

Date: 15 September 2021

**Item: TfL Statement of Accounts Year Ended 31 March 2021 -
Changes Made Prior to Finalisation**

This paper will be considered in public

1 Summary

- 1.1 The draft TfL Group Statement of Accounts for the year ended 31 March 2021 were presented at the Committee meeting of 7 June 2021, where the statutory Chief Finance Officer was authorised to make any adjustments arising from the ongoing audit work prior to submission to the TfL Board.
- 1.2 This paper contains information on the material changes to the Statement of Accounts subsequent to their presentation to the Committee on 7 June 2021.

2 Recommendation

- 2.1 **The Committee is asked to note this paper.**

3 Background

- 3.1 At the time that the Statement of Accounts were presented to the Committee on 7 June 2021, the audit was ongoing and there were a number of adjustments processed in the intervening period.

4 Changes Made Prior to Finalisation

- 4.1 The following adjustments and disclosure amendments were made to the accounts prior to their finalisation and approval by the TfL Board:-
 - (a) The inclusion of the Independent Auditor's Report. This was not incorporated into the draft that went to the 7 June 2021 Committee meeting as the auditors had not completed their audit work at that time.
 - (b) The Independent Auditor's Report for 2020/21 contains 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 is significant uncertainty as to the level of future longer-term 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 is not reflected in the financial statements.

- 4.2 The Independent Auditor's Report also contains a qualified conclusion in relation to the opinion on arrangements put in place to secure economy, efficiency and effectiveness of resources. This was in respect of two items:
- (a) the first is in respect of weaknesses previously identified in the application of procurement rules throughout the organisation. Although an action plan was drawn up during 2018/19 to address the weaknesses and corrective actions were complete by 31 March 2021, the actions implemented were not in place during the entirety of 2020/21; and
 - (b) 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.
- 4.3 In the remainder of the financial statements, going concern disclosures in note (d) of the Accounting Policies were updated to reflect the details of the 1 June 2021 funding arrangement agreed with the Department for Transport, and the continued uncertainty surrounding longer-term funding.
- 4.4 Minor number changes were made to the format of the Cash Flow Statements for the Corporation and Group, and to the split of revenue between component categories in the revenue note. Disclosures on Private Finance Initiative assets included with property plant and equipment in note 13 were also updated.
- 4.5 Other minor cosmetic and wording changes have also been made throughout. Appendix 1 shows all changes made to the Statement of Accounts since the version presented to the Committee on 7 June 2021.
- 4.6 On 20 July 2021, it was reported to TfL that a late audit adjustment had been made to increase the asset values of the TfL Pension Fund in the pension fund's own statutory financial statements by £75m. This increase to the scheme's asset values at 31 March 2021 was not reflected in the TfL Statement of Accounts due to the late stage at which it was identified, and the fact that the increase is not material in relation to the total asset values of the pension scheme. Had it been included, there would have been no impact on the usable reserves of the Corporation or Group.

List of appendices to this report:

Appendix 1- Tracked changes version of the Statement of Accounts against the version presented to the Audit and Assurance Committee on 7 June 2021

List of Background Papers:

None

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