

Audit and Assurance Committee

Date: 21 September 2022

Item: Annual Audit Letter

This paper will be considered in public

1 Summary

- 1.1 To inform the Audit and Assurance 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.

4 Update

- 4.1 EY have issued an unqualified opinion on the TfL financial statements. Their opinion, as per 2020/21 and 2021/22, 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 2022, which are not reflected in the financial statements.
- 4.2 EY's opinion on Value for Money is qualified as without a longer-term funding agreement in place during the year, TfL was 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 was potentially not obtaining the best value for money due to a lack of clarity over long term funding. TfL has now secured a longer-term funding settlement with Government to address this issue.

- 4.3 In respect to a series of weaknesses in relation to procurement processes, corrective actions were implemented, but were not in place during the entirety of the previous financial year. EY have now completed their work and are satisfied that the weaknesses reported have been addressed in 2021/22 and therefore they have not included a reference to this point in their audit opinion.
- 4.4 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 for 31 March 2021 or 31 March 2022 due to HM Treasury delays. These procedures for 31 March 2021 are expected to be undertaken between September and November 2022 in line with the revised timetable set by HM Treasury.

List of appendices to this report:

Appendix 1: EY's Annual Audit Letter 2021/22

List of Background Papers:

None

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