

Transport for London

AUDIT COMMITTEE – Open Session

Meeting to be held on Thursday, 15 June 2006 at 09.00 am
in the 14th floor Boardroom, Windsor House

A private session with the Chief Finance Officer will be held at the start of the meeting. It is anticipated to last 15 minutes and the main meeting will commence at 09.15

AGENDA

1. Apologies for absence
2. Minutes of previous meeting
 - 2.1 Matters Arising and Outstanding Actions Monitoring Report
 - 2.1.1 Progress with traffic modelling For noting
3. Strategic Risk Management Progress Report JB
4. Internal Audit Matters: MMH
 - 4.1 Report on Management Actions
 - 4.2 Final Audit reports for Q4 2005/06
5. Annual Report and Accounts
 - 5.1 Proposed Corporate Governance Disclosures JP
 - 5.2 General Counsel's Annual Report PM
 - 5.3 Director of Internal Audit's Opinion on the Statement of Assurance MMH
6. External Audit Matters
 - 6.1 Independence and Objectivity KPMG
 - 6.2 Non Audit Fees KPMG
7. Update Report on Whistle-Blowing Procedures For noting
8. Audit Commission Update SC
9. Any Other Business

At the close of this meeting the Audit Committee members will have a private session with the external auditors.

The next meeting of the Audit Committee will be held on 2 November at 10.00 a.m.

Transport for London

MINUTES OF THE AUDIT COMMITTEE MEETING
held at 10.00 on Thursday 16th March 2006 in
the Boardroom, Windsor House

Present:

Members:

John Ormerod	Chair
Sir Mike Hodgkinson	
Patrick O'Keeffe	(by telephone for minutes 10/03/06 to 12/03/06)

Advisors:

Murziline Parchment
Bryan Heiser

In Attendance:

John Burton	Head of Risk Management
Stephen Critchley	Chief Finance Officer
Mary Hardy	Director of Internal Audit
David Hughes	Head of TfL Investment Oversight
Gareth John	Director of Legal & Compliance
Dom Moorhouse	Interim Support to Head of Investment Oversight (for Min 16/03/06)
Peter McGuirk	Interim Director of Governance and Assurance
Jeff Pipe	Corporate Governance Adviser
Ben Plowden	Managing Director Group Communications
Valerie Todd	Interim Managing Director Group Services
Jay Walder	Managing Director Finance & Planning (Part only)
Clive Walker	Senior Audit Manager, Internal Audit

External Auditors:

Andrew Marshall	KPMG
June Taylor	KPMG

Observer:

Ken Davis Audit Commission (for Min 17/03/06)

Secretary:

James Varley

10/03/06 Apologies for Absence

Apologies for absence were received from Dave Wetzel

11/03/06 Minutes of the Last Meeting

The minutes of the Audit Committee Meeting held on 18th January 2006 were agreed and signed as a true record.

12/03/06 Matters Arising and Outstanding Actions

There were no Matters Arising from the minutes.

Peter McGuirk explained that further consideration had been given to the desirability of an Investment Programme Committee and a paper would be submitted to the 29 March Board meeting proposing future arrangements.

Action: Peter McGuirk

All other Outstanding Items were covered in the agenda. The Outstanding Actions list was **NOTED**.

12/03/06 Review of the Internal Audit Plan for 2006/07 and the Resources Required to Deliver it

In response to a question concerning whether the risk based focus affected the amount of time spent auditing financial controls, Mary Hardy agreed to circulate a note of the substantial work being done in that area.

Action: Mary Hardy

In response to a question concerning why Internal Audit did not audit the risks around Industrial Relations and Political Imperatives, Mary Hardy explained that both areas were dealt with at close quarters by senior management and, with few routine processes involved, it was difficult to see what Internal Audit could do to add value or provide reassurance. The Committee asked her to keep this position under review.

Action: Mary Hardy

The Chair identified a number of issues for consideration in future Internal Audit plans:

- Insider fraud;
- A broader scope for Resilience;
- Planning processes;
- Reliability of KPIs;
- Control Self Assurance reports;

He went on to argue that work on funding availability should be limited as he did not regard this as a high risk area.

The Committee **APPROVED** the Audit plan.

Patrick O’Keeffe ended his telephone participation at this point. This rendered the meeting inquorate. However the remaining Members and Advisors decided to continue consideration of the agenda with the intention that any minutes would be ratified by the Committee at the next meeting.

13/03/06 E Procurement

The remaining Members and Advisors considered the paper on e-Sourcing and e-Procurement. They were pleased to see the progress being made and that TfL was experimenting with new technology.

The paper was **NOTED**.

14/03/06 TfL Audit Committee Workplan 2006 – Open Session

The remaining Members and Advisors **NOTED** the Workplan, covering 4 meetings from 18 January 2006 to 2 November 2006.

15/03/03 Report on Management Actions

The remaining Members and Advisors **NOTED** the report on Management Actions, which showed Management Actions outstanding for various periods up to 121 days+.

16/03/06 Review of Final Arrangements for Investment Programme Oversight

Dom Moorhouse gave a presentation on the final arrangements.

Sir Mike Hodgkinson sought clarification concerning when the Oversight group became involved in a project. Dom Moorhouse would arrange to provide a 1 page summary of management oversight activity in the early stages of a project.

Action: David Hughes

Murziline Parchment requested that all the governance entities, including the Project Review Group, be included in any description of Oversight arrangements. Dom Moorhouse would arrange to circulate to Committee Members and Advisors a revised presentation page reflecting this change.

Action: David Hughes

Murziline Parchment also requested a summary of the value added by the Independent Engineer reviews to the projects they had covered. Dom Moorhouse would arrange to provide this.

Action: David Hughes

The remaining Members and Advisors asked to see a plan of Independent Engineer Reviews for 2006/07. Dom Moorhouse would arrange to provide this.

Action: David Hughes

The remaining Members and Advisors **NOTED** the presentation.

17/03/06 Indicative Audit Plan for the Year Ended 31/03/07

The remaining Members and Advisors considered the draft Annual External Audit and Inspection plan dated 20/01/2006

Ken Davis from the Audit Commission was present and, in response to a question about the inspection fees, he explained that the proposed fees reflected TfL's status as an excellent authority. He also explained that the fee was the total including all audit and inspection work.

The paper was **NOTED**.

18/03/06 Training for Audit Committee members

The session was planned for Summer 2006. Members and Advisors were invited to feed any comments directly to Mary Hardy who would incorporate them into the final arrangements.

Action: Mary Hardy

19/03/06 Preview of the Issues Raised on the Opinions on the Statement of Assurance on Corporate Governance by General Counsel and Director of Internal Audit

The remaining Members and Advisors **NOTED** the 2 papers.

20/03/06 Best Value Reviews

The remaining Members and Advisors **NOTED** the paper.

21/03/06 Strategic Risk Management Progress Report

John Burton explained orally that the Risk Management software was being rolled out and would be ready by Week 13. Self evaluation had worked very well.

The remaining Members and Advisors **NOTED** the oral report.

22/03/06 **SORP 2006**

The remaining Members and Advisors **NOTED** the paper.

23/03/06 **ANY OTHER BUSINESS**

There being no other business, the meeting was closed.

Chair:-----

Date: -----

TRANSPORT FOR LONDON

TfL AUDIT COMMITTEE – OPEN SESSION

ACTION LIST

At JUNE 2006

OUTSTANDING ITEMS FOR FUTURE MEETINGS

Target Date	Description	Action By:	Minute No.	Status/ note:
15.06.06	Project (traffic) Modelling – update on progress	Mary Hardy	02/01/06	On agenda
15.06.06	Logica Contract – performance and management of the contract	Valerie Todd	03/01/06	On agenda
15.06.06	Corporate Governance Review	Peter McGuirk	09/01/06	On agenda
15.06.06	Quarter 4 Productivity & Resources Report <i>- to include how much Ernst & Young resource is drawn upon</i>	Mary Hardy	03/01/06	On agenda
15.06.06	<u>Whistle-Blowing</u> – update the Committee when content that HR staff had received the relevant training to enable them to investigate complaints	Jeff Pipe	08/01/06	On agenda
15.06.06	KPMG's report - - Work carried out on asset valuations and impairments; - IT audit approach and issues.	KPMG	49/10/05	On agenda (within External Audit matters)
TBA	Revised Internal Audit Approach to Programme and Projects Audits	Mary Hardy	-	
TBA	Group Risk Reporting – resolution of policy decisions - public reporting of risk to be added to the Audit Cttee Agenda.	John Burton	52/10/05	Ongoing

TBA	KPMG Report on Use of Resources – a response to the report's findings	Stephen Critchley	04/01/06	

ACTION LIST – actions resulting from current and previous meetings

Target Date	Description	Action By:	Minute No.	Status/ note:
-	<u>HR & Equalities policies</u> - current drafts of these to be sent to Patrick O'Keeffe and to ascertain how long the consultation process is expected to be.	Stephen Critchley	02/01/06	
-	<u>IPA Improvement Plan</u> – <ul style="list-style-type: none"> key dates to be drawn to the new Commissioner's attention; ascertain whether there were corporate standards for replying to correspondence and complaints. 	Stephen Critchley	04/01/06	
29.03.06	Investment Programme (IP) Committee Terms of Reference	Peter McGuirk		Paper sent to Board
-	<u>Audit Plan</u> - circulate a note showing resource allocation	Mary Hardy	12/03/06	Completed
March 07	<u>Audit Plan</u> – Review IA position on audit of Industrial Relations and Political Imperatives	Mary Hardy	12/03/06	Ongoing
15.06.06	<u>Oversight</u> - circulate summary of management oversight activity in early stages of a project	David Hughes	16/03/06	Completed
	<u>Oversight</u> – amend Governance page of presentation	David Hughes	16/03/06	
	<u>Oversight</u> – circulate a summary of the value added by the IE reviews	David Hughes	16/03/06	Completed
	<u>Oversight</u> – circulate plan of IE reviews for 2006/07	David Hughes	16/03/06	Completed
31.07.06	<u>Training for Audit Committee members</u> – arrange half day session to	Mary Hardy	18/03/06	Completed

	take place in August or September			
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Transport for London

AUDIT COMMITTEE

SUBJECT: TfL's Approach to Ensure Robust Modelling

MEETING DATE: 15 June 2006

1. Background

TfL are developing a programme of traffic infrastructure improvements to support the Mayor's Transport Strategy and the London Plan. TfL's recent experience at Public and Planning Inquiries has demonstrated the need for a consistent and robust appraisal of schemes that, as a minimum, comply with the latest guidance from the Department for Transport (DfT). A recent review has been undertaken of the current modelling regimes and identified how improvements can be implemented in an incremental way, to ensure that the modelling is fit for purpose.

2. Current Modelling in TfL

A number of different Directorates and Departments within TfL currently collect data for use in models, develop transport and traffic models, procure modelling advice or use the outputs from models. This includes modelling for Major Projects, Congestion Charging, Transport Planning and Policy, Traffic Operations, Surface Strategy and Road Network Development. There is a need for information at differing levels of detail and, for logistical and efficiency reasons, it is expected that different models will be required to satisfy different stakeholders. The models used fall into four generic groups:

- travel demand forecasting models;
- land-use/transport interaction models;
- public transport passenger assignment models; and
- highway traffic assignment models.

Thus, a hierarchical suite of models is required and this, to some extent, is how the current modelling within TfL addresses user requirements. However, the current hierarchy is somewhat ad-hoc and as part of improvements in the future, there should be a more defined relationship between the models. In addition, data transfer between models at different levels of the hierarchy should be consistently and efficiently managed through appropriate institutional arrangements.

3. TfL Requirements

To satisfy stakeholder requirements, the TfL modelling hierarchy should include:

- a spatially detailed travel demand forecasting model which will include all the functionality and spatial detail required to address TfL's needs for formal transport appraisal at a London-wide level (based on the current LTS);

- a spatially-aggregate travel demand forecasting model which may include enhanced functionality compared with the spatially detailed model above but would address the need for a broad brush policy analysis tool;
- a spatially detailed and fully-specified land-use/ transportation interaction model which would be compatible with the spatially-detailed travel demand forecasting model;
- a London-wide highway traffic assignment model, which would model longer-distance re-routeing effects of policies, measures and schemes and provide the basis for:
 - the supply model in a London-wide demand forecasting model,
 - variant highway traffic assignment models created for specific major project appraisal, with increased detail in the vicinity of a major project and reduced detail elsewhere, but still covering London as a whole, and
 - local highway traffic models, of varying size, which would cover only parts of London, and which could be either congested assignment models or micro-simulation models;
- micro-simulation models, cordoned out of either the London-wide model or the major project variants or the local models; and
- traffic signal design and operational appraisal tools, again cordoned out of one of the higher tier models.

4. Actions Going Forward

The existing modelling tools and organisational/ institutional arrangements are being examined to identify the changes that may be required to ensure that the programme of traffic infrastructure improvements to support the Mayor's Transport Strategy and the London Plan can be completed.