

Transport for London

Minutes of the Audit Committee

Boardroom, 14th Floor, Windsor House, London
10.15am, Wednesday 10 June 2009

Members

Judith Hunt	Chair, Board Member
Charles Belcher	Board Member
Daniel Moylan	TfL Deputy Chairman
Steve Wright	Board Member

Present

Steve Allen	Managing Director, Finance, TfL
Sarah Bradley	Head of Group Financial Accounting
John Burton	Head of Corporate Governance and Risk Management
Howard Carter	General Counsel
Stephen Critchley	Chief Finance Officer
Mary Hardy	Director of Internal Audit
Ellen Howard	Director of Corporate Governance
Peter Regan	Director of Corporate Finance

In Attendance

June Awty	Engagement Partner, KPMG
Andrew Marshall	Engagement Partner, KPMG
Ross Tudor	Audit Senior Manager, KPMG

Sue Riley	Secretariat Officer
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The Committee congratulated Mary Hardy for being shortlisted for the First Women Award in the Public Sector.

18/06/09 Apologies for Absence and Declarations of Interest

Apologies for absence had been received from Patrick O’Keeffe and Keith Williams.

Daniel Moylan declared an interest in his capacity as Deputy Leader of Kensington and Chelsea, as Chair of Urban Design London and as a Director of the London Transport Museum Ltd, and Steve Wright declared an interest in matters relating to private hire vehicles.

19/06/09 Minutes of the Meeting Held on 3 March 2009

The minutes of the meeting held on 3 March 2009 were approved as a correct record and signed by the Chair, subject to Daniel Moylan and Steve Wright’s declarations of interest being added.

20/06/09 **Matters Arising and Actions List**

There were no matters arising.

The Committee noted the Actions List.

21/06/09 **Strategic Risk Management Annual Report 2008/09**

John Burton introduced the report summarising Risk Management activity for the year ended 31 March 2009.

The Committee noted the report.

22/06/09 **KPMG Letter on Independence and Objectivity**

June Awty introduced the report on the independence and objectivity of KPMG.

The Committee noted the content of the report.

23/06/09 **KPMG Report on Non-Audit Fees for the Year Ended 31 March 2009**

Andrew Marshall introduced the report on fees billed by KPMG for non-audit services during the period 1 April 2008 to 31 March 2009.

Members requested a report back to a future meeting on how the external auditor fees could be reduced as part of overall cost efficiencies. **[ACTION: Stephen Critchley]**

The Committee noted the report.

24/06/09 **Management Actions Report**

Mary Hardy introduced the report on those recommendations to management which have not been actioned and are more than 60 days overdue. There were no actions more than 60 days overdue.

The Committee noted the content of the report.

25/06/09 **Final Internal Audit Reports – Q4 2008/09**

Mary Hardy introduced the report informing the Committee of the final audit reports issued in the fourth quarter of 2008/09. In the quarter 35 final reports were issued including four interim reports that were concluded 'well controlled' and immediately closed as there were no management actions to complete.

The Committee noted the content of the report.

26/06/09 Q4 Productivity and Resources Report

Mary Hardy introduced the report informing the Committee of the outputs of and use of resources by the Internal Audit team. The Scorecard covering the fourth quarter of the year was submitted. The Scorecard for the full year was included in the Internal Audit Annual Report considered elsewhere on the agenda.

The Committee noted the content of the paper and the attached Scorecard.

27/06/09 Internal Audit Annual Report 2008/09

Mary Hardy introduced the report summarising the Internal Audit activity for the year ended 31 March 2009, to account for the use of resources and provide an opinion on the internal controls as required by the Chartered Institute of Public Finance and Accountancy Code of Practice (CIPFA) for Internal Audit in Local Government.

The report concluded that TfL's control environment was adequate for its business needs and operates in an effective manner. It also concluded that TfL's Code of Governance, including internal control, was adequate and effective.

The Committee requested a report to a future meeting on how Internal Audit determined the level of its resources, and factors taken into account when making decisions about which areas should be audited. **[ACTION: Mary Hardy]**

Members congratulated Internal Audit on its recent award for its Contract Audit Toolkit by CIPFA for innovation in audit practice.

The Committee noted the report.

28/06/09 Review of Internal Audit: Action Plan

Mary Hardy introduced the report updated for actions taken as a result of the effectiveness review of Internal Audit carried out by KPMG in 2008. While overall commending the work of Internal Audit, KPMG made a number of recommendations to improve governance and process. The Committee was advised of the actions being taken to date to implement them.

The Committee noted the content of the report.

29/06/09 Review of Governance and the Annual Governance Statement for the Year Ended 31 March 2009

Howard Carter provided the Committee with a review of compliance with the TfL Code of Governance in 2008/09 and sought approval for the Annual Governance Statement to be signed by the Chair of TfL and the Commissioner for inclusion in the 2008/09 accounts.

Members acknowledged the recent additional burden placed on the organisation with the absorption of the new subsidiary companies.

The Committee requested that Members be sent a briefing note on how TfL implemented its communication strategy with the wider community and stakeholders, while avoiding duplication of work with the rest of the GLA family. **[ACTION: Vernon Everitt]**

The Committee approved the Annual Governance Statement as set out in Appendix 1 for signing by the Chair of TfL and the Commissioner for inclusion in the 2008/09 accounts.

30/06/09 Icelandic Banking Collapse: Review by the Audit Commission

Steve Allen introduced the report informing the Committee of the recommendations of the Audit Commission and House of Commons Treasury Select Committee included in their published reports into the impact of the failure of the Icelandic banks.

The Treasury Select Committee report noted that there were 30 local authorities that had exposure greater than five per cent GRE (gross expenditure figure), which included TfL by inference. TfL was considering writing directly to the Treasury Select Committee to correct them on TfL's inclusion in this statement, and had raised the error with the Audit Commission.

The Committee requested that officers continue to seek a correction from the Audit Commission and report back on the outcome to a future meeting.

[ACTION: Stephen Critchley]

The Committee noted the contents of the report.

31/06/09 Review of Committees and Panels

Daniel Moylan introduced this paper to update the Committee on the Review of Committees and Panels he had undertaken.

Members welcomed the report and endorsed the proposals for approval at the TfL Board meeting on 24 June 2009, subject to re-wording of Attendance in the Terms of Reference to clarify that any Member can attend any Committee or Panel meeting, without prior agreement from the Chair.

The Committee endorsed the recommendations in the report for approval by Members at the full meeting of the TfL Board on 24 June 2009.

32/06/09 Implementation of the Review of Committees and Panels

Ellen Howard introduced the report, setting out changes to Standing Orders and other practices in order to implement the Review of the Committees and Panels set out in the report above.

The Committee endorsed the changes to Standing Orders and other practices for approval at the meeting of the TfL Board on 24 June 2009.

33/06/09 Any Other Business

There being no other business the meeting closed at 11.05am.

The next scheduled meeting would be held on Tuesday 29 September 2009 at 10.00am.

Chair: _____

Date: _____