

Audit and Assurance Committee

Date: 15 September 2021

Item: Annual Audit Letter

1 Summary

- 1.1 To inform the Committee of the status of the Annual Audit Letter issued by EY.

2 Recommendation

- 2.1 **The Committee is asked to note the letter.**

3 Background

- 3.1 The Annual Audit Letter is prepared by EY and summarises their conclusions on the Annual Statement of Accounts and Value for Money. This letter is issued at the conclusion of the annual audit process and was circulated to Members on 22 July 2021, prior to submission to the meeting of the TfL Board on 28 July 2021.

4 Update

- 4.1 EY have issued an unqualified opinion on the TfL financial statements. Their opinion, as per 2019/20, includes a paragraph on material uncertainty relating to the availability of funding to deliver current operational and capital plans. As described in more detail in an updated going concern note to the Accounting Policies section of the financial statements, this sets out that there continues to be significant uncertainty as to the level of longer-term future funding to be received from the Government. These uncertainties cast doubt over TfL's ability both to continue operating the level of services currently provided and to continue with all projects currently included in the capital investment plan. If projects or non-essential elements of in-progress projects are not funded, or if changes in services provided are required, there could be a possible impairment of carrying values at 31 March 2021, which are not reflected in the financial statements.
- 4.2 EY's opinion on Value for Money is qualified in two respects:
- (a) without a longer-term funding agreement in place, TfL is obliged to make short-term decisions, restricting its ability to make progress on and commit to key long-term priorities set by policy makers. This means that TfL is not obtaining the best value for money due to a lack of clarity over long-term funding; and
 - (b) In respect of a series of weakness identified by management and Internal Audit in relation to procurement processes in 2018/19.

Implementation of an action plan to address these matters commenced during 2019/20, but corrective actions were only completed by 31 March 2021 and were not all in place during the entirety of 2020/21.

- 4.3 As at the date of the Audit Letter, EY have not yet undertaken the procedures required by the National Audit Office on the accuracy of the consolidation pack prepared by the Corporation for Whole of Government Accounts papers. These procedures are expected to be undertaken between September and November 2021 in line with the revised timetable set by HM Treasury.

List of appendices to this report:

Appendix 1 - EY's Annual Audit Letter 2020/21

List of Background Papers:

None

Contact: Patrick Doig, Statutory Chief Finance Officer
Email: patrickdoig@tfl.gov.uk