Burton presented the report. The paper updated Committee Members on the planned work and development activity for risk management in TfL during 2008/09. This was the third annual risk management plan that had been submitted to the Committee for approval. The main elements of the Plan included quality control, software roll-out and enhancement and training delivery. This reflected the overall change of emphasis from process development to assurance provision and co-ordination of risk management activity across the Group.

The Committee noted the report and approved the contents of the plan.

33/06/08 KPMG Letter on Independence and Objectivity

June Awty presented the item.

The Committee noted the content of the letter.

34/06/08 KPMG Report on Non-Audit Fees for the Year Ended 31 March 2008

June Awty presented the report. The Committee was informed that two additional items not included in the report (work in relation to the London Assembly and Metronet) would be submitted to the next meeting.

It was noted that KPMG had been engaged to provide support on Metronet issues in consultation with the Chair of the Audit Committee. Any future Chair's Actions would routinely be reported to the next scheduled meeting.

The Committee noted the report.

35/06/08 Report on Management Actions

Mary Hardy introduced the item.

The Committee noted the report.

36/06/08 Final Internal Audit Reports Issued – Fourth Quarter 2007/08

Mary Hardy presented the report. The Committee was advised that the Director of Internal Audit had no concerns to report in relation to those final reports which were not yet closed.

It was reported that projects managed by external contractors were randomly audited and checks included visits by internal audit staff, including physical security audits.

The Committee noted the report.

37/06/08 Productivity and Resources Report – Fourth Quarter 2007/08

Mary Hardy presented the report. She was confident that the 70 per cent target for direct time spent on auditing would be achieved. However, departmental vacancies meant that time had been diverted to recruiting.

The Committee noted the report.

38/06/08 Revised TfL Code of Conduct

Howard Carter presented the report which recommended the adoption of a revised TfL Code of Conduct. The Code had first been produced three years ago and had been well received and used across the organisation.

The Code sets the tone for how TfL does business and forms a key part of the compliance framework. The revisions were aimed at simplifying and updating the Code and clarifying its status.

The Committee approved the revised TfL Code of Conduct, subject to seeking an amendment to reflect data security requirements. [ACTION: Jeff Pipe]

39/06/08 Any Other Business

Members raised the issue of the current National Audit Office involvement in Metronet and Stephen Critchley agreed to circulate a note to Members with further details.

[ACTION: Stephen Critchley]

There being no other business the meeting closed at 12.20pm.

The next scheduled meeting would be held on Wednesday 8 October at 10.00am.

Chair: _____

Date: _____