

Transport for London

Minutes of the Audit Committee

**Boardroom, 14th Floor, Windsor House, London
10.00am, Tuesday 25 November 2008**

Members

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| Judith Hunt | Chair, Board Member |
| Charles Belcher | Board Member |
| Patrick O’Keeffe | Board Member |
| Steve Wright | Board Member |

Present

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| Sarah Bradley | Head of Group Financial Accounting (for part) |
| John Burton | Head of Risk Management and Corporate Governance |
| Howard Carter | General Counsel |
| Naomi Connell | Director of Finance and Support Offices, LU (for part) |
| Stephen Critchley | Chief Finance Officer |
| Alan Day | Senior Audit and Investigations Manager – Fraud & Security |
| Mary Hardy | Director of Internal Audit |
| Ellen Howard | Director of Corporate Governance |

In Attendance

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| June Awty | Engagement Partner, KPMG |
| Andrew Marshall | Senior Partner, KPMG |
| Ken Davis | Comprehensive Area Assessment London Co-ordinator, Audit Commission |
| Sue Riley | Secretariat Officer |

40/11/08 Apologies for Absence and Declarations of Interest

Apologies for absence had been received from Keith Williams and Steve Allen.

No interests were declared.

The Chair welcomed new Board Members to their first Audit Committee meeting and recorded her thanks, on behalf of the Committee, to Sir Mike Hodgkinson and Christopher Garnett for their contributions.

41/11/08 Minutes of the Meeting Held on 11 June 2008

The minutes of the meeting held on 11 June 2008 were approved as a correct record and signed by the Chair.

42/11/08 Matters Arising and Actions List

There were no matters arising or outstanding actions.

The Committee noted the Actions List.

43/11/08 Strategic Risk Management Progress Report

John Burton introduced the report updating the Committee on progress with the ongoing development of TfL's risk management process and general risk arrangements.

The Committee noted the report.

44/11/08 Use of Resources 2007/08

June Awty introduced the paper.

The purpose of the paper was to inform the Committee of the work of KPMG in respect of TfL's Use of Resources, carried out on behalf of the Audit Commission. The Use of Resources assessment evaluates how well TfL manages and uses its financial resources, covering five themes, including; financial reporting; financial management; financial standing; internal control; and value for money. TfL had been assessed as 4 out of 4 (performing strongly) for all categories. This was an extremely strong performance, since only two local authorities out of 388 achieved this level in the 2007 assessments and was a further improvement on last year's scores from 3 to 4 in two areas.

Stephen Critchley informed Members that staff would always aim to achieve the highest score in all areas. However, as organisations improved so the scoring mechanisms were changed to become more challenging to further promote continuous improvement.

The Members welcomed the positive findings of the report and thanked staff at KPMG, the Audit Commission and TfL for their contribution.

The Committee noted the report.

45/11/08 Data Quality Review – 2007/08

June Awty introduced the report which set out the outcome of the Audit Commission's annual review of the arrangements for securing data quality across the Group.

The Committee requested that officers consider putting in place action plans to address weaknesses identified through internal and external reviews and dedicated data quality training modules. **[ACTION: Steve Allen]**

The Committee noted the report.

46/11/08 Annual Audit and Inspection Letter 2008

Ken Davis introduced the report which summarised the conclusions by KPMG on the Annual Statement of Accounts, Use of Resources and Data Quality. It also included the Audit Commission's conclusions from its work on TfL's Direction of Travel.

The Committee welcomed the timely submission of the Letter. Ken Davis highlighted areas of continuing improvement such as stakeholder engagement, crime reduction and improved passenger services. TfL had also achieved the highest equality standard (Level 5).

The Committee discussed whether there were any comparative organisations against which TfL could benchmark. Stephen Critchley advised that staff were in positive dialogue with the Audit Commission on how best to approach benchmarking.

The Committee welcomed the positive findings and congratulated all the staff involved.

The Committee noted the Audit Commission Annual Audit and Inspection Letter.

47/11/08 Audit Commission Update

Stephen Critchley introduced the report which informed the Committee of developments in respect of TfL's Audit and Inspection regime, as specified by the Audit Commission.

The Committee noted the developments in respect of TfL's Audit Commission inspection regime.

48/11/08 KPMG Report on Non-Audit Fees for Six Months Ended 30 September 2008

June Awty introduced the six monthly report on fees billed by KPMG for non-audit services, as required under TfL's policy on external audit services.

The Committee noted the content of the report.

49/11/08 Transport Trading Limited Audit Plan – Year Ending 31 March 2009

Andrew Marshall introduced the report which outlined KPMG's plan for the audit of the financial statements of Transport Trading Limited and its subsidiaries (the TTL Group) for the year ending 31 March 2009.

The Committee discussed the key audit risks as set out in the report and were advised that there had been detailed discussions at the meeting of the Finance Committee as to the application of TfL's new hedging powers under the TfL Act 2008.

The Committee acknowledged the changing structure of the TfL Group and the added complexity and challenges this brought.

54/11/08 Review of Internal Audit: Action Plan

Mary Hardy presented the report which updated the Committee on actions taken as a result of the Effectiveness Review of Internal Audit.

In accordance with agreed practice, KPMG had carried out a review of the effectiveness of the Internal Audit function earlier in the year. KPMG made a number of recommendations to improve guidance and processes and the report set out the actions that had been taken to implement them.

The Committee noted the report.

55/11/08 Update on Critical Accounting Policies

Sarah Bradley presented the report on the Group's critical accounting policies to be used in preparing TfL's Statement of Accounts for the year ending 31 March 2009.

The Committee noted the report.

56/11/08 Effectiveness Review of the External Auditors

Stephen Critchley presented the report. Overall, TfL finance staff were satisfied with KPMG's performance, with some areas for improvement identified which the External Auditors agreed to address.

The Committee noted the report.

57/11/08 Any Other Business

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

The next scheduled meeting would be held on Tuesday 3 March 2009 at 10.00am.

Chair: _____

Date: _____