

# Transport for London

## Minutes of the Open Audit Committee

Boardroom, 14<sup>th</sup> Floor, Windsor House, London  
10.00am, Wednesday 21 November 2007

### Members

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

Murziline Parchment	Board Adviser
---------------------	---------------

### Present

Steve Allen	Managing Director, Finance
Peter Boxell	Chief of Staff, Group Services
John Burton	Head of Risk Management
Sarah Bradley	Head of Group Financial Accounting (for part)
Howard Carter	General Counsel
Stephen Critchley	Chief Finance Officer
Mary Hardy	Director of Internal Audit
Ellen Howard	Director of Corporate Governance
Gareth John	Director of Legal and Compliance
Jeff Pipe	Corporate Governance Adviser

### In Attendance

June Awty	KPMG Auditor
Greg McIntosh	KPMG Auditor

Sue Riley	Secretariat
-----------	-------------

### **39/11/07      Apologies and Declarations of Interest**

There were no apologies for absence.

Chris Garnett declared an interest as a member of the Olympic Delivery Authority.

### **40/11/07      Minutes of the Open Meeting Held on 12 September 2007**

The minutes of the open meeting held on 12 September 2007 were approved as a correct record and signed by the Chair.

**41/11/07      Matters Arising and Actions List**

Stephen Critchley reported that under the IPA Improvement Plan action a copy of the corporate correspondence and complaints policy would be circulated to Members following the meeting. There were no further matters arising raised.

**[ACTION: Stephen Critchley]**

**42/11/07      Strategic Risk Management Progress Report**

John Burton gave an oral update to the meeting. The e-learning training modules had been completed and tested by Learning and Development staff. The new training programme had gone live and take-up was good, with positive feedback from participants. Eight courses were due to run to the end of the year. An update would be provided to a future meeting.

**[ACTION: John Burton]**

**The Committee noted the report.**

**43/11/07      Final Internal Audit Reports Issued – Second Quarter 2007/08**

Mary Hardy introduced the report. Members were informed that there were five reports which were 'not closed', and not six as stated in paragraph 2.2 of the report.

The Committee highlighted that the leavers process audit had not been closed although measures were now in place to rectify the situation.

**The Committee noted the report.**

**44/11/07      Productivity and Resources Report – Second Quarter 2007/08**

Mary Hardy introduced the report. Members were advised that the report (Annual Plan 2007/08) should show 55 per cent of audit investigations planned and scheduled, not at final report stage. It was agreed that it might be easier for Members to receive the information in a chart format in future reports.

**[ACTION: Mary Hardy]**

**The Committee noted the contents of the report.**

**45/11/07      Report on Management Actions**

Mary Hardy presented the item setting out recommendations to management which had not been actioned and were more than 60 days overdue. The report set out outstanding actions and the number of days they were delayed after the period in which they had been agreed to be implemented or progressed. Internal Audit did not currently have any concerns regarding any of the outstanding actions.

**The Committee noted the report.**

**46/11/07**      **Report on Non-Audit Fees 6 Months Ending 30/09/07**

June Awty introduced the report setting out KPMG's non-audit fees for the six month period ending 30 September 2007.

**The Committee noted the report.**

**47/11/07**      **Use of Resources on Data Quality**

June Awty introduced the report, which showed clear improvements against the summary of scores for 2005/06.

Members sought advice as to what TfL's aspirations were in terms of target scores for next year and the management action needed to achieve these. Stephen Critchley agreed to discuss proposed management action with KPMG outside of the meeting, and form a preliminary view as to the likely impact on scores.

**[ACTION: Stephen Critchley/KPMG]**

Members discussed the heading 'People and Skills'. The Committee was assured that the issues highlighted concerned documentation in relation to job descriptions, and were being resolved.

**The Committee noted the report.**

**48/11/07**      **Liaison Between Internal and External Audit**

Mary Hardy and June Awty presented the joint report. Internal and external audit regularly co-ordinate their approach to minimise duplication and to complement and to ensure that work programmes are complimentary.

Members requested a report back at the next meeting on specific examples of where external audit had relied on internal audit work. It was also proposed that this point should be set out when the internal audit plan for 2008/09 is presented to the Committee in March 2008.

**[ACTION: Mary Hardy/KPMG]**

**The Committee noted the contents of the report.**

**49/11/07**      **Update on Critical Accounting Policies**

Stephen Critchley and Sarah Bradley introduced the report on the critical accounting policies to be applied to TfL's Statement of Accounts for the year ending 31 March 2008.

Members sought clarification as to the potential impact of the introduction of International Financial Reporting Standards (IFRS), and were advised that the key business areas affected would include PFI/PPP contracts, leases and deferred tax. As the guidelines had yet to be released it was difficult to estimate any work load implications. Greater clarity was anticipated by the end of the year.

For accounting purposes, TfL was treated as a local authority and as such was statutorily required to apply Statement of Recommended Practice (SORP) accounting standards. SORP was updated annually. TfL is up to date with current changes, and probably ahead of any other local authority in this area. However, the complex nature and structure of TfL as a whole meant that any changes were likely to be more significant compared to other local authorities.

The Committee was advised that if the changes meant that PFI projects appeared on TfL's balance sheet then this would impact on its borrowing limits. Members would be kept informed as the implications became more apparent.

**The Committee noted the contents of the report.**

**50/11/07      Report to Those Charged with Governance**

June Awty presented the report concerning the consultancy agreement between TfL and Mr Bob Kiley. It was reported that KPMG had not yet received a response to its letter sent to the Chair of the London Assembly. No further action was required.

**The Committee noted the update and the report.**

**51/11/07      Any Other Business**

No additional items of business were raised and the meeting closed at 11.00am.

The next scheduled meeting would be held on Wednesday 23 January 2008 at 10.00am.

Chair: \_\_\_\_\_

Date: \_\_\_\_\_