Appendix 1

Transport for London

Auditor's Annual Report
Year ended 31 March 2022

March 2023

Building a better working world

Contents

Public Sector Audit Appointments Ltd (PSAA) issued the "Statement of responsibilities of auditors and audited bodies". It is available from the PSAA website (https://www.psaa.co.uk/audit-quality/statement-of-responsibilities/)).The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.
The "Terms of Appointment and further guidance (updated July 2021)" issued by the PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and in legislation, and covers matters of practice and procedure which are of a recurring nature.
This report is made solely to the Audit Committee and management of Transport for London in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the Audit Committee and management of Transport for London those matters we are required to state to them in this report and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the Audit Committee and management of Transport for London for this report or for the opinions we have formed. It should not be provided to any third-party without our prior written consent.
Our Complaints Procedure – If at any time you would like to discuss with us how our service to you could be improved, or if you are dissatisfied with the service you are receiving, you may take the issue up with your usual partner or director contact. If you prefer an alternative route, please contact Hywel Ball, our Managing Partner, 1 More London Place, London SE1 2AF. We undertake to look into any complaint carefully and promptly and to do all we can to explain the position to you. Should you remain dissatisfied with any aspect of our service, you may of course take matters up with our professional institute. We can provide further information on how you may contact our professional institute.

Section 1

Executive Summary

Executive Summary: Key conclusions from our 2021/22 audit

Area of work	Conclusion
Opinion on the Transport for London's:	
Financial statements	Unqualified – the financial statements give a true and fair view of the financial position of the Authority as at 31 March 2022 and of its expenditure and income for the year then ended. The financial statements have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22. We highlighted a material uncertainty in our audit opinion relating to the ability to operate current planned operational services within available sources of funding. We issued our auditor's report on 27 September 2022.
Going concern	We have concluded that the Statutory Chief Financial Officer's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.
Consistency of the annual report and other information published with the financial statements	Financial information in the annual report and published with the financial statements was consistent with the audited accounts.

Area of work	Conclusion
Reports by exception:	
Value for money (VFM)	We identified a significant weakness in relation to financial sustainability and therefore reported by exception on the Authority's VFM arrangements in the audit report on the financial statements. We have included our VFM commentary in Section 04.
Consistency of the annual governance statement	We were satisfied that the annual governance statement was consistent with our understanding of the Authority.
Public interest report and other auditor powers	We had no reason to use our auditor powers.

Executive Summary: Key conclusions from our 2021/22 audit

As a result of the work we carried out we have also:

Outcomes	Conclusion
Issued a report to those charged with governance of the Authority communicating significant findings resulting from our audit.	We issued an Audit Results Report dated 6 June 2022, and provided a Final Close Out Report to the Audit Committee dated 16 September 2022.
Issued a certificate that we have completed the audit in accordance with the requirements of the Local Audit and Accountability Act 2014 and the National Audit Office's 2020 Code of Audit Practice.	We have not yet issued our certificate for 2020/21 as the procedures required by the National Audit Office on the Whole of Government Accounts submission is still in progress.

Fees

We carried out our audit of the Authority's financial statements in line with PSAA Ltd's "Statement of Responsibilities of auditors and audited bodies" and "Terms of Appointment and further guidance (updated April 2018)". As outlined in the Audit Results Report we were required to carry out additional audit procedures to address audit risks in relation to management override of controls (as required by ISA UKI 240) inappropriate revenue recognition (as required by ISA UKI 2400, inappropriate capitalisation or potential impairment of capital projects including capital accruals, complexity of accounting of the Authority's property portfolios and going concern assessment. As a result, we have agreed an associated additional fee with the Statutory Chief Finance Officer. We include details of the final audit fees in Appendix 1.

We would like to take this opportunity to thank the Authority staff for their assistance during the course of our work.

Janet Dawson
Partner
For and on behalf of Ernst & Young LLP

Section 2

Purpose and responsibilities

Purpose and responsibilities

This report summarises our audit work on the 2021/22 financial statements.

Purpose

The purpose of the auditor's annual report is to bring together all of the auditor's work over the year. A core element of the report is the commentary on VFM arrangements, which aims to draw to the attention of the Authority or the wider public relevant issues, recommendations arising from the audit and follow-up of recommendations issued previously, along with the auditor's view as to whether they have been implemented satisfactorily.

Responsibilities of the appointed auditor

We have undertaken our 2021/22 audit work in accordance with the Audit Plan that we issued on 1 December 2021. We have complied with the NAO's 2020 Code of Audit Practice, International Standards on Auditing (UK), and other guidance issued by the NAO.

As auditors we are responsible for:

Expressing an opinion on:

- The 2021/22 financial statements;
- Conclusions relating to going concern; and
- The consistency of other information published with the financial statements, including the annual report.

Reporting by exception:

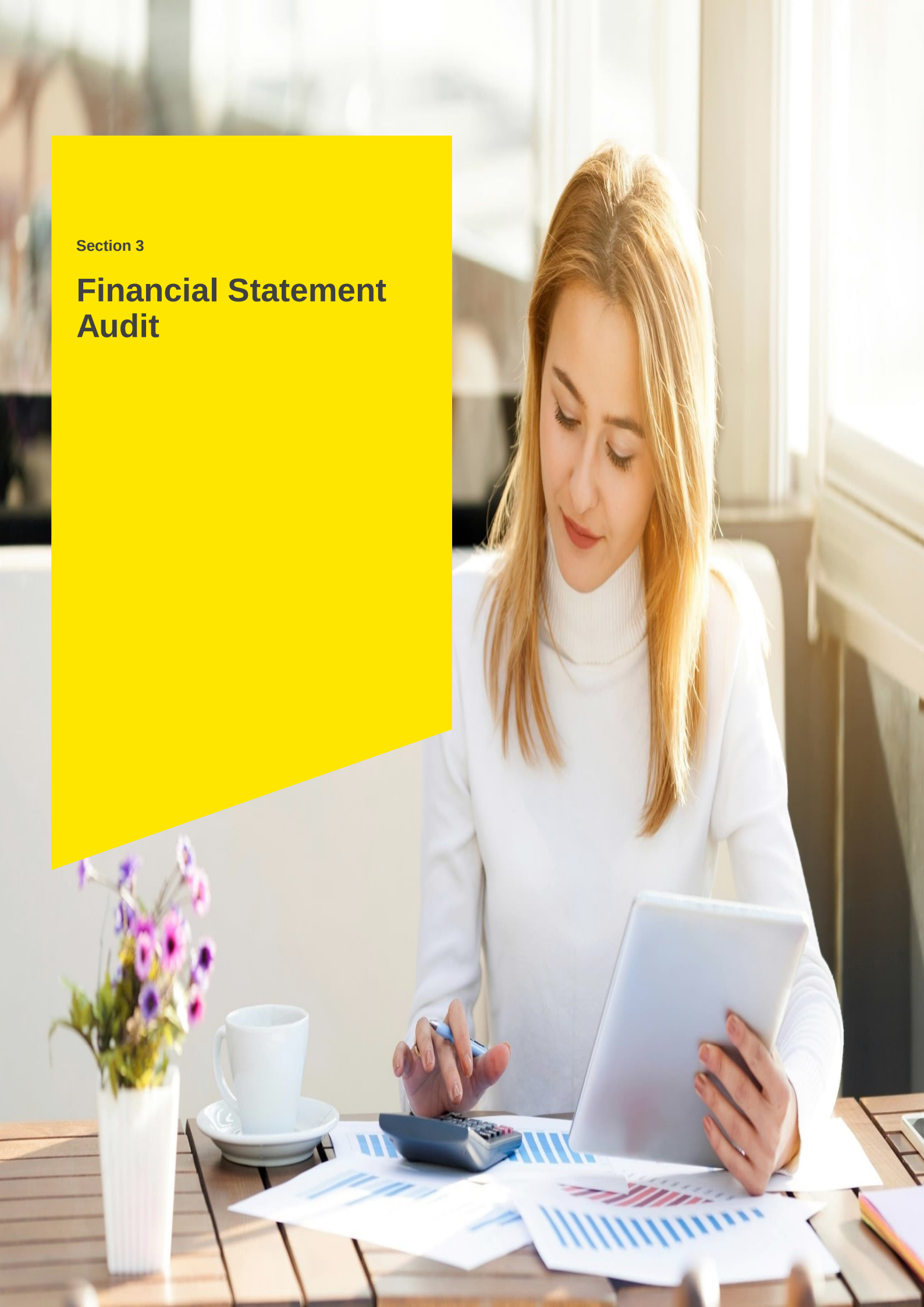
- If the governance statement does not comply with relevant guidance or is not consistent with our understanding of the Authority;
- If we identify a significant weakness in the Authority's arrangements in place to secure economy, efficiency and effectiveness in its use of resources; and
- Any significant matters that are in the public interest.

Responsibilities of the Authority

The Authority is responsible for preparing and publishing its financial statements, annual report and governance statement. It is also responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Section 3

Financial Statement Audit



Financial Statement Audit

We have issued an unqualified audit opinion on the Authority's 2021/22 financial statements.

Key issues

The Annual Report and Accounts is an important tool for the Authority to show how it has used public money and how it can demonstrate its financial management and financial health.

On 27 September 2022, we issued an unqualified opinion on the financial statements. We reported our detailed findings to the 6 June 2022 Audit Committee meeting. We outline below the key issues identified as part of our audit, reported against the significant risks and other areas of audit focus we included in our Audit Plan.

Significant risk	Conclusion
Management override of controls, required by ISA (UK and Ireland) 240 Management is in a unique position to perpetrate fraud because of their ability to directly or indirectly manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. We identify and respond to this fraud risk on every engagement under ISA (UK & Ireland) 240.	Our procedures did not identify any material misstatements in the financial statements relating to management override of controls.
Inappropriate Revenue recognition, required by ISA (UK & Ireland) 240 TfL needs to have robust controls in place to forecast and accurately recognise and report revenue in its financial statements. The significant risk only relates to the fares revenue stream. This is due to the complexity and judgements involved in the process to apportion the fares revenue recognised. In the public sector, this requirement is modified by Practice Note 10, issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition. We have not identified any specific risk areas in relation to expenditure.	We concluded that the basis on which fares revenue is recognised is in accordance with the requirements of IFRS15 – Revenue from contracts with customers as applied by the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22. The judgements made related to fares revenue in the financial statements have been appropriately described.

Continued over.

Financial Statement Audit (continued)

Significant Risk	Conclusion
Going concern, including TfL and Crossrail There is uncertainty with regards to the going concern assumption for Crossrail and TfL and carrying value of assets, should the funding requirements continue.	We have concluded that the use of the going concern basis of accounting in the preparation of the financial statements is appropriate. However, we highlighted a material uncertainty in our audit opinion relating to the ability to operate current planned operational services within the available sources of funding. This is caused by the combination of the risks and uncertainties of the following: • the "dispute mechanism" within the funding settlement agreement dated 30 August 2022, with the Department for Transport ('funding settlement') • the inflation review mechanism within the funding settlement agreement; and • the ability to delivery cost savings in addition to those already assumed in TfL's budget ('central case forecast').
Inappropriate capitalisation or potential impairment of capital projects including capital accruals TfL, TTL groups and subsidiaries undertake multiple capital projects at any one time, which vary in size, complexity and length of time to complete. In the 2021/22 financial year, TfL's capital expenditure is £1.6bn and of this amount £624m relates to Crossrail projects. There is a risk of improper capitalisation of cost (through improper calculation of the accruals or improper split between capital and operating expenditure). In addition there is a risk of potential impairment of projects as a result of funding constraints.	We are satisfied that the capitalised costs in the year meet the criteria for capitalisation of IAS16: Property, Plant and Equipment as applied by the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 and are appropriate.

Continued over.

Financial Statement Audit (continued)

Significant Risk	Conclusion
Complexity of accounting for TfL and TTL property portfolios TfL and TTL groups have extensive property portfolios, with a total book value for property of £1.7bn as at 31 March 2022 (of which £160.1m was Assets Held for Sale). Included within the portfolios are office buildings and investment properties. The unique and material nature of TfL and TTL group's property portfolios means that small changes in assumptions when valuing these assets can have a material impact on the financial statements. TfL will need to comply with the Mayor's housing programme. The Mayor has committed to prioritising affordable home delivery on surplus or under utilised owned by the GLA Group, including TfL. This might have a negative impact on the valuation of TfL's property portfolio.	We have concluded that property valuations were within an acceptable range and in compliance with IAS16: Property, Plant and Equipment and with IAS 40: Investment Property as applied by the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22. The disclosures set out in the notes to the financial statements are fundamental to users' understanding of this matter. We conclude that the balances and disclosures in the financial statements and notes appropriately reflect the risk factors identified and are in compliance with the requirements of IAS40: Investment Property as applied by the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22.

In addition to the significant risks above, we also concluded on the following areas of audit focus.

Other area of audit focus	Conclusion
Significant accounting estimates – including complexity of provisions Certain provisions (e.g. Compulsory purchase orders, litigation, claims and disputes) require complex estimates involving high levels of management judgement and uncertainty. TfL, TTL and subsidiaries have complex capital contract and commercial arrangements. A large proportion of TfL's provisions come from its capital investment activities and transformation process. In particular CPO provisions and certain contract provisions (e.g. claims and disputes) require complex estimates involving high levels of management judgement and uncertainty.	We have completed our audit procedures with no material issues. We are satisfied that the provisions made are within an acceptable range, based on the latest available information. In relation to the provisions for senior management performance award and other performance award arrangement, we have recommended the management to obtain explicit approval from the Department for Transport of these provisions in the future years.

Continued over.

Financial Statement Audit (continued)

Other area of audit focus	Conclusion
IFRS 16 Leases - Lease accounting, including the complexity of the estimating the Incremental borrowing rate (IBR) IFRS 16 was adopted for the first time in the 31 March 2020 financial statements. It requires entities to recognise a right of use asset and corresponding lease liability in its Statement of Financial Position. There are a number of judgements relating to accounting for IFRS16 assets and liabilities and an unadjusted audit difference was identified in the prior year audit which affect our risk assessment of the lease accounting in the current year. These matters will be re-assessed in the current year and any changes to contracts assessed for IFS16 accounting. Further, as with all assets, there will need to be an assessment of whether there are any impairments of these IFRS16 assets as a result of the impact of COVID-19.	Based on the review and assessment performed on the judgements involved in the lease accounting, we have noted that management has continued to utilise the same rate from the date of IFRS16 adoption for all deliveries of rolling stock in 2021/22 financial yearend accounts. This resulted to understatement in the right of use asset amounting to £51m (2020/21: £37m) and understatement of the related lease liability amounting to £41m (2020/21: £32m).
Judgemental assumptions impacting TfL's pension deficit At 31 March 2022, TfL's defined benefit pension schemes had a deficit of £3,201.5m (2021: £5,603m). The Group's balance sheet reflects the deficit from Public Sector Section of the TfL Pension Fund Scheme, Local Government Pension Fund Scheme, Crossrail section of the Railways Pension Scheme and the unfunded scheme provisions. The assumptions used to arrive at the value of the pension deficit are judgemental. The setting of these assumptions in accordance with IAS19(R) Employment Benefits will be an area of audit focus.	Our review and assessment of the assumptions used in the calculation did not result to any exceptions or adjustments relating to the actuarial valuation of defined benefit obligation of the deficit recognised as a liability in the balance sheet (retirement benefit obligation). However our review of the fair value of scheme assets, specifically of the TfL Pension Fund Scheme resulted to an understatement amounting to £14m which in turn resulted to an overstatement in the retirement benefit obligation.

Continued over.

Financial Statement Audit (continued)

Other area of audit focus	Conclusion
Climate related risks In response to increasing concerns about the impacts of climate change on the economy and financial stability, the FRC is calling for organisations to be more transparent on how they are addressing climate risk. Whilst reporting, in itself, cannot limit the effect of climate change, transparency of how organisations are responding to this risk provides stakeholders with better information and may guide how they interact with an organisation: whether it is funders deciding whether to fund; employees deciding which organisations they would like to work for; customers deciding which services to use; or suppliers deciding which organisations to sell their products/services to.	Our procedures on the disclosures on climate change consisted solely of considering whether they are materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appear to be materially misstated. As explained in the Accounting Policies in the audited financial statement of the Authority, governmental and societal responses to climate change risks are still developing, and are interdependent upon each other, and consequently financial statements cannot capture all possible future outcomes as these are not yet known.

Continued over.

Financial Statement Audit (continued)

Audit differences

We highlight the following misstatements greater than £4.6m that was identified during the course of the audit.

Factual misstatement

- Our review of the fair value of scheme assets, specifically of the TfL Pension Fund Scheme resulted to an understatement amounting to £14m which resulted to overstatement in the retirement benefit obligation. The difference is due to the audited financial statement received from TfL Pension Fund which provided the updated fair value of plan assets as at 31 March 2022.

Judgemental misstatement

- In the review and assessment performed on the judgements involved in the lease accounting, we have noted that the management has continued to utilised the same rate from the date of IFRS16 adoption for all deliveries of rolling stock in 2021/22 financial yearend accounts. This resulted to understatement in the right of use asset amounting to £51m (2020/21: £37m) and understatement of the related lease liability amounting to £41m (2020/21: £32m).

Reclassification misstatements

We also noted the following reclassification misstatement identified during the course of the audit and as part of the pre-issuance review procedures.

- We identified as part of our testing of the provision that the reported insurance claims amounting to £10m was presented as net of the other provision, hence we proposed an adjustment to reclassify the insurance claims from provisions to receivables.
- We noted that grant receipt in advance was not presented in line with CIPFA Code of Practice on Local Authority Accounting ("CIPFA Code"). Therefore adjustments were proposed to reclassify from £40m of short term and £11m of long term creditor balance to the respective short term and long term grant receipt in advance account.
- We noted that the rental income from investment property was reported under cost of service line instead of the financing and investment income and expenditure lines. The CIPFA Code requires that the financing and investment income and expenditure includes income and expenditure in relation to investment properties. We proposed a reclassification of the rental income and expenditure amounting to £74m and £40m, respectively, from the gross income and expenditure line of other segments to the financing and investment income and expenditures lines.

The above identified factual, judgement and reclassification misstatements were not corrected by the management.

Continued over.

Audit differences (continued)

As part of our audit, we also highlighted the following identified misstatements in the disclosures in the financial statement, which management corrected.

Corrected misstatement in disclosures

- The Comprehensive Income and Expenditure Statement was not entirely in accordance with the CIPFA Code. The CIPFA Code requires gross income, gross expenditure, and net expenditure to be analysed by service using the same structure as the expenditure and funding analysis and to include costs. The Code also requires that each service segment to include charges for the use of its non-current assets and employee benefit accrued costs. The gross income and expenditure are not expected to be the same as internal management reports which exclude these items.
- The format of the Group Movement in Reserves Statement did not comply with the requirements of the CIPFA Code. The “Adjustments between group accounts and authority accounts” and “Net increase or decrease before transfers” were missing.
- The format of the Group Movement in Reserves Statement did not comply with the requirements of the CIPFA Code. The “total reserves of the authority” and “authorities share of the reserves of subsidiaries, associates and joint ventures” were missing.
- The format of the expenditure and funding analysis (EFA) note did not comply with CIPFA Code. The Code requires the EFA note should show a.) Net expenditure chargeable to the GF under statute analysed by segment; b) Other income and expenditure chargeable to the general fund and c) Surplus/deficit for the general fund.
- As per the CIPFA Code and the Audit and Accounts Regulations 2015, required remuneration disclosures must be included in the notes to the Statement of Account. The note cross refers to the Remuneration Report.
- There should be no adjustments relating to group members in the line in the Group Movement in Reserves Statement for adjustments between the accounting basis and the funding basis (except in the case where the group member is specifically within the scope of the statutory arrangements permitting or requiring a reversal. CIPFAs Guidance on Accounting for Collaboration in Local Government states that in applying an authority’s accounting policies to group members, it is not expected that adjustments will be made for the statutory reversals that only the authority is permitted to make.
- The Capital Financing Requirement (CFR) balance in the sources of finance did not reconcile to the movement in the CFR.

Continued over.

Audit differences (continued)

Uncorrected misstatement in disclosures

- Incorrect disclosure concerning the revaluation of the newly created investment property is accounted for in the investment property note instead of the property, plant and equipment note.
- The disclosure concerning the non-separation of infrastructure assets and office buildings. Infrastructure assets are a separate class of asset from office buildings as noted in CIPFA Code. The property, plant and equipment movements are required to be analysed by each class. Therefore, infrastructure should be separately identified from “office buildings” in the note. The related error in the note is affecting the property, plant and equipment and right of use assets.
- The disclosure relating to the transfer of investment property to assets held for sale amounting to £6.8m is against CIPFA Code which states that investment property which subsequently meets the criteria to be classified as held for sale shall continue to be accounted for as investment property but may be reported separately as investment property held for sale. The Code Guidance Notes also states that investment property held for sale can either remain within the investment property total in the balance sheet or be separately identified on the balance sheet as held for sale investment property. Investment property held for sale should not be transferred to assets held for sale.
- Non-disclosure of items income, expenses and gains/losses by category of financial statement in the funding and risk management note. The CIPFA Code requires additional disclosure of items of income, expense and gains/losses by category of financial instrument either on the face of the financial statements or in the notes.
- Credit risk section of the funding and financial risk management is not in line CIPFA Code which requires that changes in the loss allowance should be explained by way of a reconciliation from the opening to closing balance by class of financial instrument and type of credit loss.
- The split of total assets in the schemes under the pensions note does not fully comply with the CIPFA Code which requires equity and debt instruments to be segregated by geography, industry or issuer type. The disclosure should also note whether the disaggregated plan assets are quoted or not.
- The accounting treatment of the repayments of loans to subsidiaries in the capital expenditure analysed by source of finance note is not in line with the CIPFA Code requirements.

Continued over.

Our application of materiality

When establishing our overall audit strategy, we determined a magnitude of uncorrected misstatements that we judged would be material for the financial statements as a whole.

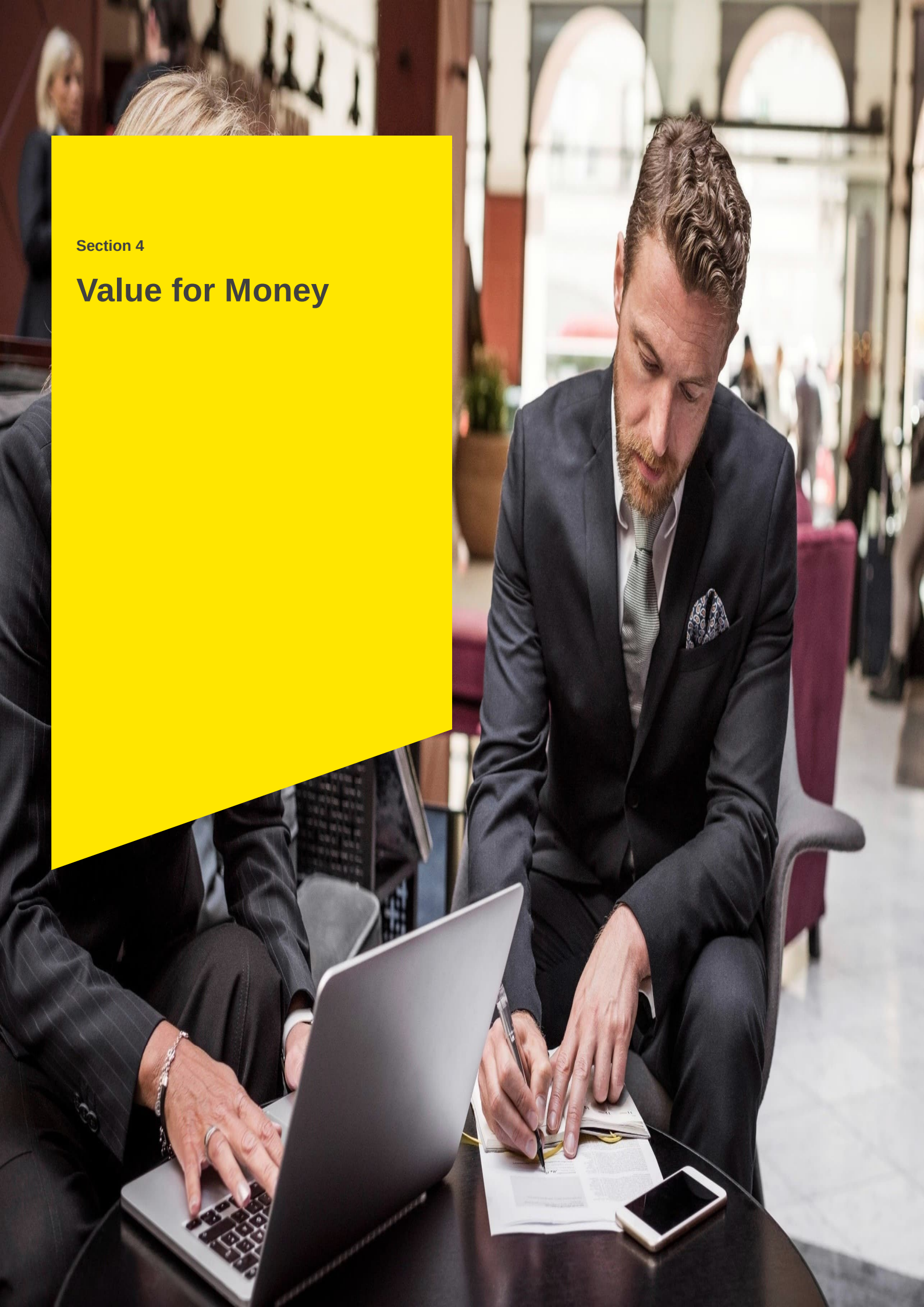
Item	Thresholds applied
Planning materiality	We determined planning materiality to be £92.5m as 2% of gross revenue expenditure reported in the accounts. We consider gross revenue expenditure to be one of the principal considerations for stakeholders in assessing the financial performance of the Authority.
Reporting threshold	We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £4.6m.

We also identified the following areas where misstatement at a level lower than our overall materiality level might influence the reader. For these areas we developed an audit strategy specific to these areas. The areas identified and audit strategy applied include:

- Remuneration disclosures including exit packages: We audited all disclosures and undertook procedures to confirm material completeness. Refer to the corrected misstatement in disclosure section above for the details of the findings noted.
- Related party transactions. We audited all disclosures and undertook procedures to confirm material completeness

Section 4

Value for Money



Value for Money (VFM)

We identified risk of significant weakness in the Authority's VFM arrangements for 2021/22.

Scope and risks

We have complied with the NAO's 2020 Code and the NAO's Auditor Guidance Note in respect of VFM. We presented our VFM risk assessment to the 6 June 2022 Audit Committee meeting which was based on a combination of our cumulative audit knowledge and experience, our review of Authority and committee reports, meetings with the Statutory Chief Finance Officer and evaluation of associated documentation through our regular engagement with management and the finance team. We identified a risk of significant weakness in the Authority's VFM arrangements in relation to Financial Sustainability: *How the body plans and manages its resources to ensure it can continue to deliver its services* and Improving economy, efficiency and effectiveness: *How the Authority uses information about its costs and performance to improve the way it manages and delivers its services.*

We had matters to report by exception in the audit report.

Reporting

We completed our VFM arrangements work on 27 September 2022 and identified a significant weakness in the Authority's VFM arrangements in relation to Financial Sustainability. We reported this matter by exception in the audit report on the financial statements. Further details were provided in the Audit Results Report.

Meanwhile, the significant weakness identified in 2020/21 in relation to Improving economy, efficiency and effectiveness was fully remediated by the Authority during the financial year 2021/22, therefore no matter by exception was reported in the audit report on the financial statement.

We include within the VFM commentary below the work we performed during the 2021/22 audit, our conclusion and the associated recommendation we have agreed with the Authority.

Our VFM commentary highlights relevant issues for the Authority and the wider public.

VFM Commentary

In accordance with the NAO's 2020 Code, we are required to report a commentary against three specified reporting criteria:

- Financial sustainability
  How the Authority plans and manages its resources to ensure it can continue to deliver its services;
- Governance
  How the Authority ensures that it makes informed decisions and properly manages its risks; and
- Improving economy, efficiency and effectiveness:
  How the Authority uses information about its costs and performance to improve the way it manages and delivers its services.

Introduction and context

The 2020 Code confirms that the focus of our work should be on the arrangements that the audited body is expected to have in place, based on the relevant governance framework for the type of public sector body being audited, together with any other relevant guidance or requirements. Audited bodies are required to maintain a system of internal control that secures value for money from the funds available to them whilst supporting the achievement of their policies, aims and objectives. They are required to comment on the operation of their governance framework during the reporting period, including arrangements for securing value for money from their use of resources, in a governance statement.

We have previously reported the VFM work we have undertaken during the year including our risk assessment. The commentary below aims to provide a clear narrative that explains our judgements in relation to our findings and any associated local context.

The Authority does not have the proper arrangements on financial sustainability that we would expect to see to enable it to plan and manage its resources to ensure that it can continue to deliver its services.

Financial sustainability

During 2021/22, short term funding agreements were in place between the Authority and the Department for Transport (DfT). The focus on short-term funding restricted the Authority's ability to make progress on and commit to key long-term capital and service priorities set by policy makers, and therefore the Authority was at risk of making short-term decisions. The Authority did not have arrangements in place to obtain value for money due to lack of clarity of long-term funding agreements going forward. As such, significant weakness was identified with regards to how the Authority plans and manages its resources to ensure it can continue service delivery. This is explained in detail below.

How the body ensures that it identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them

The Authority's Finance Committee focuses on general financial oversight, the Authority's revenue generation (fares, ticketing, commercial development and other income generation) as well as advising the Board as appropriate on matters relating to the business plan, budget, borrowing, treasury management and prudential indicators. The Finance Committee prepares and presents to the Board a Finance Report on a periodic basis which sets out the Authority's financial results for the period and year-to-date and assesses this against the approved budget for the year.

Financial sustainability (continued)

The Authority does not have the proper arrangements on financial sustainability that we would expect to see to enable it to plan and manage its resources to ensure that it can continue to deliver its services.

How the body ensures that it identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them (continued)

The Authority is committed to managing risks through its Risk Management Policy that may impact the achievement of the objectives outlined in the Business Plan and the Mayor's Transport Strategy. The Authority commitments include regularly identifying, assessing, monitoring, mitigating and reporting threats and opportunities impacting the achievement of objectives to inform decision-making at all levels of the organization. This includes identifying any significant financial pressures that the Authority is facing which would affecting the short and medium-term plans of the Authority. In addition to this, the Authority receives a Risk and Assurance Annual Report which was issued by the Risk and Assurance Directorate which provides an overview of the work carried out by the Directorate, and other activities during the year. The report provided and opinion on the overall framework of the Authority's governance, risk management and internal control for the year. The reports highlight key Enterprise Risks that may affect the short and medium-term plans of the Authority.

How the body plans to bridge its funding gaps and identifies achievable savings

The Authority have in place procedures and processes in order to bridge its funding gaps and identifies achievable savings. The Authority currently maintains a periodic (monthly) and quarterly reporting on financial performance and planning to a Finance Committee which enables the Authority to identify gaps in funding and monitor progress against the revised budgets and agreed saving targets. The quarterly reporting highlighted performances of all income sources and includes savings in costs achieved by the operating divisions of the Authority.

The recent pandemic resulted to significant financial pressures to the Authority in delivering its services and achieving its short and medium-term plans. The Authority entered into an Extraordinary Funding and Financing Arrangement with the DfT in order to meet their obligations to the public. The Finance Committee reports on the Authority's progress against financial commitments under the terms of Extraordinary Funding and Financing package agreed with DfT.

Financial sustainability (continued)

How the body plans to bridge its funding gaps and identifies achievable savings (continued)

As part of the Extraordinary Funding and Financing package agreed with DfT and in order to monitor this significant financial pressure, the Authority has established an Oversight Group, chaired by the DfT, which has equal representation from DfT and the Authority. The objectives of this Group is to oversee progress of the measures agreed in the extraordinary funding and financing package, to work collaboratively to determine how conditions are being met and to consider proposals for resolution where necessary. The Oversight Group is a working level group which monitors conditions directly impacting this deal and progress towards longer term commitments.

The Authority does not have the proper arrangements on financial sustainability that we would expect to see to enable it to plan and manage its resources to ensure that it can continue to deliver its services.

How the body plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities

The Authority has a vision and a long-term strategic plan which articulates how it will deliver the Mayor's Transport Strategy and the needs of its stakeholders. Key priorities in the Mayor's Transport Strategy include creating healthy streets and healthy people, creating a good public transport experience and delivering new homes and jobs. The Authority translates this into a balanced emergency budget which is submitted to the GLA to assist with funding negotiations.

The unprecedented Covid-19 pandemic significantly impacted the organisation's ability to execute its activities. The Authority's significant exposure to changes in demand due to its high fixed costs and dependence on fares revenue have meant that it is particularly susceptible to economic and other demand shocks.

During 2020/21, 2021/22 and recently in 2022/23, the Authority has secured a series of Extraordinary Funding and Financing Agreements from the Secretary of State, as set out in the Narrative Report, which gave it secure access to funding in the form of a mixture of Government grant and borrowing from the Public Works Loan Board.

On 30 August 2022, the Authority's Board approved a long term 20-month funding settlement with the DfT, which is significantly longer than any of the Authority's previous settlements during the pandemic. This funding settlement provided £1.2bn of Government funding along with the guaranteeing of passenger revenue over the period to 31 March 2024, but is subject to a number of conditions.

Financial sustainability (continued)

How the body plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities (continued)

Significant weakness identified:

Though a 20-month period funding agreement was agreed by the Authority and DfT, this still restricted the Authority's ability to make progress on and commit to key long-term capital and service priorities set by policy makers, and therefore the Authority was at risk of making short-term decisions.

Without continuous, stable investment to operate and maintain the Authority's existing network, its ability to make longer-term decisions, negotiate longer term deals with suppliers or contractors, and identify synergies and cost saving opportunities is restricted, and its performance may decline.

The Authority does not have the proper arrangements on financial sustainability that we would expect to see to enable it to plan and manage its resources to ensure that it can continue to deliver its services.

On the date of the signing of the Annual Report and Statement of Accounts, the Authority did not have arrangements in place to obtain value for money due to lack of clarity of long-term funding agreements going forward. As such, a significant weakness is identified with regards to how the Authority plans and manages its resources to ensure it can continue service delivery.

How the body ensures that its financial plan is consistent with other plans such as workforce, capital, investment, and other operational planning which may include working with other local public bodies as part of a wider system

The Authority's financial plans include reporting on a wider areas as part of its mechanisms for monitoring the achievement of targets for each of the key performance areas and against conditions set out in funding arrangements with DfT.

The Authority produced a Business Plan which sets out how the Authority will achieve the Mayor's Transport Strategy. The most recent Business Plan for 2020/21 to 2024/25 released in December 2019 details plan for the continual improvement on the efficiency and productivity in the delivery of services. The plan also sets to improve the experience of working with the Authority through ensuring an inclusive, safe and secure workplace environment. Highlighted in the business plan are details of building financial sustainability, maintaining a sustainable capital plan including assets and investment priorities and prudent borrowings. The business plan also tackles the impact of climate change and what's the Authority's plan in response to it.

Financial sustainability (continued)

How the body ensures that its financial plan is consistent with other plans such as workforce, capital, investment, and other operational planning which may include working with other local public bodies as part of a wider system (continued)

The Covid-19 pandemic has continued to have a significant impact on Authority's operational activities and its finances. In January 2021, the Authority submitted a Financial Sustainability Plan to Government as part of the process for securing a long-term funding settlement. The Financial Sustainability Plan set out the details of the proposals to address the financial sustainability challenge. The plan also set out the interventions and actions the Authority needs to take to move towards financial sustainability for actioning after the Financial Sustainability Plan is submitted.

The Authority does not have the proper arrangements on financial sustainability that we would expect to see to enable it to plan and manage its resources to ensure that it can continue to deliver its services.

How the body identifies and manages risks to financial resilience, e.g. unplanned changes in demand, including challenge of the assumptions underlying its plans.

The Authority's Enterprise Risk management system sets out the Authority's main strategic risks and mitigations, with more detailed risk registers held throughout the Authority and reflected in individual staff objectives. The Authority reviewed all Level 0 Enterprise and Level 1 Strategic Risks as a result of the changes brought on by the coronavirus pandemic and each of these has been reviewed by the Executive Committee and the relevant Board Committee or Panel throughout the year, with the exception of Financial Sustainability (ER7), as this risk has been the subject of ongoing discussions and negotiations throughout the year. The Audit and Assurance Committee maintains overall responsibility for scrutinising the Authority's approach to risk and receives reports to each meeting. The Finance Committee scrutinises the Authority's financial performance and reports on this to the Board.

In response to the ongoing impact of the Covid-19 pandemic on the Authority's finances, several rigorous cost control and scrutiny measures were refined during the year. The Authority has also continued to embed the Authority's Health, Safety and Environment management system and has continuous improvement plans in place to enhance the system and strengthen the maturity of compliance.

Governance

For 2021/22, The Authority has had the arrangements we would expect to see to enable it to make informed decisions and properly manage its risks.

How the body monitors and assesses risk and how the body gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud

The Authority's attitude towards business risk is documented in its operational Risk Management Policy which includes managing risk and assuring controls consistently as set out in their Enterprise Risk Management Framework. The policy highlights the regular identification, assessing, monitoring, controlling, mitigating and reporting inefficiencies impacting the achievement of objectives to inform decision-making at all levels of the organisation. As well as consideration of risks throughout the business planning process.

The Authority have a well implemented Internal Audit function which has responsibility for providing assurance in respect of corporate governance and risk management across all members and constituent parts of the Authority's group. The Internal Audit team has the appropriate skills and experience and considering the nature, size and complexity of Authority group, the scope of the Internal Audit function appears appropriate. The Audit and Assurance Committee, on behalf of the Board, reviews the authority, scope of work and resources of Internal Audit on a regular basis to confirm these remain appropriate. As an independent and objective third line of defence review and support activity, Internal Audit makes recommendations for the improvement of internal control and risk management. There is a process to monitor management's actioning of control recommendations raised by Internal Audit which is closely monitored by the Audit and Assurance Committee at each meeting, where management is challenged if deadlines are missed.

The Authority has had the arrangements we would expect to see to enable to make informed decisions and properly manage its risks.

The Authority has strong controls surrounding fraud. Fraud risk workshops are conducted to target Internal Audit work, and these have assisted with the development of fraud detection procedures. The work is performed by Internal Audit whereby half-year and full-year fraud reports are produced and provided to the Audit and Assurance Committee to be reviewed as part of the overall Risk Management review process. The Authority has an Anti-fraud and corruption policy which has been approved by the Board and the Audit and Assurance Committee. The Authority has an active counter-fraud department and instances of fraud are published within the Authority to act as a deterrent.

Governance (continued)

How the body approaches and carries out its annual budget setting process

As with local authorities, the Authority is a relevant authority for the purposes of Part VIII of the Local Government Finance Act 1988 and is obliged to produce a balanced annual budget. The budget is balanced against a series of factors and risks, including passenger demand, lifespan of the Authority's assets and the evolving political landscape. The Mayor and the Assembly are also obliged to produce a balanced budget pursuant to Section 85 of the Greater London Authority (GLA) Act. The budget is submitted to the Mayor of London and goes through a consultation process together with all the other functional bodies, the result of which then forms the final approved consolidated budget.

The Authority has had the arrangements we would expect to see to enable to make informed decisions and properly manage its risks.

Under the GLA Act, it is the duty of the Mayor of London and the Assembly to prepare and approve the budgets of the GLA and the functional bodies (including the Authority). The Mayor will prepare the draft budgets and submit them to a public meeting of the Assembly for consideration and approval. The Mayor determines Authority's budget, for each financial year, having consulted the London Assembly.

The Authority's Business Plan and Investment Programme is approved by the Board and sets out how the Authority intends to implement the Mayor's Transport Strategy over the period covered by its funding settlement with DfT. It sets out the projects and programmes to be delivered, how they will be funded, and outcomes to be achieved. The targets set out in the budget are measured against the three key themes of the Mayor's Transport Strategy, which are healthy streets and healthy people, a good public transport experience, and new homes and jobs.

How the body ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information (including non-financial information where appropriate); supports its statutory financial reporting requirements; and ensures corrective action is taken where needed.

Periodic finance and performance reports are prepared which show both financial and operational performance and these are presented to the Authority's Finance and Policy Committee and the Board. Authority's annual accounts are prepared in line with the Code of Practice on Local Authority Accounting in the United Kingdom which is based upon IFRS.

Governance (continued)

How the body ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information (including non-financial information where appropriate); supports its statutory financial reporting requirements; and ensures corrective action is taken where needed (continued)

At the end of every quarter, each business unit completes a Business Management Review (BMR) outlining the position of the business unit and how it is performing compared to budget. Senior Reporting Accountants prepare a Performance Report which documents variances against budget. Reviews are then held with the Finance Director and associated action plans are compiled and approved. The report and action plan are then communicated to the Managing Director for further discussion and final approval as part of the BMR. Meetings of the Finance Leadership team involve the Finance Directors from across the business units and the Group Managing Director.

The Authority has had the arrangements we would expect to see to enable to make informed decisions and properly manage its risks.

There is effective, two-way communication between those charged with governance and its internal and external auditors. EY provides appropriate levels of communication on its auditing responsibilities and around significant matters relating to financial reporting, including communications between management and those charged with governance, and external communications, such as those with regulatory authorities. The Audit and Assurance Committee drives the system of internal control and has overall responsibility for reviewing the Internal Audit function; its audit plan and scope, findings and monitoring management responses.

How the body ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency. This includes arrangements for effective challenge from those charged with governance/audit committee

Published Board papers and minutes evidence the challenge made by non-executive members and the transparency in decision making. Further, any meeting of the Authority's Board, committees and/or panels are held in public and anyone is welcome to attend, except where private, personal or specific financial information is to be discussed.

The Authority’s Standing Orders (published on the Authority's website) lay down the decision-making structure and proceedings, together with the Scheme of Delegation. In line with Good Corporate Governance Practice, the Authority reviews the effectiveness of its Board and decision-making structure periodically.

Governance (continued)

How the body ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency. This includes arrangements for effective challenge from those charged with governance/audit committee (continued)

The Authority has had the arrangements we would expect to see to enable to make informed decisions and properly manage its risks.

The Audit and Assurance Committee meets quarterly and is comprised of appropriately skilled and experienced members, has clear terms of reference which emphasises the Committee's role in the relevant aspects of governance, internal control and financial reporting. Other committees of the Authority's Board includes the following:

- Finance Committee which advise on and assist the Board with issues relating to financial matters including income generation and, in particular, provide advice in relation to Authority's Business Plan, the Authority's Group Budget, Prudential Indicators, and changes in the organisational structure.
- Land and Property Committee which give guidance on strategic direction on behalf of the Authority and ensure alignment between the vision, purpose and corporate plans relating to land and property development including the activities of the Authority and its subsidiaries.
- Programmes and Investment Committee which advise on and assist the Board with issues relating to the Authority's overall Investment Programme matters.
- Remuneration Committee which keep an overview of the Authority's reward and remuneration policies and its arrangements for talent management and succession planning.
- Elizabeth Line Committee which is a special purpose Committee established as part of the transition of the Crossrail Project to the Authority to simplify decision making and provide assurance and oversight for the Authority's Board on the completion and close out of the Crossrail Project and the opening of the Elizabeth line.

The Authority's Board also has a Customer Service and Operational Performance Panel which advises on all matters relating to the Authority's customer service and operational performance as well as a Safety, Sustainability and Human Resources Panel which advises on all matters relating to safety, sustainability and Human Resources, in particular: (a) health, safety and environment (HSE) matters including compliance and assurance; (b) resilience; (c) human resource issues across the Authority, including equality and diversity and apprenticeship and graduate programmes; and (d) responsible procurement.

Governance (continued)

How the body monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of officer or member behaviour (such as gifts and hospitality or declarations/conflicts of interests).

The Authority has an in-house legal team to advise on legal requirements as appropriate. The Authority also has the committees in place to discuss any pending issues regarding laws and regulations and the relevant action plans in response to these identified issues.

From a financial perspective, the Audit and Assurance Committee is responsible for ensuring that the Authority prepares its annual accounts and other published financial reports in accordance with all relevant legislation and accounting standards. The Board devolves much responsibility to the Finance Committee and approval for the Business Plan, Group Budget and Annual Accounts of the Authority is delegated.

The Authority has had the arrangements we would expect to see to enable to make informed decisions and properly manage its risks.

The Authority, in compliance with the GLA Act, keeps a register of interests for its Board Members. In compliance with Company Law, Secretariat keeps a register of interests of the Directors. The central register has been extended to cover all senior staff which is defined as Chief Officers and their direct reports except support staff. The register of interests is updated by the Company Secretariat who emails a form to be completed by the officers on a bi-annual basis. Any new starters of the relevant status will be asked to provide on entry on their appointment and thereafter will be included in the half-yearly update.

Declarations of interests of all Board members are available to view on the Authority's website. For all staff, other than senior managers as defined above, modes/directorates are required to maintain local registers of interests and of the receipt of gifts and/or hospitality on a modal/directorate basis. Modes/directorates mirror the centralized arrangement with regards to the Register of Interests i.e. creating entries and every six months the entries will be re-circulated and staff will be asked to confirm that it is still correct or provide amended details. Staff who do not currently have an entry are reminded on a half-yearly basis of the need to register an interest that has recently arisen.

A register of gifts, interest and hospitality is maintained for all board members and chief officers and is published on the Authority's website. Individual declarations of interest at meetings are stated in the Board minutes.

Improving economy, efficiency and effectiveness

How financial and performance information has been used to assess performance to identify areas for improvement.

The key measure of financial performance that is important to the Authority management is expenditure outturn against budget. Whilst also monitoring performance, the Authority's priority is to deliver the business plan priorities and the Mayor's Transport Strategy within the set budget, as efficiently as possible.

Quarterly performance reports are completed that show both financial and operational performance and these are sent to the Greater London Authority and presented to the Finance Committee and the Board. These compare year-to-date divisional performance against budget and prior year and explain key variances. Periodic Finance Reports are also produced, but not always published externally unless required for a Board or Committee meeting.

The Authority has had the arrangements we would expect to see to enable it to use information about its costs and performance to improve the way it manages and delivers services.

At the end of every quarter, each business unit completes a Business Management Review (BMR) outlining the position of the business unit and how it is performing compared to budget. Senior Reporting Accountants prepare a Performance Report which documents variances against budget. Reviews are then held with the Finance Director and associated action plans are compiled and approved. The report and action plan are then communicated to the Managing Director for further discussion and final approval as part of the BMR. Meetings of the Finance Leadership team involve the Finance Directors from across the business units and the Group Managing Director.

The Authority's Code of Governance is organised into six sections to reflect the six core principles of the CIPFA/SOLACE framework. The sections are Leadership, Relationship, Management, Standards of Conduct, Risk Management, Capacity development and Public Accountability. There is an annual review of performance against the Code of Governance, the results of which are presented to the Audit and Assurance Committee. As part of the review, progress against the Governance Improvement Plan is assessed and the Improvement Plan for the coming year is presented.

How the body evaluates the services it provides to assess performance and identify areas for improvement

The Authority has arrangements to assess performance through its performance management system, ongoing review of project and programme delivery and through a series of performance indicators covering the main activities of the Authority. The Authority produce quarterly progress reports to the Board on the operation and financial performance of the Authority, and on the delivery and budget performance of the Authority Investments Programme.

Improving economy, efficiency and effectiveness (continued)

How the body evaluates the services it provides to assess performance and identify areas for improvement (continued)

The Authority has established the Advisory Panels (i.e., Customer Service and Operational Performance Panel and Safety, Sustainability and Human Resources Panel) on a standing basis. The Customer Service and Operational Performance Panel advises on all matter relating to the Authority's customer service and operational performance while the Sustainability and Human Resources Panel advises on all matter relating to compliance and assurance, resilience, human resources and responsible procurement.

The Authority also have the Audit and Assurance Committee who reviews the effectiveness of the system of internal controls and considered fraud and risk management issues and ensures that the Authority prepares its Annual Statement of Accounts and other published financial reports in accordance with all relevant legislation and accounting standards.

The Authority has had the arrangements we would expect to see to enable it to use information about its costs and performance to improve the way it manages and delivers services.

How the body ensures it delivers its role within significant partnerships, engages with stakeholders it has identified, monitors performance against expectations, and ensures action is taken where necessary to improve

The Authority conducts, at least annually, a review of the effectiveness of its governance framework including the system of internal control, which is reported to the Audit and Assurance Committee. There is also an annual Board Effectiveness Review. The Authority continually reviews the effectiveness of its governance arrangements, including all aspects of the Authority's operations including its relationships with its group entities.

The Authority has a transparency strategy and publishes a substantial amount of information. It engages with stakeholders and partners through consultation and its work with London Councils and individual boroughs. It cooperates with appropriate organisations to ensure there is independent scrutiny of its financial and operational reporting processes

In terms of monitoring performance, the Authority's quarterly performance report and other key quarterly reports submitted to Committees and Panels track the Authority's activities in terms of key performance indicators and delivery of the Mayor's Transport Strategy. These reports also highlights remedial actions taken when the Authority do not meet expectations or slippage occurs.

Improving economy, efficiency and effectiveness (continued)

How the body ensures that commissioning and procuring services is done in accordance with relevant legislation, professional standards and internal policies, and how the body assesses whether it is realising the expected benefits.

The Authority strives to conduct all its procurement and contracting activities efficiently, to the highest ethical standards and in compliance The Authority's Procurement and Contracting Policy supports the organisation's commitments to achieving best value for money for procurement at all goods, works and services throughout the business. This policy applies to all the Authority's staff, including non-permanent, consultancy and contracted staff working on behalf of the Authority.

The Authority has had the arrangements we would expect to see to enable it to use information about its costs and performance to improve the way it manages and delivers services.

The Authority have published rules and procedures with respect to the conduct expected from everyone who works for the Authority who is involved in purchasing goods, services or works, which are set out in the Authority Management System. These have been developed to support and facilitate compliance with applicable laws and regulation as well as with internal Authority policies and governance as set out in Authority's Standing Orders and supplementary guidance documents. The Standing Orders define the levels and allocation of authority for approvals of financial and procurement or contractual commitments.

The Authority have a professional Procurement and Supply Chain team (P&SC) that is accountable for procurement and contract management activities on behalf of the organisation, taking into consideration business needs, affordability and supplier market capability. Business areas have a responsibility to provide operational contract management. The Authority's standard approach will be to assess affordability on a whole life cost basis.

In 2019/20, the Authority through the internal audit identified a series of weaknesses with the application of procurement rules throughout the organisation. The procurement arrangements were not being followed in all cases, leading to a significant amount of single source tender arrangements and other contracting arrangements that may not have provided value for money. An action plan was drawn up by the Authority to address the weakness identified. Implementation of this action plan commenced during 2019/20, but corrective actions were only completed by 31 March 2021 and those that were implemented were not in place during the entirety of financial year 2020/21. As a result, we identified a significant weakness with regards to how TfL plans and manages its resources to ensure it can continue service delivery in 2019/20, 2020/21 and 2021/22.

Improving economy, efficiency and effectiveness (continued)

How the body ensures that commissioning and procuring services is done in accordance with relevant legislation, professional standards and internal policies, and how the body assesses whether it is realising the expected benefits (continued).

As part of our work in value for money and our audit strategy in response to the identified significant weakness, we performed the following procedures and reported the results of our procedures below.

The Authority has had the arrangements we would expect to see to enable it to use information about its costs and performance to improve the way it manages and delivers services.

- We inquired with the management and performed assessment of control environment around the Procurement and Supply Chain of the Authority and we identified that the management and that those charged with governance has oversight on the issue and improvement plans was initiated to address the significant weakness.
- We verified and assessed the details of the improvement plans on the procurement arrangement and determined whether the improvement plans addressed the identified significant weaknesses in the procurement process. Our procedures confirmed that the improvement programmes set and implemented were to address the identified significant weakness.
- We tested the controls where the improvement plans were implemented with specific focus on single source tender arrangement and competitive arrangements and assessed the results of these control testing. We have not noted exceptions from the testing performed.
- We also reviewed and assessed the results of internal audit reports relating to Procurement and Supply Chain and verified the exceptions highlighted by the report were already being addressed by the improvement plans implemented.

Based on the procedures performed above, we assessed that the Authority have remediated the significant weakness identified in the procurement arrangement and has implemented its action plans during the financial year, Therefore, the significant weakness on procurement arrangement was lifted in financial year 2021/22 and no matters by exception relating to the Improving economy, efficiency and effectiveness criteria was reported in the audit report in the financial statement.

VFM Commentary (continued)

The Authority has agreed to a recommendation which we will follow up as part of our 2022/23 VFM arrangements work.

Recommendations

As a result of the VFM procedures we have carried out we have agreed the recommendation below with the Authority:

We note that a funding settlement has been agreed on 30 August 2022, which provides more certainty over funding levels until 31 March 2024. However, as noted in the material uncertainty paragraph above, we draw your attention to note d) of Accounting Policies, which indicates that there is a material uncertainty relating to TfL's ability to deliver current planned operational services within available sources of funding.

We recommend that management agree a long term plan for future capital and service investment, beyond 31 March 2024, as soon as practicable, in order to allow TfL to put in place arrangements to plan and manage resources to ensure value for money.

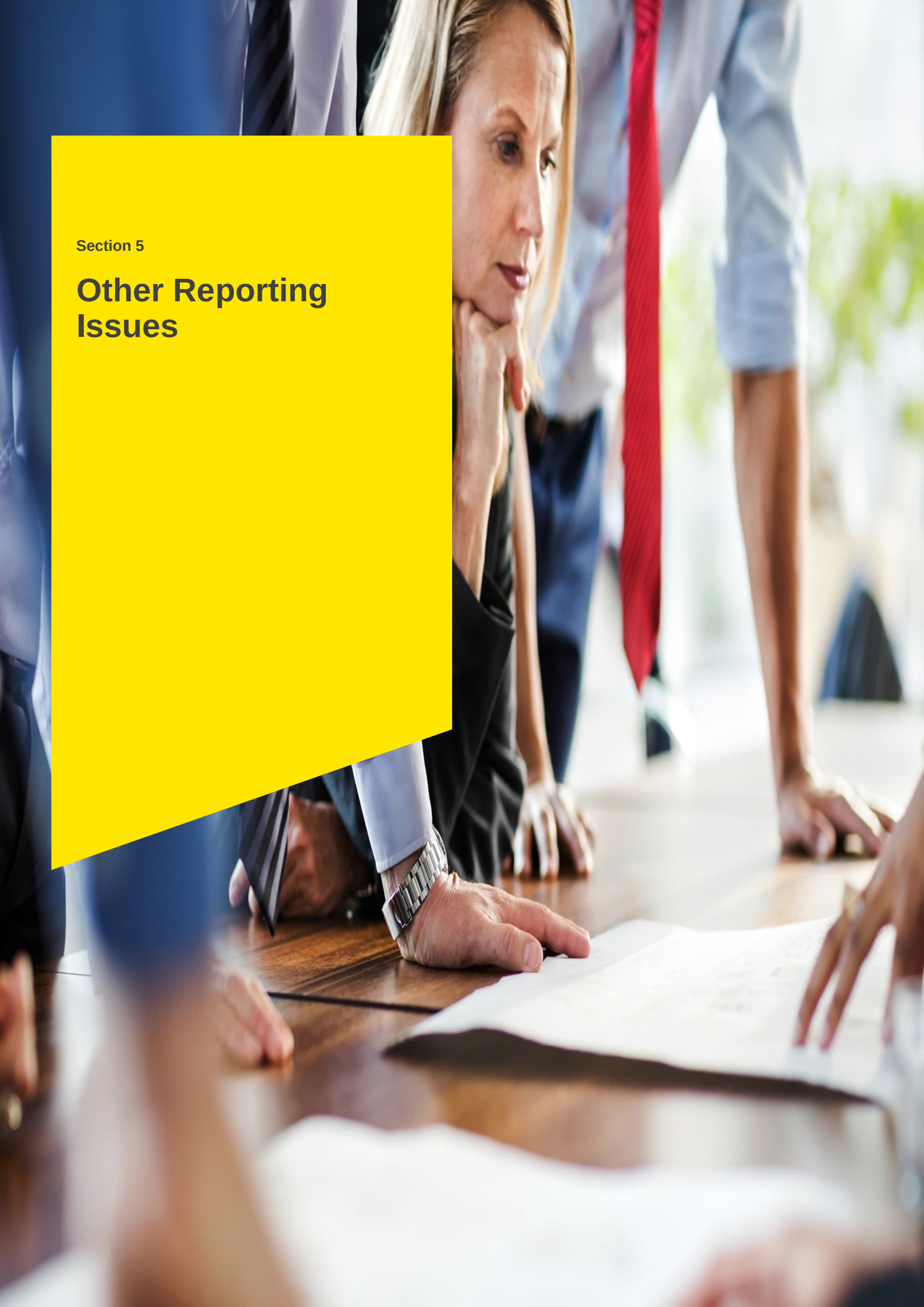
The Authority faces further challenge and change beyond 2022 which will form part of our 2022/23 VFM arrangements work.

Forward look

Looking forward to 2022 and beyond, the assurance whether the Authority will reached financial sustainability at the end of the 20-month funding settlement with DfT, is still uncertain. Further, additional funding arrangement for long term plan for future capital and service investment beyond 31 March 2024 is still undeterminable which would impact the delivery of services and carrying out the Mayor's Transport Strategy.

Section 5

Other Reporting Issues



Other Reporting Issues

Governance Statement

We are required to consider the completeness of disclosures in the Authority's governance statement, identify any inconsistencies with the other information of which we are aware from our work, and consider whether it complies with relevant guidance.

We completed this work and did not identify any areas of concern

Whole of Government Accounts

We have not yet completed the procedures required by the National Audit Office (NAO) on the Whole of Government Accounts consolidation pack submission. The guidance for 21/22 has been issued, however the work related to Whole Government Accounts is still in progress. We will liaise with the Authority to complete this work as required.

Report in the Public Interest

We have a duty under the Local Audit and Accountability Act 2014 to consider whether, in the public interest, to report on any matter that comes to our attention in the course of the audit in order for it to be considered by the Authority or brought to the attention of the public.

We did not identify any issues which required us to issue a report in the public interest.

Other powers and duties

We identified no issues during our audit that required us to use our additional powers under the Local Audit and Accountability Act 2014.

Control Themes and Observations

As part of our work, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed. Although our audit was not designed to express an opinion on the effectiveness of internal control, we are required to communicate to you significant deficiencies in internal control identified during our audit.

Our audit did not identify any controls issues to bring to the attention of the Audit Committee.

Appendix A

Audit Fees

Audit Fees

The table below sets out a summary of the fees that you have paid to us in the year ended 31 March 2022 in line with the disclosures set out in FRC Ethical Standard and in statute. As at the date of this report, there are no future services which have been contracted

Description	Final Fee 2021/22 £	Planned Fee 2021/22 £	Final Fee 2020/21 £
Audit fees			
Scale fee under PSAA Contract for TfL Group and Corporation (1)	120,062	120,062	120,062
Audit fees outside the PSAA Contract (2)			
Transport Trading Limited 2021/22	1,581,919	1,266,544	1,391,613
Transport Trading Limited Properties 2021/22	50,000	50,000	-
Crossrail Limited 2021/22	130,000	130,000	125,000
Non-audit work (3)			
Agreed upon procedures	27,871	N/A	34,500

(1) For 2021/22, the scale fee has been re-assessed to take into account a number of risk factors which includes procedures performed to address the risk profile of the Authority and additional work to address increase in Regulatory standards. Any additional fee for 2021/22 is to be discussed with management and remains subject to approval by PSAA Ltd.

(2) These are audit fees for the statutory audit of the financial statement of each entities. The audit performed in the related individual entities forms part of the amount reported in the statement of account of TfL Group. Note the increase compared to the planned fee and prior year relates to additional work required in areas such as going concern, given the changing position with respect to funding agreements and passenger fares post Covid-19 pandemic.

(3) We confirm we have undertaken any non-audit work. The agreed upon procedures relates to the procedures performed for the Office of Rail and Road Returns and 3emotion Grant Claim.

We have adopted the necessary safeguards in our completion of this work and complied with Auditor Guidance Note 1 issued by the NAO.

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Ernst & Young LLP

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