

Transport for London

Minutes of the Open Audit Committee

Boardroom, 14th Floor, Windsor House, London
10.00am, Wednesday 23 January 2008

Members

Judith Hunt	Chair, Board Member
Christopher Garnett	Board Member
Paul Moore	Board Member
Dabinderjit Singh Sidhu	Board Member

Murziline Parchment	Board Adviser
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Present

Steve Allen	Managing Director, Finance
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
David Hughes	Head of TfL Investment Programme Oversight (for part)
Jeff Pipe	Corporate Governance Adviser

In Attendance

June Awty	KPMG Auditor
Greg McIntosh	KPMG Auditor
Ross Tudor	KPMG Auditor
Ken Davis	Audit Commission

Sue Riley	Secretariat Officer
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01/01/08 Apologies and Declarations of Interest

Apologies were received from Sir Mike Hodgkinson and Patrick O'Keeffe.

Christopher Garnett declared an interest as a member of the Olympic Delivery Authority Board. No other interests were declared.

02/01/08 Minutes of the Open Meeting Held on 21 November 2007

The minutes of the open meeting held on 21 November 2007 were approved as a correct record and signed by the Chair.

03/01/08 Matters Arising and Actions List

Members were informed that the introduction of International Financial Reporting Standards (IFRS) by the Government would not apply until 1 April 2010. Accounting issues related to the recording of Private Finance Initiatives had yet to be decided. Guidance was expected by the end of March.

A report would be submitted to a future meeting once the Guidance had been issued.
[ACTION: Stephen Critchley]

The Committee noted the Actions List.

04/01/08 Strategic Risk Management Progress

John Burton presented the update report on the business risk training initiative.

The long term aim was to allow people to self-book onto the courses via SAP. A target of 200 people had been identified for the training, with a more generic e-learning module available to all staff. Data was collected on numbers of staff who attended courses, with follow up evaluation. Members were keen for the number of staff targeted to be increased.

The Committee noted the report.

05/01/08 Final Internal Audit Reports Issued – Third Quarter 2007/08

Mary Hardy introduced the report. Members were advised that the report shown red on page 2 of the report (Corporate Network Systems, RAS) should in fact be represented as yellow. This indicated that not all management actions were yet completed.

It was agreed that a colour coding key be included in the report for ease of reference.
[ACTION: Mary Hardy]

The Committee noted the report.

06/01/08 Quarter 3 Productivity and Resources Report

Mary Hardy presented the report. As requested at the last meeting the pie charts in the report had been enlarged to assist Members in understanding the information.

The Committee noted the contents of the report.

07/01/08 Report on Management Actions

Mary Hardy introduced the report on recommendations to management. There were no new actions more than 60 days overdue to report.

The Committee noted the report.

08/01/08 Budgetary Control

Stephen Critchley presented the annual update report to Members on TfL's budgetary control mechanisms. The report needed to reflect proposed changes which would be incorporated once the new Standing Orders were approved by the Board.

Members were advised that there were no formal reporting procedures with government departments although there was regular informal dialogue.

The Committee noted TfL's detailed budgetary control and review processes.

09/01/08 Independent Reporting Lines

Jeff Pipe introduced the report.

The Committee noted the report.

10/01/08 Revision of Standing Orders

Jeff Pipe presented the report. Members discussed the context for the levels of authorisation as set out in Standing Orders. Members noted that the financial delegations were exercised within a full system of internal controls including sign-off by appropriate senior officers, and that the proposed changes would provide TfL with a standard organisation-wide framework of delegations. The delegation levels had remained largely un-changed since the creation of TfL and were considered appropriate to ensure the efficient functioning of the organisation.

It was agreed that the covering report, before submission to the Board, be amended to include further detail of the decision-making processes and control framework for delegated decisions.

[ACTION: Jeff Pipe]

The Committee recommended to the Board approval of the:

- 1. alterations to Standing Orders in relation to delegated authorities;**
- 2. appointment of Ellen Howard, Director of Corporate Governance, General Counsel, as a Joint Secretary of Transport Trading Limited;**
- 3. noted that the Board would be asked to approve the revised Standing Orders, which in addition to the changes in authorities would also establish**

a Strategic Executive Group, make amendments to the Terms of Reference of the Remuneration Committee and other miscellaneous changes.

11/01/08 Use of Resources Assessment

June Awty presented the report setting out KPMG's and the Audit Commission's assessment of TfL's use of resources.

The Chair welcomed the conclusion of the report and congratulated officers on the high scoring and improved ratings on last year. TfL had achieved one of the highest ratings in the country.

Stephen Critchley offered to provide Committee Members with comparative scoring data of other local authorities. It was also agreed that a report be provided on the themes with a scoring of three and an action plan as to how each area would be improved if appropriate, including any benchmarking data available on both national and international organisations. **[ACTION: Stephen Critchley]**

The Committee noted the report.

12/01/08 Reliance on the Work of Internal Audit

June Awty presented the report, which had been requested by Members at the last meeting.

The Committee was informed that reliance on the work of Internal Audit by the External Auditors would also be made explicit in the draft Internal Audit Plan to be considered at the next meeting.

The Committee noted the report.

13/01/08 Annual Audit and Inspection Letter 2007

This report had been circulated separately to the papers for the meeting.

Ken Davis presented this item and apologised for its lateness. It was agreed that the report would be deferred for consideration until the next meeting as Members had not had adequate time to consider it. It would not be made public until it had been reviewed by the Committee. **[ACTION: Secretariat /Ken Davis]**

The Committee deferred the report to the next meeting.

14/01/08 Any Other Business

Stephen Critchley informed the Committee that he had received notice from the Audit Commission that KPMG had been appointed as TfL's external auditors for another five years.

The meeting closed at 11.25am.

The next scheduled meeting would be held on Wednesday 12 March at 10.00am.

Chair: _____

Date: _____