

Audit and Assurance Committee

Date: 1 December 2021

Item: EY Annual Audit Report

This paper will be considered in public

1 Summary

- 1.1 To inform the Committee of the status of the Annual Audit Report issued by Ernst & Young (EY).

2 Recommendation

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

3 Background

- 3.1 For 2019/20 and earlier years, the National Audit Office's Code of Audit Practice (the Code) required auditors to prepare an annual audit letter summarises key findings from across the range of the auditor's work and responsibilities under statute and the Code.
- 3.2 From 2020/21, under the new 2020 Code, auditors are required to prepare an annual report and issue it to each audited body. The auditor's annual report brings together all of the auditor's work over the year. A core element of the auditor's annual report is a commentary on the organisation's arrangements to secure value for money through the economic, efficient and effective use of its resources

4 Update

- 4.1 EY have issued an unqualified opinion on the TfL financial statements. Their opinion, as in 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 material 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 weaknesses 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 Report 2020/21

List of Background Papers:

None

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